The world's most inspiring accountants

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Taggart & Partners

The difficult decision that saved this business from going under

Taggart & Partners is a single director firm with a team of eight, based in Brisbane, Australia, that has helped a client:

- Save a profitable business from going under when a new venture failed
- Cut their tax bill by 55%, from $250,000 to $114,000
- Repay $500,000 owed to creditors
- Buy a house for the first time

"I cannot imagine running a business without their support," says the client. "They go way above and beyond a regular accountancy firm."

Background information

The client is a unique, award-winning cocktail bar in Brisbane, Australia. Founded in 2003, it was the first of its kind in the city and has proved to be an extremely popular concept. The business currently employs seven people and turns over in the region of $1.5 million.

The situation at the start

In 2008, after trading successfully for five years, the business owners decided to diversify and open a luxury restaurant and nightclub together with a local celebrity chef. The chef had no funding to open his own restaurant but there were very few establishments of this kind in the city so it seemed an ideal opportunity to fill a gap in the market.

However, the business owners…

- Did very little research into the viability of the new business
- Had little or no experience in the restaurant industry
- Didn't seek out any business advice before launching and had no cashflow forecasts and no fit-out budget

The chef himself had no business experience but nonetheless, the two business partners each contributed $500,000 to set up the new venture.

By 2010, the restaurant was employing a team of 35 with a turnover in the region of $1.1 million, and a trading loss of $517,000.

The time and energy the business owners put into the new business meant that they had lost focus on their core business, the cocktail bar, and it had started to experience difficulties.

Most of the initial $1 million investment had gone and the owners were relying on loans from family to fund the business. They also owed $250,000 in tax.

Not surprisingly, they were finding the situation extremely stressful with no idea what to do for the best.

How their accountants helped

This was how Raymond Taggart found things when he first became their business advisor.

"Neither of the two partners had fully appreciated the potential impact that the launch of the restaurant business would have on so many fronts," he comments. "Once they realized that not only was the new venture in trouble, but that all their hard work building the core business into a thriving success was also in jeopardy, the stress they found themselves under was unimaginable."

Raymond started by helping them to regain focus and control of the core business and also made systematic efforts to mitigate the losses incurred by the restaurant operation.

As well as the unpaid tax bill, trade creditors exceeded $500,000 so the most pressing issue was to organise a payment plan. "We negotiated payment arrangements with their outstanding creditors and also negotiated a highly favourable agreement with the Australian Taxation Office to reduce the debt by 55% to just $114,000," Raymond explains.

"We then worked with the client to establish a 3-way business plan and a cash flow forecast and helped them to restructure the management team. We undertook a full review of the business model including the menu offering, the number of nightly covers, opening hours etc. with the aim of migrating away from the highly unprofitable, expensive degustation menu and trying to return the restaurant business to profitability."

Unfortunately, what became apparent to Raymond as a result of the review was that the restaurant simply wasn't viable. The kind of clientele they needed just didn't fit the demographics of the location.

"It's always an incredibly difficult conversation to have with people who have made a significant financial and emotional investment in a business venture. It's very hard for them to accept that they may have made a mistake," Raymond says.

"Part of our role was to show the client the impact of not cutting their losses and what the worst case scenario looked like. We were able to draw on our experiences of working with other restaurants to highlight the risks involved.

"In the end, the scenario planning made the decision something of a 'no-brainer' when it became obvious that prolonging the new business venture would ultimately mean sacrificing the hard work that had gone into building up the cocktail bar.

"Ultimately the client saw our role as not simply that of their accountant, but also as a trusted business advisor who had their best interests at heart. We reassured them every step of the way that if they followed our advice, we could rescue the core business from bankruptcy."

While this was not the outcome they had hoped for when they embarked on their new venture, the business owners recognized that closing it down was the best option.

The difference it made

Once the decision was made to close the restaurant and nightclub, Raymond and the business owners were able to focus on the profitability of the cocktail bar. As a result it now runs far more efficiently and has the same level of turnover with a team of seven as when it employed 18.

How it made them feel

Raymond adds, "It was a huge relief for the business owners to be able to pay off creditors and repay the loans from family members. We're also in the process of working with one of the partners, who has led the recovery of the business, to facilitate and negotiate the exit of the other business owner. And for her, the peace of mind knowing that the cocktail bar is on a solid foundation matters just as much as the financial side."

And the final piece of good news is that the remaining business owner has been able to buy her own house – something that would have been unthinkable just a few years ago.

"Undoubtedly the best book ever on how accountants are making a massive difference to themselves, their families, team members and their clients."

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