

# Insights

December 2009



## Welcome to the latest edition of MGI Insights

Within this newsletter we provide you with a brief update of happenings and events at MGI and some thoughts on the current economic climate and its impact on our clients.

### Have we dodged all the bullets?



We are rapidly nearing the end of what has been a very volatile year in many different ways. The share markets in Australia and internationally have been through a “roller coaster” ride. There has been a significant fallout or “clean-out” in the financial services sector. Our Government has supported and pump primed our economy with various initiatives including bank guarantee support, cash handouts and tax incentives. More recently we have seen a dramatic increase in residential property prices in Melbourne and our currency has nearly reached parity with the US dollar.

As we approach year end the talk of recession has been replaced with economic recovery. In this context, it seems that Australia is the lucky country and has dodged many of the bullets that have struck other countries. But is this the case?

While a level of optimism has returned to the business world, many commentators and business people are asking whether the recovery has been too rapid. Will there be a correction, will population growth continue to fuel demand for residential property prices? These are challenging questions, but the one most often asked of us at the moment is – where can I access capital or debt funding to support business growth?

The relative ease with which debt funding could be accessed over the past decade seems to be a thing of the past – the money supply has dried up and the banks no longer seem interested in the size of their share of the SME market.

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## Have we dodged all the bullets?

The major banks may say they are still “open for business” but they are very selective in regard to the business they are open for. Bricks and mortar security again seems to be a prerequisite for new lending. Cash flow lending is mostly off the menu and at least one major bank has ceased invoice financing.

While the banks are still happy to finance residential property, businesses are being strangled for funds.

This trend has seen businesses turn to alternate forms of funding, including private equity funding, to fill the gap that the withdrawal of debt funding has left. While private equity funding is expensive and often intrusive, it may now be the only option many businesses will have to fund growth – especially for strategic acquisition.

Some businesses will choose not to grow if it requires them to take on an equity partner. In many cases this stance will result in lost opportunity.

We have an extensive network of debt and capital providers and welcome the opportunity to assist our clients in their pursuit to obtain appropriate funding for their businesses in these challenging times.

We would like to take this opportunity to congratulate our clients and contacts on enduring the challenges of the last 12 to 18 months and to wish you all the best for the festive season and the coming year.

**Joff Macleod** Managing Director

## MGI Happenings

### Bruce McMenamin appointed as Principal

We are very happy to announce that Bruce McMenamin has recently joined our firm. Commencing his professional career in 1971, Bruce worked with two Chartered Accountancy firms before starting his own practice in 1980.

In 1987, he merged his practice with Evans Partners which later became known as Horwath (Victoria). While at Horwath, Bruce developed his client advisory practice until 2001, when he established and grew Horwath's Corporate Advisory Division (HCA) into one of Melbourne's leading corporate advisory groups targeting the middle market investment sector. When he left in 2007, the Division comprised 18 professionals and offered a full range of business transactional services such as due diligence, valuations, experts' reports, and mergers and acquisitions advice. While at HCA, Bruce successfully advised and assisted many companies with their IPO's, mergers, acquisitions and divestments.

Bruce left Horwath to work with one of his long standing clients prior to joining us, and returning to the accounting profession.

Bruce has a long association with MGI as he has known and worked with members of the MGI National Executive for over twenty years.

With over 37 years of accounting and advisory experience, which includes compliance accounting, management, taxation, strategic and corporate advice, combined with a personable and proactive approach, Bruce makes a valuable addition to our team.

### Andrew Hirst joins MGI Melbourne

We are also pleased to advise that Andrew Hirst has joined our tax team in Melbourne.

Andrew spent the first half of his career in the Tax Division of Ernst & Young's Sydney office. Since mid-2005 he has been with MGI Sydney; dealing with strategic tax planning for individuals and privately held businesses. Andrew has also focused on domestic and international structuring opportunities for investment from and into Australia.

Andrew joined MGI Melbourne in March 2009 and is a member of our in-house team dedicated to tax structuring and advice. As a fellow of the Tax Institute of Australia, Andrew is also a member of the Institute's Victorian Education Committee.

## All in the Family

MGI is proud to again be sponsoring the MGI Australian Family and Private Business Survey undertaken by the RMIT University based in Melbourne – this will be the seventh in the series. This survey has become an authoritative resource in the field of family and privately-owned business research; with each study adding new and important findings about what makes this vital segment of the Australian economy tick. The MGI Family and Private Business Survey is the longest running longitudinal study of its kind in Australia.

Each survey in the series has focussed on different issues impacting Australian family and private businesses. Over 5,000 business around Australia have been invited to participate. This particular survey will investigate the levels of awareness in these businesses of effective management and governance practices, how ready they are for the introduction of the Federal Government's Carbon Pollution Reduction Scheme (CPRS) legislation, and how these businesses have weathered the impact of the Global Financial Crisis.

The results of the survey will be aggregated into a report which will be made available

for public use in early 2010. As with previous surveys the results will also be reported in academic and professional publications.

Copies of the MGI 2006 Family and Private Business Survey can be viewed online at [www.mgiaust.com/publications/MGI%20Survey%20book.pdf](http://www.mgiaust.com/publications/MGI%20Survey%20book.pdf)

If you would like to receive an electronic copy of the 2010 report when it becomes available, please contact Cathy Loschiavo on (03) 9521 3000.



## Client Profile Ken Grenda

### Family business owner turns author

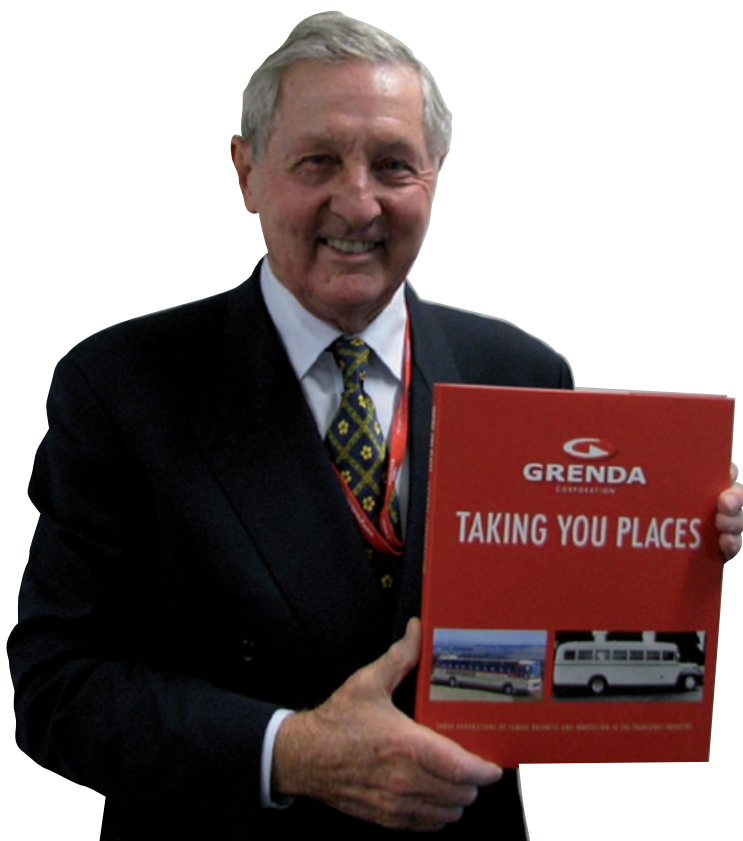
Family businesses often have a fascinating story to tell – combining all the personal highs and lows in the lives of a family with the achievements and challenges involved in building a successful business.

The story of the Grenda Group is a great example – how three generations of the Grenda family built a business from one milk carrying truck into bus operating and manufacturing businesses involving over two thousand employees.

The story is colourfully told by Ken Grenda in his new book “Grenda Corporation – Taking you places”. Ken wrote the book to record a history of the business for the people who have contributed to its success over many decades. For those who know Ken it is no surprise that much of the emphasis of the book is on people – employees and the numerous members of the Grenda family who have operated and managed the business, including the current leaders, Ken’s sons Geoff and Scott, and everyone – family and non-family – who has supported management through both good and trying times.

Ken’s book is a most interesting read, not only for the story of one particular business, but also as a reflection of the social, economic and political background in which it evolved, starting with the arrival of Ken’s grandfather in Australia as a 23 year old migrant from East Prussia in 1878.

The book is a great legacy for future generations of Grendas, and may well inspire other family business owners to record the history of their own businesses for their families.



## MGI Melbourne Events

### Dalliance With Dali

MGI Melbourne clients were invited to attend the first Salvador Dali retrospective ever to be staged in Australia at the National Gallery of Victoria (NGV). As the sixth exhibition in the Melbourne Winter Masterpieces series, Salvador Dali: Liquid Desire brought together more than 200 works in all media including painting, drawing, watercolours, etchings, sculpture, jewellery, movies and photography.



The Persistence of Memory, Salvador Dali

Around 200 MGI Melbourne staff and clients had the opportunity of getting up close and personal with Dali. Following a black ant pattern stencilled on the floor of the various exhibit rooms, attendees were challenged by Dali's artistic journey through various artistic approaches until his arrival as a leader of the Surrealist Movement.

The gathering provided MGI Melbourne's Managing Director, Joff Macleod, with an opportunity to acknowledge the support of clients, particularly in the current economic climate. Sue Prestney, Principal, provided an update on MGI Melbourne's activities for the last 12 months.

While some people pondered on the intellectual processes behind Dali's lobster-handled telephones, melting pocket watches, and shoe-shaped hats, there was no denying everyone felt their dalliance with Dali was another successful MGI Melbourne function.

## 2009 MGI Melbourne Golf Day

The 10th MGI Melbourne Golf Day was held in February this year. As in the past, once again in 2009, we were delighted to support our chosen charities, Ardoch Youth Foundation and Lighthouse Foundation.



L-R Vicken Medzoian, John Smith, Alison Mitchell and Peter Mitchell – Winning Team



L-R Peter Gillon, Barry Dally, Philip Hocking and Brad Reid



L-R Joff Macleod, Alan Bennett, Patrick Nalty and Geoff Grenda



L-R Jim McKay, Bernard Tanner and Chris Box



L-R David Porter, Bruce Brooks with Kingston Heath's golf pro



L-R Ian Cover, Matthew Young, Phil de Fégely and Rod Slattery

## Charity work

### RACV energy breakthrough

MGI Melbourne is proud to sponsor Glendal Primary School for their entry in this year's RACV Energy Breakthrough.

The RACV Energy Breakthrough is an exciting program designed to provide opportunities for students, teachers, parents and local industry to work together to design and construct a vehicle, a machine or innovation in technology that will represent an "energy breakthrough". The program encourages participants to examine and use the latest technology while considering its impact on the environment and the way people live locally and globally. The RACV Energy Breakthrough is not just a once-a-year event!

School groups work throughout the year to design, build and test vehicles or machines within detailed specifications. It requires a team effort and an across-the-curriculum approach. These groups then bring their vehicles and machines to Maryborough in November, for a huge celebration in which they can demonstrate and trial them in action.

The RACV Energy Breakthrough is a joint initiative of the Country Education Project, the Central Goldfields Shire Council and the Royal Automobile Club of Victoria (RACV).



### Kindergarten kids delighted by mini-railway adventure!

With the generous sponsorship and volunteering support of BW Capital and Balwyn Rotary, a very unique excursion for over 40 children from two of Ardoch's partner kindergartens, was held at the Box Hill Mini-Railway on Wednesday, 26th August.



## Upcoming events

On Tuesday, 1 December MGI Melbourne hosted a Boardroom session designed to help us understand the implications of carbon pollution reduction schemes and our obligations now and in the future with regard to Greenhouse Gas Emissions.



We were joined by Rob de Fégely who presented the broader aspects of natural resource management and why environmental credits are so important, followed by James Saunders who presented on The Carbon Economy and its Effects on Business.



We are planning to hold similar sessions during next year and if you would like to register your attendance please contact Cathy Loschiavo on (03) 9521 3000.

A date to remember  
**Tuesday 23rd  
March 2010**

The 12th MGI Melbourne  
Golf Day will be held  
on Tuesday, 23rd March  
2010 at Kingston Heath.  
Make sure that you  
mark this date in your  
diary. Invitations will  
be sent shortly.

## Matches And Hatches

Recently we have had a flurry of good news about MGI staff getting married or having babies.

Congratulations to the following staff:

- Emma Whiteside on her marriage to Matt Newton on 15th November
- Krystal Habermann on her marriage to Brendan McMillan on 20th November
- Cathy Loschiavo on her marriage to Sergio Uliana on 20th February 2010
- Victoria Hind and partner, Kane Sherwell, who are expecting their first baby in early January 2010
- Sharyn and Andrew Frawley, who are expecting their first baby in April 2010

## Services – the personal touch

When managing your personal and business affairs there may be times when it is does not make economic sense to use the assistance of your accountant. But you still need to have confidence your business and investment paperwork is under control and properly administered. Our team of professional bookkeepers provides a value for money alternative.



Proficient in industry accepted accounting packages such as MYOB and Quicken as well as BankLink and Praemium, our bookkeepers are able to assist in organising your business accounts, recording transactions for your Self Managed Super Fund, preparing your BAS statement ready for accountant sign-off or generally putting your accounts in order for your external accountant.

**MGI Melbourne has also developed its Family Office to service the complete needs of family members as their lives transition away from the family business. While we are able to provide family wealth advisory and management services, our family office service also includes:**

Financial accounting and reporting

- Administration services such as typing, organising meetings and diary management
- Property services
- Accounting compliance and taxation
- Family constitution and succession planning
- Superannuation and estate planning
- Philanthropic services

MGI Melbourne's Family Office is an effective way of ensuring the family's affairs are handled in a professional and confidential manner. The Family Office team is sympathetic to the particular needs of families and has extensive experience in advising family groups and high net worth individuals. Our aim is to take the stress and complexity out of this management process.

- Dani Di Blasio can be contacted
- on (03) 9521 3000 for further
- information about MGI's
- bookkeeping or Family Office
- services.