



# Weathering the storm

ADVISORY

No matter how difficult the economic environment is, companies that look forward can weather the storm and emerge stronger.

- We deal with the fundamental problems and quick fixes are not always the appropriate solutions.
- We have people on the ground with real experience in dealing with crisis situations.
- Whether you are a borrower, a creditor or an investor, we can help you.

In the current turbulent times, the situation may change dramatically from one day to the next. Therefore, it is critical to not only act fast, but also to anticipate problems.

This requirement for fast action does not mean that less analysis is needed. You still need to obtain the full picture and an in-depth understanding of the situation in order to develop a proactive response. KPMG can help you build that picture.



# KPMG's Advisory professionals can work with you to address the following issues:



Are you facing liquidity or debt servicing problems?

*Evija Miezite*

We help investors, creditors and other companies to develop, negotiate and implement a credible and realistic debt restructuring plan and identify the changes necessary for success. Our initial quick assessment of the situation focuses on the analysis of the company's cash position, historical and projected financial results and key management and operational issues. It allows the company's ability to pay debts going forward to be determined, stabilisation activities to be initiated and further analysis and restructuring to be planned. Later, we help the company or its creditors to create a robust restructuring proposition and act as a facilitator between various stakeholders in the restructuring process. This is a key strength of KPMG.

Do you need refinancing or new financing?

*Aivars Jurcans*

Currently, when most of the financing sources dry up, it is essential to understand who can provide you with new funds and those financiers' requirements. Even in difficult situations we can assist you in defining possible new lenders/investors or re-negotiating debt terms with your existing ones. Our review of your business, performed with a specific focus on the ability to repay debt in a timely manner, can assist you in developing an appropriate financing structure. Based on this, we will help you negotiate with new potential financiers identified through our extensive network of contacts including different debt and equity investors, distressed assets funds and other specialised finance providers.

As a lending bank, do you need clarity over the financial position of a prospective borrower?

*Stephen Young*

Our refinancing due diligence service for lending banks provides independent insight in order to obtain comfort and clarity over the financial position and cash flows of an existing or prospective borrower. Our services are tailored to your requirements and will cover the profile of and obligations under current loans and other debt, the degree of compliance with covenants, the current financial position and underlying profitability, relationships with key counterparties, the existing cash controls and an understanding of the treasury management systems.

Do you suspect fraud within your organisation or are you involved in legal disputes?

*Stephen Young*

In times of distress, increasing financial pressures can drive unethical behaviour in the form of financial misstatement, manipulation of the accounts, or fraud, including the diversion of assets. In the Baltics, many companies' sales growth has outpaced their capacity in internal controls making these risks are all too real.

We can draw on our forensic accounting and investigation skills to trace complex financial transactions, underlying assets and counterparties to identify opportunities for recoveries. A crisis can also lead to legal proceedings as companies get into difficulty or disagreement over contracts, valuations and claims. We can provide a rigorous and objective evaluation of a potential claim, based on extensive dispute resolution experience and industry knowledge, and assist you in defending your position.

Do you feel that your tax burden is unreasonably excessive?

*Steve Austwick*

In times of economic distress, cash becomes a very scarce and vitally important resource for everyone. The advantage often goes to those companies which are able to manage their cash flows efficiently. This implies timely implementation of tax-efficient strategies in respect of M&A deals, asset sales, financing strategies, restructuring programmes, as well as everyday business activities. KPMG's Tax team provides tailor-made advice on various tax-related issues.



Do you need to optimise costs and the financial position of your company?

*Matthew Hadley*

When companies start to reduce costs and cash outflow they may cancel investment projects, reduce headcount, lower production and delay payments to suppliers. However, additional opportunities can be found to reduce costs and cash outflow if you thoroughly examine your company's business processes. Together with your staff, we will analyse all processes starting from the purchase of raw materials to the delivery of finished goods.

Are you going to buy or sell a distressed company?

*Aivars Jurcans*

The current market conditions dictate a swifter response by buyers and sellers. KPMG has created streamlined 'Express' M&A and 'Express' due diligence processes focusing on the speed of situation analysis and execution as the key value drivers. In relation to the disposal of non-core assets, our advice includes identification of such assets through a feasibility study, followed by a market analysis to identify the demand for these assets, and a high-level pricing analysis. These first steps are then followed by a streamlined M&A Express execution. We have the experience and resources to enable M&A deals to be planned and closed with maximum speed and control, and minimum disruption and value leakage.

Do you plan to close a subsidiary or file for bankruptcy of your debtor?

*Steve Austwick  
Una Petrauska*

In crisis times companies often decide to exit certain product or geographical segments (e.g. by winding down subsidiaries), or use insolvency proceedings in relation to their debtors or parts of their own business group. We can help you in planning and managing the many significant commercial, legal and tax aspects of both wind-downs and insolvencies in order to minimise the risks and optimise the returns for your business.

Are you a financial institution who is worried about not managing your risks properly?

*Stephen Young*

During a period of income instability, it is vital to focus on methods of preventing possible losses from operations on financial markets. This problem may be approached by developing an effective risk management system aimed at limiting the organisation's risks. We have considerable experience in the field of risk management and assist financial institutions and companies in diagnosing the quality and reliability of credit and market risk management systems, improve the methodology of risk calculation as well as internal risk management procedures. Implementing best practice methodology we can help you to stabilise income in an unstable financial environment.

Do you have problems with financing the operation cycle of your organisation and have unexpected gaps in your liquidity?

*Matthew Hadley*

Effective working capital management and accurate cash flow forecasting helps you to realise the internal potential of your company to find additional liquidity which is vitally important under the current economic conditions. We will assist you in identifying the key issues in your company's inventory, work-in-progress, account receivables and payables and together with you, formulate the measures to help optimise your working capital needs and increase the liquidity of your company.



## We have the experience. In Latvia.



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