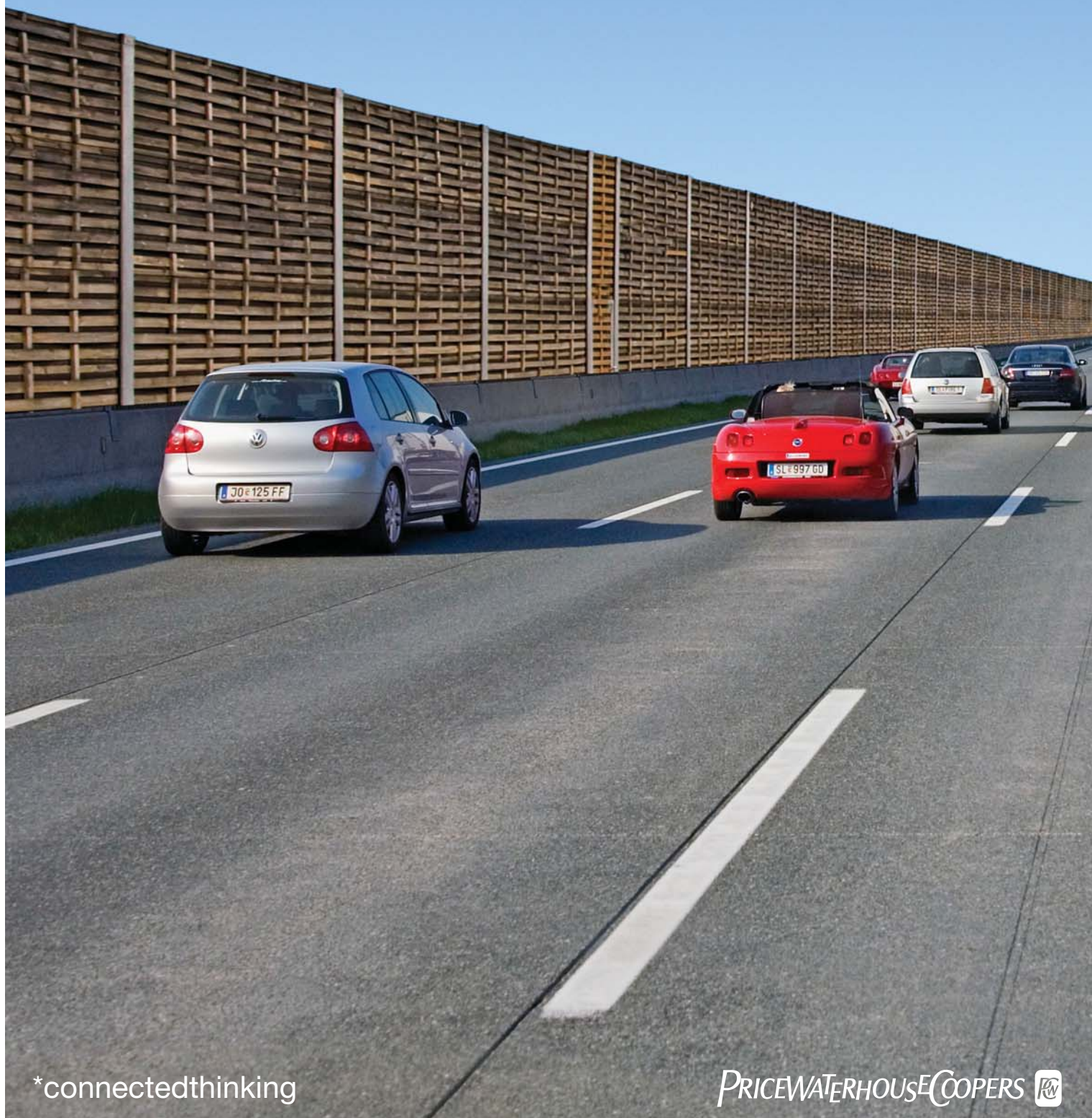
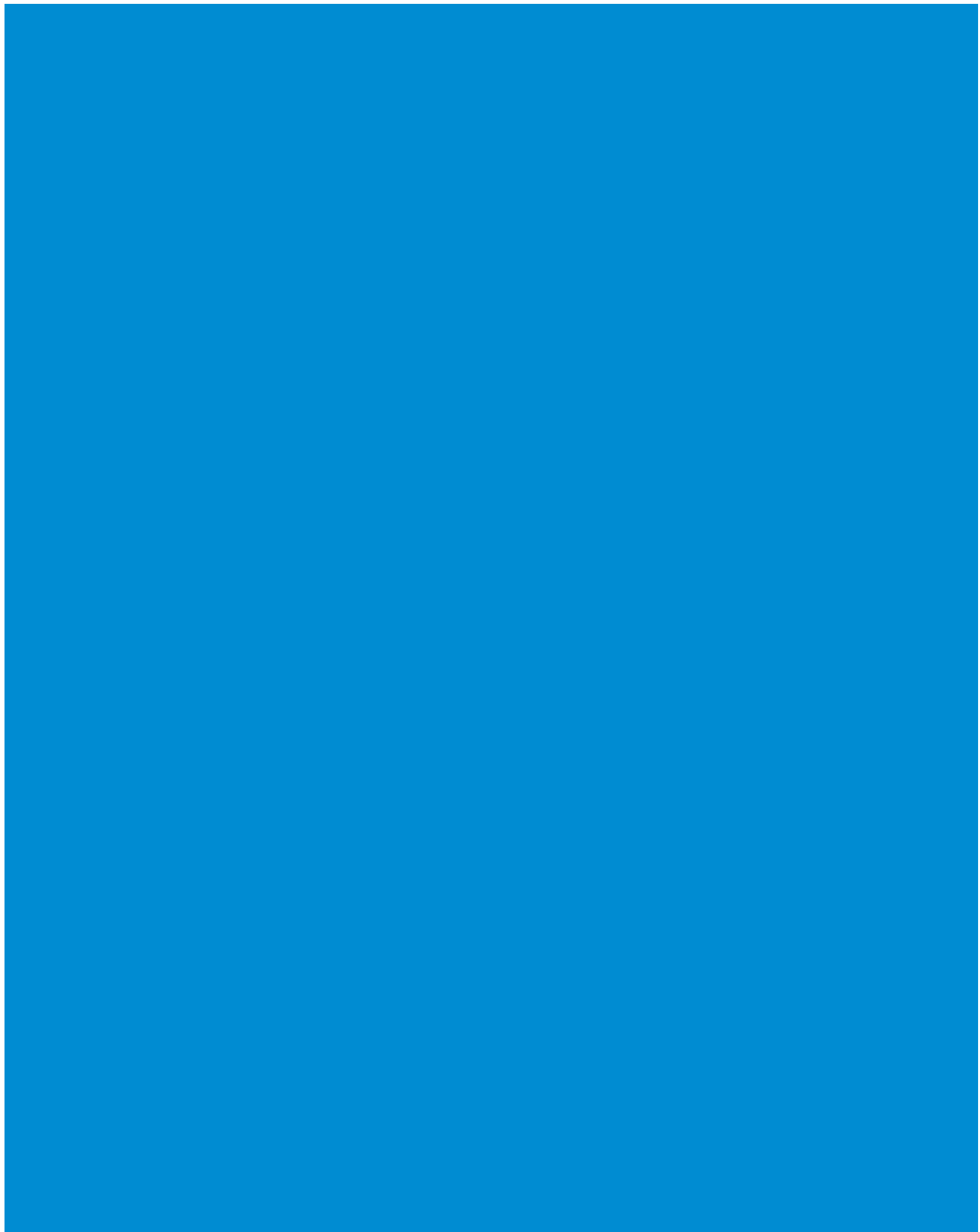


Cash Accelerator*

Driving effective cash optimisation
on a sustainable basis





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A photograph showing the wake of a boat on a blue sea. In the foreground, a small flag with a red and gold pattern and a green and white section is mounted on a silver pole. The number '01' is overlaid on the left side of the image.

01

“Firms that remain standing through a brutal recession will be those that have taken the phrase ‘cash is king’ to heart”

The Economist, 22/11/08

01 Profits are opinion, cash is fact

The world has changed, and changed abruptly. After several years of stable and benign economic conditions characterised by mild inflation, a favourable interest rate environment, easy liquidity and strong consumer sentiment, the current credit crisis has shaken financial markets, undermined consumer and investor confidence, and is threatening economies around the world.

Ever since the credit crisis began in July 2007, banks worldwide have reported more than \$500 billion in losses and asset write-downs. In a period of just two weeks, the year-long credit crisis led to the bankruptcy, take-over and government bailout of several stalwarts on the financial services landscape. These events have raised serious concerns about other financial institutions and have exacerbated fears about the stability of financial markets in general.

From a macro-economic standpoint, the credit crisis is rippling rapidly through the global economy with consumer demand being the first point of impact. This, in combination with continued volatility in energy prices, rising unemployment and a dramatic slowdown in the housing market, is expected to reduce economic growth for the next several quarters to come. Companies across a broad range of industry sectors are starting to feel the pain.

Amid the turmoil, CEOs, CFOs and other Board members are attempting to assess the impact of the credit crisis and economic downturn on their financing capabilities and business performance. Banks and credit insurers are seeking ways to reduce credit exposures and liquidity risks by cutting back on existing lines of credit and making new issuances much tighter, more onerous and more expensive. Lending has come to a sudden halt and many companies have seen the cost of borrowing soar. Equity providers are often caught in the middle and are increasingly being asked to invest additional capital to shore up capital structures. The widely varying objectives of these different stakeholders make the situation yet more complex.

There is an old maxim in the corporate finance world: “The best time to borrow money is when you don’t need it.” However, given the current market conditions, many companies may find it is already too late to obtain significant external funding. In order to sustain future activities, those companies need to begin immediately taking stock of liquidity sources and assess alternative ways to satisfy their liquidity needs.

In this landscape, doing nothing is not an option. The old adage “cash is king” has never been more true. Those management teams able to identify and drive excess cash out of the business will be in a much stronger position with their banks when refinancing debt and renegotiating covenants. Furthermore, deploying cash wisely – for example, by investing in new products or selective acquisitions – will give a competitive edge when growth returns to the market.

Companies able to address their short and longer-term cash challenges benefit in many ways, among them:

- greater visibility of future cash requirements, providing more accurate information to make the right decisions;
- increased liquidity through the downturn; and
- greater flexibility with stakeholders, in particular lenders of finance.

The days of ready finance are gone and if companies do not help themselves, they might find few others willing or able to lend a hand.

02

“PwC used their relationships and expertise to help us access cash we thought was unattainable.”

FTSE 250 CFO

02 Looking beyond the obvious

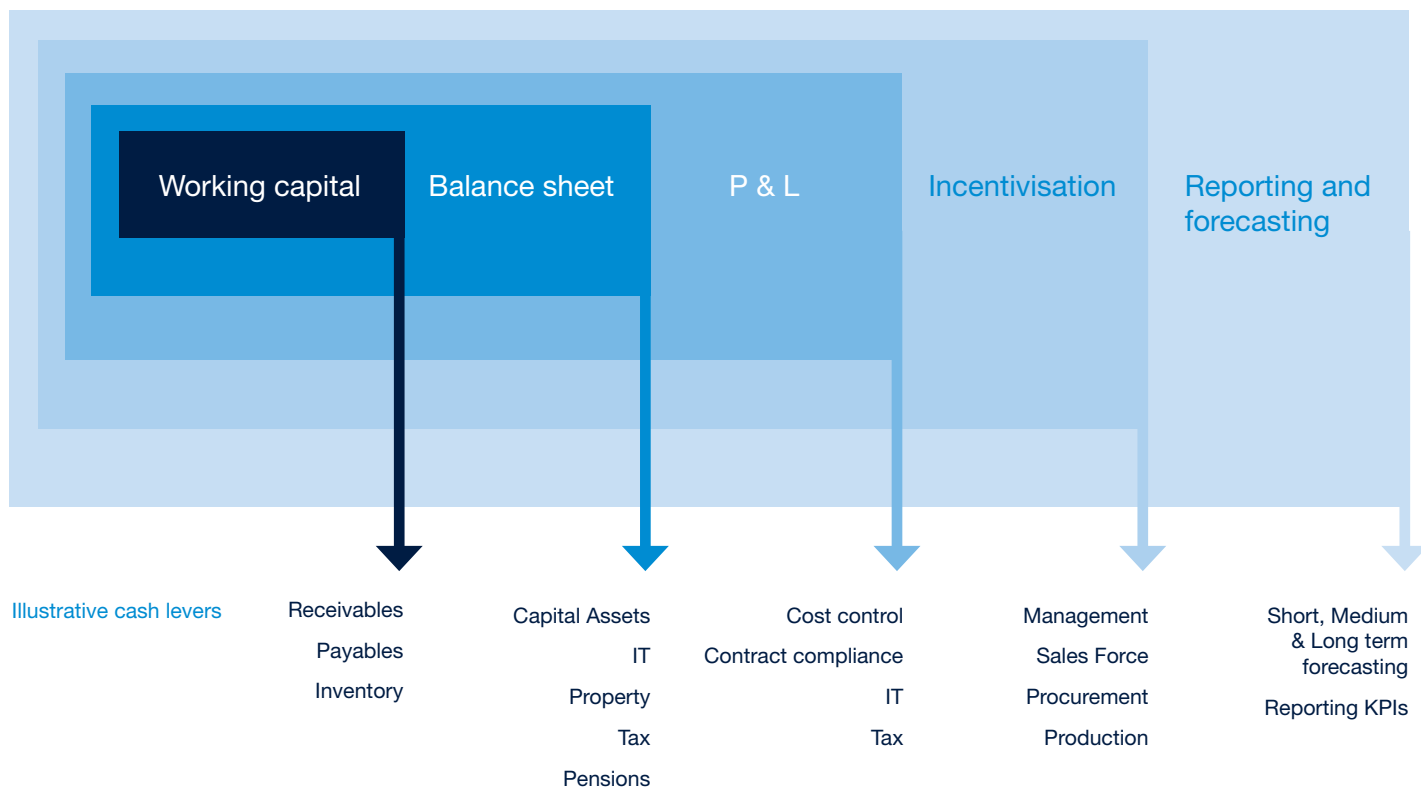
Companies often look to generate cash through cutting dividends, deferring suppliers and reducing headcount. These actions can often have a negative impact on stakeholders and may not be sustainable.

To optimise cash in any business, all the underlying cash “levers” which drive the business’ cash flows need to be identified and understood, beyond the more obvious levers in working capital. Once this initial review has been carried out, the potential and timing for generating cash is more readily measurable, both in terms of quick wins and on a more sustainable basis over the longer term.

Our extensive experience with Private Equity houses in particular means we recognise the critical importance of developing a cash culture over the longer term through:

- Putting the right incentives in place to reward management;
- Putting cash at the heart of the management reporting processes; and
- Concentrating cash in fewer locations, restricting who has access to it, then optimising its use.

These are the foundations of a sustainable cash culture in which the whole company can benefit from cash optimisation.





03

We have over 150 working capital specialists in the UK

We have provided cash optimisation advice to over 20 Private Equity houses

Our in-house collection agency has helped clients realise over £1.5bn of cash in the last two years

PwC was voted “Best Treasury Consultant in the Market” for the 7th consecutive year

03 How have we made a difference?

Some recent examples of our work and the results delivered

Applying a private equity lens to a corporate business

We carried out a rapid diagnostic assessment of the cash optimisation opportunities for a global media company. Our review identified £45m of cash available in overdue debt, a £13m cash opportunity following a review of contractual terms, £30m of cash which could be released from payables through tighter processes and control and up to £160m of intra-month liquidity. In addition to this, our work on contract reviews, treasury and cash forecasting and reporting has supported management with the actions required to embed a cash culture across all parts of the business.

Best practice reporting to embed a cash culture

We were engaged by a leading UK PE house and the management team of one of their portfolio companies, a global manufacturer of personal care products, to drive better cash performance in the business. Our solution included a robust weekly cash forecast and cash review process tied to divisional business plans, an improved reporting pack to enhance cash visibility and shorten the consolidation process, and staff training to embed the new tools and techniques. The new processes revealed improvement opportunities in working capital as well as timely discussions on the financing of the business.

Unlocking cash from working capital

We were engaged by a global petrochemicals company to carry out a broad diagnostic review to identify opportunities to unlock cash from working capital across three business units. Our review identified

c.£40m of cash potential in finished goods through the implementation of tighter inventory management and reducing lead times. An additional £6m opportunity was identified in Receivables through quick win process improvements and more proactive credit management.

Detailed contract diagnostics to achieve immediate cash savings

We were engaged by a UK bank to review its £1bn IT outsourcing contract to identify immediate cash savings and strategically re-evaluate the contract structure and service delivery model. We performed a detailed diagnostic which enabled management to achieve immediate cash savings and informed management's strategic decision to bring a significant portion of services in-house.

Expert tax advice to deliver cash

We identified that a client had been overpaying VAT on certain fees. Following this initial identification, we supported management in reclaiming overpaid VAT in excess of £25m (incl. interest) and put in place a structure to accelerate the recovery of input VAT.

Using PwC's pensions expertise to improve liquidity

We were engaged by a food manufacturer whose pension trustees were demanding significant cash contributions based on their funding valuation. Using our knowledge of the employer covenant and our asset and liability modelling we supported the company in negotiating with the trustees, reducing the trustees' annual cash demand by £10m.

“The team did a ‘brilliant job’. They were very responsive and delivered very good reports particularly considering the quality of the data that was provided to them. We really could not have got more from the project, and I would certainly recommend PwC”

Director, FTSE 100

“The project has been successful throughout and I have been greatly impressed with your professionalism and commitment and, in particular, the way in which your team have gained the respect and buy-in from our internal staff and senior leadership team”

Group CFO, major UK food distributor

“With the help of PwC, we have made a number of improvements in bringing down the DSO number substantially by a proactive approach in collecting money, better management of queries, and a management-supported formal credit policy”

Group CFO, Global Manufacturer

We work alongside you to understand your cash concerns and explore the cash levers across the entire P&L and balance sheet. We identify where cash can be optimised, both in the short term and on a sustainable basis, putting cash at the heart of your business and your decision-making processes

We will bring to bear significant experience and expertise gained across a range of different commercial environments

04



04 Cash optimisation: Many experts, one solution

We will provide you with a single point of access to PwC's extensive range of skills and deep expertise across a range of disciplines and industries.

Our experts are people from industry who have "been there and done it": operational specialists with Six Sigma and Kanban qualifications, qualified treasurers, HR Directors, procurement managers and credit managers, complemented by financial, tax, pensions, IT and commercial contract experts.

Through your core team, you will have one central point of contact and coordination with the vast resources we have as the UK's largest professional services firm.



Private Equity

A strong cash focus for companies under private equity ownership where a cash culture and speed of response is critical to a successful investment

PwC is the market leader in providing diligence services to the Private Equity market with a market share over 40%*

Global Corporations

Complex organisational structures with long-term solutions to managing cash and class leading management processes

PwC has provided services to almost all of the FTSE 250

Recovery and Turnaround

A rapid, hands-on approach to identifying cash-led solutions to avert crises and repair businesses

PwC has the UK's largest restructuring business

* based on information from Unquote on completed UK transactions over £25m



05

05 Our approach to your cash opportunities

Our approach is structured into three distinct phases

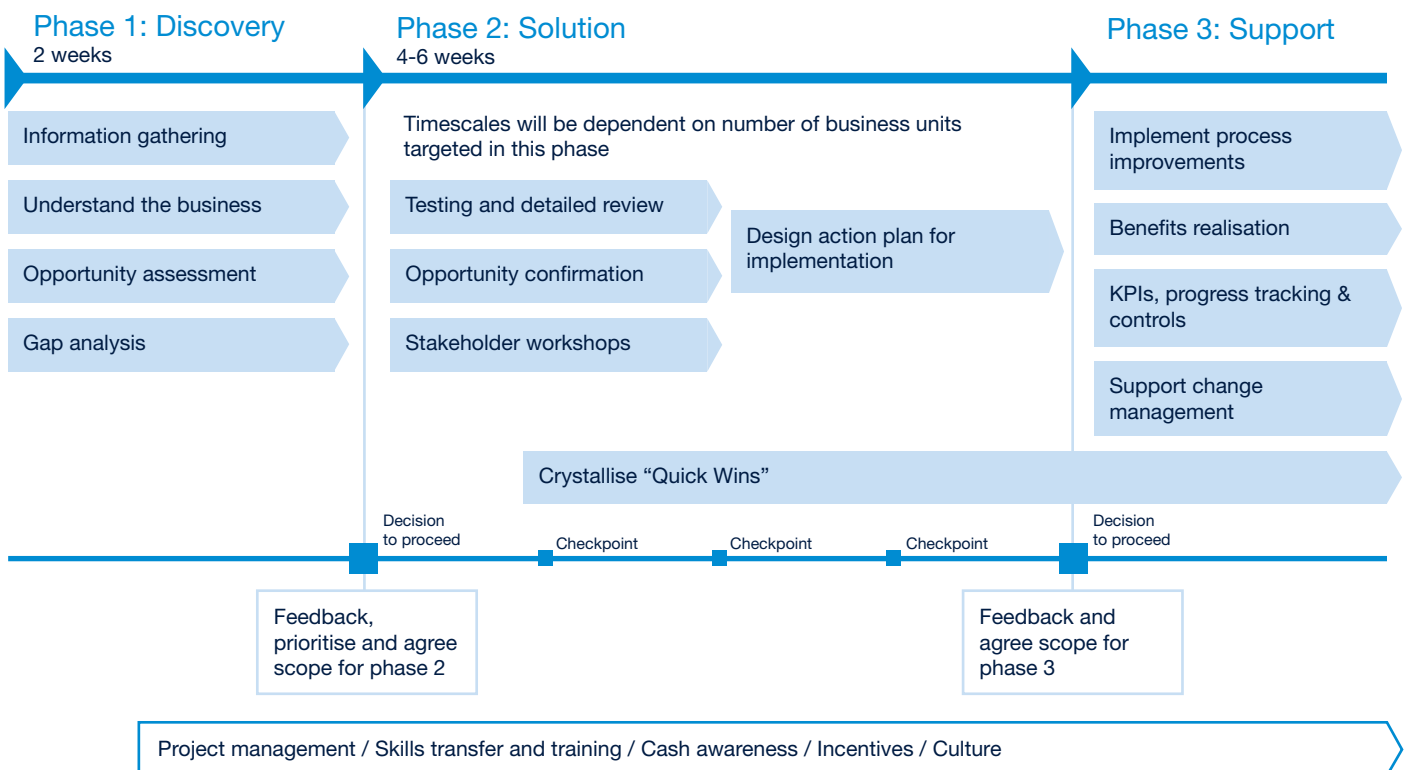
- Phase 1** **Discovery**

Through a central point of contact, our cross-functional experts gather information to make their initial rapid assessment of the likely cash opportunities right across your business
- Phase 2** **Solution**

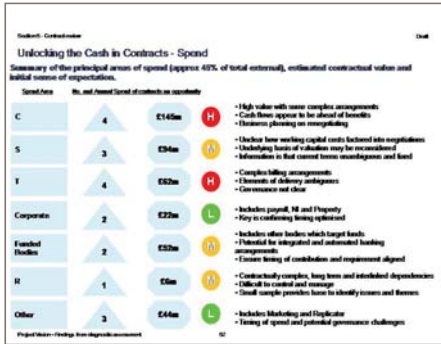
We work with you on the detail to confirm the opportunities, bring stakeholders on board and design an implementation plan. We will also work with you to crystallise “quick wins”
- Phase 3** **Support**

We work alongside you where needed in implementing the plan designed in Phase 2 and embedding a cash culture throughout your business

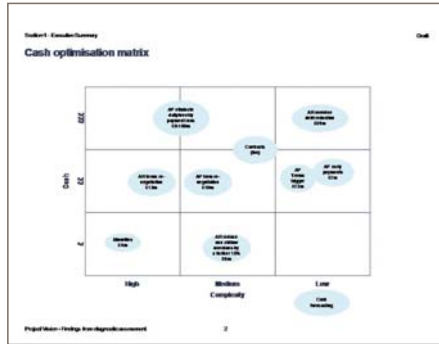
Illustrative project timeline



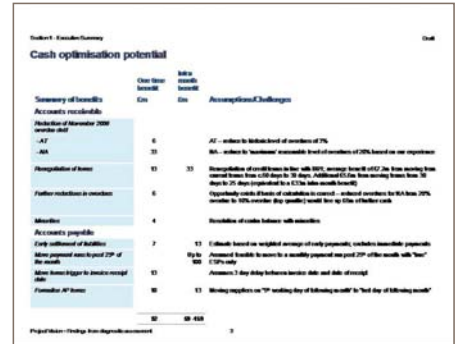
Phase 1 output includes robust diagnostics based on extensive experience of implementation



Traffic light assessment



Ease and Impact overview



Cash optimisation potential



06



06 Why PwC?

Single point of contact to access dedicated specialists

We have the expertise that counts, delivered by a team of dedicated specialists rather than generalists. We have over 150 cash generation specialists in the UK, including our own in-house debt collection agency, all delivered through a single person from our core team, someone that speaks your language. We will hand pick our team of specialists to bring you only the most relevant skills.

Unique perspective

Our broad range of experience across private equity, multi-national corporations and turnaround situations gives us a unique perspective on how to improve performance. Nobody has deeper resources of experience to call upon.

Extensive industry experience

We are able to draw upon extensive industry expertise from across PricewaterhouseCoopers, whatever the sector.

Local specialists

We have access to local PwC specialists, who have first-hand knowledge of market dynamics and understand the issues specific to that country. They also help to remove potential cultural barriers.

Proven quality to deliver sustainable improvements

The quality of our approach - proven hands-on methodology and tools tailored to meet your requirements and deliver an optimal sustainable outcome.

Working together to embed a cash culture

We make change stick – our people will work with you, transferring their knowledge to embed the cash culture, sustain the improvements and make the Company more resilient to external shocks.

Realistic achievements delivered fast

We know the importance of delivering cash savings fast and what is realistic to achieve and we have the capability to assist you in realising the benefits.



07

07 The Cash Toolkit:

Putting cash at the heart of your business

	Potential opportunities	Illustrative actions
Cash planning, forecasting and reporting	<ul style="list-style-type: none"> • More robust cash forecasting • Integrated modelling of cash drivers • Scenario and sensitivity planning • Greater visibility of covenant headroom/ burn rates • Accurate reporting to all stakeholders 	<ul style="list-style-type: none"> • Map and model the key cash drivers • Introduce robust short/medium/long term cash flow forecasting toolkit • Advise on key cash KPIs to embed in management reporting
Treasury	<ul style="list-style-type: none"> • Cash and treasury processes and procedures • Cash pooling 	<ul style="list-style-type: none"> • Identify and release trapped cash • Establish best practice cash pooling • Review treasury processes and reporting to achieve best practice cash management
Receivables	<ul style="list-style-type: none"> • Overdue/bad debts • Accurate & timely billing • Payment terms • Discounts 	<ul style="list-style-type: none"> • Improve processes and collection strategies • Implement robust dispute management and cause eradication • Harmonise terms to best practice
Payables	<ul style="list-style-type: none"> • Payment timing and terms • Discounts, rebates and overrides • Consistency of payment process • Supplier base 	<ul style="list-style-type: none"> • Optimise payment timing and terms • Realise discounts, rebates and overrides • Ensure contract and process compliance • Reduce supplier base
Inventory	<ul style="list-style-type: none"> • The right levels of the right stock • Supplier base • Inventory obsolescence • Inventory turns and lead-times 	<ul style="list-style-type: none"> • Optimise and enforce min-max levels • Consolidate SKUs and suppliers • Improve demand forecasting and planning • Dispose of obsolete inventory
Contracts	<ul style="list-style-type: none"> • Cash flow timing not valued in contracts • Settlement outside contract terms • Day to day contract operation and supplier management not cognisant of cash 	<ul style="list-style-type: none"> • Identify cash outflows outside contractual terms • Establish cash culture in contract negotiations and compliance
Assets	<ul style="list-style-type: none"> • Tangible assets • Capital spend and capital authorisation procedures • Non-core assets 	<ul style="list-style-type: none"> • Review purchase/lease/hire decisions • Identify non-core assets for disposal • Review authorisation controls and level of rigour
IT	<ul style="list-style-type: none"> • Hardware and intangibles • Maintenance and service costs • Contracts 	<ul style="list-style-type: none"> • Review IT asset cash values for outsourcing IT hardware and intangibles • Benchmark IT cash costs and ensure contract compliance
Tax	<ul style="list-style-type: none"> • Corporation tax/VAT cashflow • Customs duties and business rates • Dispute resolution • Payroll tax • Stamp duty 	<ul style="list-style-type: none"> • Review payments to identify refunds and cash deferral opportunities • Reduce timing to processing VAT inputs • Review duties and rates to optimise these • Negotiation with authorities • Review stamp duty reclaim potential
HR	<ul style="list-style-type: none"> • Cash Culture • Cash Incentivisation • Employee cash costs and benefits 	<ul style="list-style-type: none"> • Revise incentivisation benefits driven by cash • Enhance company communication on cash • Benchmark staff benefits using “Saratoga” to identify non-cash alternatives
Pensions	<ul style="list-style-type: none"> • Reduce cash costs for defined benefit and defined contribution pension plans • Increase value from pension spend • Address pension deficits and remove risks 	<ul style="list-style-type: none"> • Re-open negotiations on cash funding • Review non-cash options for pension funding • Increase employee share of cash cost • Review plan design to reduce costs

08

08 Our core team



James Fillingham

+44 (0) 20 7212 3991, james.fillingham@uk.pwc.com

I am the partner leading our Cash Accelerator business. I have spent 15 years working with management teams and investors, assisting them to develop and enhance business plans. I have worked extensively on acquisitions, disposals and operational improvement plans of companies ranging in size from £50m to multi-billion with particular experience of private equity backed organisations, how the equity and debt providers think and the levers that are used to improve performance in these businesses.



John Dowty

+44 (0) 20 7804 9548, john.dowty@uk.pwc.com

I have spent 13 years as a partner, during which time I have led our Operations and Post-Deal business which provides advice on operational issues around a transaction. I have worked with a number of private equity clients to assist them in 'taking control' of portfolio companies post acquisition including establishing or enhancing cash reporting, forecasting and board reporting processes, and realising cash.



Mike Magee

+44 (0) 20 7804 5204, michael.magee@uk.pwc.com

I am a Partner specialising in providing restructuring advice and assistance to management teams with an imperative to deliver both financial and operational improvements. I have recently advised a number of multinational corporates on how to quickly improve the accuracy and timeliness of their short-term cash flow forecasting.



Tom Ayerst

+44 (0) 20 7804 3694, tom.x.ayerst@uk.pwc.com

I am a Director with over eight years' experience working on due diligence assignments in both Private Equity and Corporate environments. I have gained valuable insight into how private equity owned businesses drive cash improvement, with the experience to identify the cash-related issues faced by management teams.



Loren Gerlach

+44 (0) 777 332 2291, loren.a.gerlach@uk.pwc.com

I am a Director with over 15 years' experience in operations consultancy and industry across nearly 20 countries, including management roles with Hanson, Novar and Mars/Masterfoods. This has given me a deep understanding of how to streamline global supply chains to maximise value and cash performance without sacrificing customer service.



Andrew Nicholas

+44 (0) 771 877 8605, andrew.nicholas@uk.pwc.com

I am a senior consultant with extensive experience of identifying working capital opportunities and assisting companies to realise these benefits against accelerated timescales. I have a particular focus on Private Equity and transaction related work, as well as significant experience of business turnarounds.



Carl Sharman

+44 (0) 207 804 6421, carl.sharman@uk.pwc.com

I am a professionally qualified Corporate Treasurer, having qualified as an ACA working within major listed companies. I have supported Corporate and Private Equity clients in both a deal and non-deal environment to improve their treasury reporting and analysis and cash management. I have delivered improvements in cash and liquidity management, debt and investment strategy and overall treasury control framework.

Meet the experts

Cash planning, forecasting and reporting

The implementation of a regular, robust, and integrated cash forecasting and reporting process should be an integral part of any business strategy. The absence of accurate and timely cash flow forecasts can lead to liquidity issues, lack of investor confidence, restricted and costly access to capital, potential earnings volatility, overuse of overnight sweep investments at lower returns and sub-optimal interest income and expense management. In the current climate, communication of reliable forecasts to investors and banks is more critical than ever.

In order to provide an accurate and sustainable solution, we believe cash flow reporting should cover short, medium and long-term horizons, operating across functional stakeholders such as Treasury, Planning and Analysis, Finance and Tax as a tool to embed a cash culture throughout the business.

Case Studies

We were engaged by the private equity owners of a recently acquired, well performing manufacturing business who recognised the need to implement a leading edge cash and performance management culture to help achieve their targeted 30% annual growth. We worked with management and the board to define and implement a cash and performance management framework. We worked rapidly to define the cash drivers and levers, design the reporting and forecasting framework and embed it in the business. Our work included delivering:

- An integrated value and cash driver map during the first week;
- A robust scenario forecasting model; and
- A board reporting pack including clear analysis of critical KPIs.

Our scenario work allowed management to immediately assess the impact of changing market conditions on their EBIDTA, liquidity and covenant position. We helped management to forecast and tightly manage the group's cash position and helped them to realise and then sustain a €40m working capital benefit.

We were engaged by a cash constrained global manufacturer of personal care products to assist on improving the short-term cash management and reporting procedures and helping drive better cash performance in the business. During a five week period working alongside management we were able to develop a robust weekly cash forecasting model on a business unit and consolidated basis, integrated and reconciled to the company's medium term business plan. We developed a new methodology to shorten the consolidation time and develop a reporting pack which extracted key information, analysed variances

and provided greater visibility over the short term cash position. To ensure its sustainability, we helped to educate and train local management teams in the new methodology. The benefits to the business were improved accuracy of cash flow forecasts, greater visibility of the key drivers and increased rigour and accountability at the business unit level.

Who we are



David Tapnack

I lead a specialist modelling team focused on providing robust factual analysis to help our clients improve their cash forecasting, budgeting and planning and to define and create insightful management reporting. Over some 50 assignments in the past three years, I have helped a range of clients from high performing companies to businesses in distress to better manage cash, plan and model their businesses and prepare for often challenging conversations with finance providers and other stakeholders.



Donald Bruce

Over the past five years I have led a significant number of assignments with global clients to develop or improve their short-term cash flow forecasting capability at a time when the business is cash constrained or in danger of breaching covenants. This has allowed both management and shareholders to make informed decisions with regard to their business and to better manage their cash, and be in a position to present robust cash forecasts to their finance providers and other stakeholders.

Treasury

A well managed and efficient treasury function is a critical component in developing a cash culture and making optimal cash decisions within the business. Best practice cash management processes and procedures can provide management with the ability to achieve an improved credit rating to reduce cash debt costs or make best use of idle cash to reduce the debt service cost. Alongside the use of cash reporting and forecasting, our methodology includes:

- Restructuring bank accounts to improve cash flow efficiency;
- Optimising cash collection and disbursements methods;
- Greater awareness and management of intra-month cash flow swings to improve intra-month liquidity;
- Evaluating international cash concentration and pooling opportunities; and
- Identifying solutions to release trapped cash within the business.

We have a team of qualified treasurers with significant experience working with Treasury functions to design and implement best practice treasury management to provide deliverable cash generative solutions and optimal cash management.

Case Studies

We assisted a global mobile phone operator to identify real cash benefits from improved treasury processes for both short-term liquidity and long-term operational planning. Our approach involved an initial diagnostic of the business' existing treasury processes, followed by the redesign of those processes at both central and affiliate level. This resulted in affiliate buy-in and basic liquidity forecast data for the short-term horizon. Longer term sustainable benefits were targeted and quantified at £4-5m p.a. through better use of cash as a result of more accurate and timely cash information. Finally, the integration of longer-term strategic forecasts with financial control enabled a reduction in financing margins and increased control of cash spend at both a business unit and corporate level.

We advised a French consumer products group for which the generation and use of cash became of prime importance. Our initial review revealed a lack of cash culture, informality of process and practice and development opportunities in areas such as mandates, payment controls and cash management efficiency. Alongside a short-term cash flow forecasting model to provide greater cash visibility, we implemented appropriate and consistent Group wide policies and procedures in relation to Group Treasury, cash controls, management of cash and related finance policies and concentration pooling. The improved treasury and cash management facilitated the optimum use of cash in the business and increased cash awareness throughout the business.

Who we are



Carl Sharman

I am a professionally qualified Corporate Treasurer, having qualified as an ACA working within major listed companies. I have supported Corporate and Private Equity clients in both a deal and non-deal environment to improve their treasury reporting and analysis and cash management. I have delivered improvements in cash and liquidity management, debt and investment strategy and overall treasury control framework.

Receivables Management

We help our clients deliver improved cash flows, profitability and customer service through a step change in receivables management and excellence in the sales-to-cash cycle. PwC is the only accountancy firm with a specialist receivables management team experienced in both public and private sectors across a diverse range of industries with a dedicated credit collections capability.

Our approach sets us apart from other advisers. Our priority is to understand the unique needs of a business and how its processes impact performance. We quantify the opportunity for improvement and identify the potential value our client could expect to realise through our credit management solutions. Then, by improving working practices and transferring our skills and knowledge to the client, we deliver results that are self-funding and add measurable and sustainable value.

Case Studies

We were engaged by a FTSE250 business to identify cash generation opportunities and improve receivables processes as part of a business transformation project. Following an initial Phase 1 review, we undertook an end-to-end re-design of the order-to-cash process, including establishing best practice collection processes and credit controls, introducing consistent management information and KPI's across four business units and documenting a skill-set framework to benchmark Credit Controllers throughout the business units. Benefits included cash generation of £23m from a reduction in overdue debt and a twelve day reduction in DSO, cost savings estimated at £2.5m, and effective financial control of the Accounts Receivable process.

We worked with a leading private healthcare insurer / provider to generate cash by defining and implementing an accelerated process improvement and debt reduction plan. We identified quick wins in the receivables system functionality, as well as delivering hands-on best practice training and advice to develop existing staff. A significant volume of debt was outsourced to PwC's in-house collections unit to provide rapid access to cash. Lastly, we introduced a management reporting suite, outlining critical credit KPIs. The outcome was improved cash collection within a twelve week period through a reduction in unallocated cash of 70% and aged queries by 50%, together with a sustainable and professional structure with buy-in across the Company.

Who we are



Peter Buckle

I lead PwC's receivables management team and have over 16 years experience leading strategic independent business reviews and advising banks and multi-national corporations in relation to management of their credit risk and improving credit and collections performance.



Julian Roberts

I have over 23 years of working capital optimisation experience. During the last 16 years I have advised a wide range of multi-national corporates, banks and private equity investors across Europe, the USA and Asia Pacific on cash generation and implementation of best practices in credit and payables management. I am a technical adviser to the Institute of Credit Management in the UK, and a frequent author and commentator on cash and working capital issues.

Payables Management

Our team of experienced working capital experts work with management to identify and deliver cash improvement across the entire Payables process. Our initial diagnostic review often identifies a number of cash erosion issues across the entire payables function including:

- Inconsistent and sub-optimal supplier payment terms;
- Sub-optimal use of early settlement discounts;
- Sub-optimal management and ineffective communications across the process;
- Unnecessarily high invoice volumes and too many one-time suppliers;
- Lack of controls over payment timing; and
- Insufficient KPIs and reporting.

We will work alongside you to develop solutions to both the quick wins and longer term cash improvements and will also help you implement these solutions.

Where appropriate, we can use CashFinder, a PwC bespoke product, to identify duplicate payments and unclaimed credits to immediately realise quick cash.

Case Studies

We were engaged by a leading building supply and distribution company to identify and quantify cash improvement opportunities in payables as part of a wider working capital review. We carried out a detailed review of the payables ledger compared to agreed payment terms and due dates identifying opportunities to eradicate early payments and deduct supplier rebates on the due date, generating cash savings of £8m. We also designed an action plan to enable management to deliver the identified savings.

Working for a UK Chemicals firm, PwC's Cashfinder methodology generated £8m of cash through the identification of duplicate or otherwise erroneous payments to vendors, unclaimed credits, and underclaimed and overclaimed VAT on purchases. Our team was also able to accelerate input VAT recovery.

Who we are



Simon Boehme

I am a senior manager with experience in projects across a broad range of industries, with specific focus on providing working capital advice for UK and European Corporates and Private Equity owned companies. I have significant experience in payables reviews, identifying quick win opportunities and longer term improvements to cash and payables' processes and working with management teams to deliver solutions to unlock cash.



Niall Cooter

I have over 17 years experience advising clients on the design and implementation of world class credit and payables management functions, including training client staff, query management, performance analysis, diagnostic reviews and the development of practical solutions to a diverse range of issues. My experience covers a wide range of industries throughout the UK, Europe and the USA.

Inventory Management

PwC's global supply chain specialists work with our clients to achieve not just less inventory but the right inventory, streamlining your supply chain and releasing cash while maintaining or improving customer service levels. Our approach is based around optimising all relevant business processes to deliver cash through inventory reduction on a sustainable basis. We do this through:

- Optimising demand planning and communication from Sales back through Manufacturing and Procurement;
- Optimising order entry and tracking to ensure that we deliver on time, in full;
- Optimising min-max levels for each raw material, semi-finished component and finished goods;
- Managing product diversity e.g. late-customisation of common components;
- Consolidating SKUs and vendors and, in the longer term, working with R&D to enhance the proportion of common components and product platforms;
- Evaluating and leveraging all cash-enhancing opportunities in vendor managed inventory (VMI), vendor owned inventory (VOI) and consignment stock; and
- Benchmarking inventory age and obsolescence to ensure that every piece of inventory in the supply chain is delivering a cash value.

Case Studies

We were engaged by a FTSE 250 manufacturer with 22 plants in 11 countries to identify and deliver an inventory optimisation strategy. The business had 78,000 different items in stock, very low inventory turn and a high proportion of slow-moving or obsolete stock. Our multi-functional approach included implementing lean manufacturing in the plants, identifying slow-moving and obsolete items, incentivising the sales force and implementing a new SAP-based centralised planning structure. As a result, we reduced inventory by 35%, reduced customer order lead times and improved on-time-in-full delivery rates from 75% to 95%.

We restructured the Purchasing department and Procurement strategy of a multi-billion-dollar paper products distribution company, with low inventory turns and several hundred thousand items in stock, to dramatically reduce its inventory volume and complexity. The solution included developing more strategic relationships with key suppliers to rationalise the product offering, optimise the go-to-market strategy and release cash tied up in inventory. Further cash was identified through tighter controls over stocking new items and making sales reps financially responsible for moving the stock requested. The total cash opportunity was c.£65m.

Who we are



Paul Chambers

I am a director in our Operations team with 20 years' supply chain experience in Consultancy and Industry. I have led numerous supply chain reviews and due diligence assignments in Retail and Distribution. Prior to PwC, I worked as Plant Logistics Manager for Procter & Gamble, and UK & Ireland Supply Chain Manager for Diageo Guinness.



Loren Gerlach

I am a Director in our Operations and Post-Deal Services team with over 15 years' experience in operations consultancy and industry across nearly 20 countries, including management roles with Hanson, Novar and Mars/Masterfoods. This has given me a deep understanding of how to streamline global supply chains to maximise value and cash performance without sacrificing customer service.

Contract Review

Getting the best cash value from contractual spend is an ongoing challenge for most businesses. This is especially true when contracts are complex, difficult to understand and lack transparency. We work with our clients to deliver more cash from existing contracts and transactions with third parties using a bottom-up approach to understanding the commercial realities at the detailed day-to-day transaction level.

Drawing upon PwC's industry experts, we talk to the people who operate the contract and analyse real operational and cost and cash flow data to build a picture of how the contract is actually utilised and what cash flows actually arise from it. This allows us to draw the real picture of what is happening in your business, how effective commercial processes and controls are and the extent of any cash culture in the contract environment.

Our review enables our clients to understand the real cash drivers and true cash implications of their contract negotiations and decisions as well as the ongoing contractual processes and controls, providing insight into where and how cash generation can be achieved. Typically, we identify cash savings of up to 10% of contract spend.

Case Studies

We were engaged by a UK bank to review its £1bn IT outsourcing contract in order to identify immediate cash savings and strategically re-evaluate the contract structure and service delivery model. Together with PwC's IT experts, we performed a detailed diagnostic of the contract and service management function, operational processes and cash cost controls. Our review highlighted that 60% of expenditure was at premium rates without being competitively priced in the market and significant application development work had been unfavourably priced at rates 75% higher than contract rates. Our findings enabled management to achieve immediate cash savings and informed management's strategic decision to bring a significant portion of services in-house.

We advised an engineering company which had experienced cash cost growth in excess of its competitors and the market over a number of years. We performed in-depth commercial diagnostic "audits" on 20 contracts and identified annual cash savings of 11% across their subcontracted operations. Examples of our findings included over billing of £1m, 62% of spend on tools outside contracted terms at spot prices and excess margins (up to 50%) paid on commodity chemicals.

Who we are



Qadir Marikar

I am a Partner leading the Commercial Assurance practice in the UK. I developed PwC's proprietary approach to reviewing major commercial arrangements with a view to recovering and preventing loss of value and generating cash for clients. I have over 14 years experience in contracts from construction to Marketing. My clients have included FTSE 100 companies and Government bodies.



Walter Akers

I am a Director in PwC's Commercial Assurance Group with 17 years' experience working in industry in senior commercial management roles and as a professional advisor in the commercial assessment of contracts, including significant outsourcing arrangements. I specialise in advising clients on maximising cash from complex commercial arrangements and spend with third parties. Clients have included the MoD, a leading UK bank, an oil major and a television broadcaster.

Property and Capital Asset Management

Companies across many industries invest heavily in property, maintenance, capacity expansion, new product development, technology upgrades and new market entry. As they make these investments, it is essential that they have:

- A rigorous process in place to set overall capital spend limits;
- Clear and well-understood payback measures and strategic assessment criteria by which potential projects are formulated, evaluated and prioritised;
- Robust tools and processes to monitor the ongoing efficiency of expenditures and feed back into the annual and quarterly budgeting process; and
- Have a clear understanding of the cash impact from alternative options such as lease or hire.

While many companies have adequate approaches to initial project evaluation, management over the life of the project is sometimes less robust. In the current environment, we believe companies should review existing capital plans to identify investments already underway that may no longer be capable of achieving financial objectives, and consider delaying or abandoning those to increase liquidity and maximise return on investment. The sale of non-core and/or underperforming assets should also be considered. We have carried out a number of projects working alongside management and stakeholders within the business to review the capital investment programme, identifying cash savings as well as process improvements.

We have also worked with management teams to identify non-core assets within the balance sheet for disposal, and sale and leaseback opportunities for realising cash through outsourcing shared service centres, property and IT contracts.

Case Studies

We were engaged by a FTSE 100 company to assist management in preparing a comprehensive three year Business Plan for one of its business units. As part of that process, we challenged Business Unit and Group management to identify both EBITDA savings and capital investment savings across the entire business and ensured management buy-in and accountability for delivery. The outcome was a robust and transparent plan including c.£170m of EBITDA savings and the identification of c.£50 of non-essential capital cash spend.

We have identified cost savings and cash release opportunities for numerous clients through sale-and-leaseback arrangements on property and capital equipment, as well as Real Estate tax optimisation.

Who we are



Hein Marais

I have led a number of projects working with management teams to prepare robust business plans which identify non-essential capital spend and cash cost savings which are sustainable and supportable. I also have significant experience in carve-outs and synergy reviews.



Nick Jarman
Outsourcing/Shared Services

I have worked with a wide range of clients to optimise service and cost in the back office through process optimisation, shared services and outsourcing. This has included generating cash for clients through the delivery of outsourcing arrangements across a range of services and functions.

IT can optimise the use of cash through unlocking the value of assets on the balance sheet or through reducing day to day operating costs, thus freeing up cash for other purposes.

We work with our clients to identify and generate cash from the intangible and other capitalised values of IT assets on the balance sheet e.g. hardware, IP and capitalised development costs. Following an initial investigation, we can create the right commercial arrangement with a third party based on our deep relationships with IT service providers to deliver the optimal cash and commercial outcome from that contract.

We have significant market knowledge of third party organisations who have the right capabilities to meet client needs and who are likely to have cash which they are looking to invest into developing client relationships. This enables us to rapidly and discretely evaluate the market place options on our client's behalf, and match them with the right partner. We have structured many outsourcing relationships to reduce the requirement for capital spend, spread future cash costs, help manage delivery risks or if cash is a wider issue deliver a robust number that can be invested in the business. Because the repayment of the asset capital can be linked to the generation of benefits from a change programme, the third party is contractually motivated to deliver the change programme and realise anticipated benefits whilst the client can manage its cash and benefit from the third party's expertise.

Case Studies

A FTSE 100 company was facing reduced turnover, margin erosion and challenges over funding capital investment. Additionally it was likely to breach bank covenants in the following 6 months. We were approached to generate ideas to release cash from the balance sheet, reduce future spend and maintain investment for the delivery of a major change programme which was already underway. In the first week we evaluated potential funding options ranging from the sale and leaseback of assets through to more complex arrangements (involving JV's where third parties funded part of the change programme in return for a share of the benefits) and market tested potential partners. We also carried out a review based on non-financial criteria (i.e. ability to deliver the required change, market presence and robustness). Within three weeks our client was evaluating several viable funding options with the potential to release up to £75m of cash through the sale of IT assets and a likely reduced opex spend through partnering with a third party.

Who we are



Neil Eastwood

I have over 15 years experience in senior IT operations management and IT outsourcing management roles and have been a FTSE 100 CIO with Hays Plc. At PwC, I have managed a variety of cost reduction and cash optimisation projects, including a leading aerospace business, a Mail, Commercial and Logistics business and a global travel business. Additionally, I have significant hands-on experience of IT outsourcing.



Tom Brooks

I lead a team of consultants who specialise in providing outsourcing and shared services advice to clients in both the commercial and public sectors.

I have been involved in a number of transactions, which included assessment of IT asset values for transfer to third parties, evaluating funding options, and supporting clients to negotiate outsource deals, including capital funding for major change programmes.

Tax

In the current economic climate, organisations should be revisiting their tax position to ensure that they are not overpaying tax or missing out on tax reclaims/tax cash saving opportunities. The cash savings can be significant in both the short and medium term. The following are a few examples of the ways we support our clients:

- We can review past corporation tax payments and new projected trading results to identify whether a claim for repayment of tax is available or whether tax can be deferred. Our team can then advise on the level of detail required by the tax authorities, assist with negotiations and help facilitate any claim for repayment of tax as quickly as possible;
- There are a number of ways to accelerate VAT recovery on purchases and/or delay payment of output VAT on sales, which could effectively produce a one off permanent cash benefit equivalent to providing a business with free cash;
- Additionally, there have been a number of successful challenges to UK tax rules under the EU anti-discrimination provisions which has changed accepted practice and opened opportunities for reclaiming historic tax payments;
- We can help to reduce payroll taxes, which can account for a significant part of an organisation's employment costs;
- Importers may not have reviewed their customs duties payable for some time. We have found that there can be significant customs savings where goods can be reclassified with a lower duty rate;
- Companies may be uncertain about settling existing tax disputes with the resultant tax payments becoming due. We can facilitate discussions with the tax authorities on the cash effects for the business arising from any settlement, with a request for deferral of payment where this has a real impact on cash; and
- Tax losses can normally be carried back one year to secure repayment of the previous year's corporate tax. We have successfully implemented planning to allow carry back for 3 years.

Case Studies

We identified that a client had been overpaying VAT on certain fees and assisted them in making a reclaim of overpaid VAT in excess of £25m (incl. interest).

We helped to identify over £50m of tax due as a result of making a claim for loss relief on a cessation of trade. By planning in advance, we ensured that the claim will be maximised beyond what would usually be expected in such a situation.

Analysis provided to a media company identified that they could accelerate their recovery of input VAT generating a one-off permanent cash flow benefit of nearly £15m.

Following our one-day diagnostic review, we identified the following at a well known retailer:

- Corporation tax reclaims of £1m;
- Customs duty savings of £300k;
- VAT savings of £100k.

Who we are



Tim Cullen

I am a partner with 20 years experience providing tax advice to both corporate and private equity clients across a wide range of sectors. During this time, I have assisted clients in identifying cash generative opportunities across a broad range of tax matters, working with management teams to deliver those benefits.

Human Capital

Employee incentivisation is one of the principal levers in driving a cash culture throughout any business. Our experience shows that many companies fail to put in place adequate incentivisation arrangements, performance targets and employee communication in order to fully implement a strong cash focus. We support our clients in making the change to a cash focus sustainable by:

- Working with them to put in place appropriate cash-focused incentivisation schemes for senior management and other key employees who can impact cash generation in order to support the delivery of cash benefits in the business; and
- Tailoring employee communications to promote cash performance targets and a broader cash focus within the business.

We are also able to use our extensive experience and in-house HR tools to deliver cash savings from employee-related costs. Specifically, we can support you by:

- Reviewing the employee cost base to identify opportunities to develop a pay and benefit structure that is both cash effective and helps achieve the organisation's objectives;
- Using PwC's Monks Job Levelling approach – our in-house HC tool used to identify ineffective layers of management responsibility;
- Redundancy cost modelling, enabling you to review your approach to redundancy, establish a basis for redundancy calculations and cash profiling; and
- Using Saratoga's HC benchmarking to identify and forecast potential cash savings, with a particular focus on compensation and benefits, workforce productivity, turnover, and HC department costs. (The PwC Saratoga database tracks over 350 metrics in the US, 250 metrics in Europe and over 60 metrics globally with hundreds of companies' participation).

Case Studies

We worked with the management team of a cross-border medical supplies company to review the employee cash cost profile, simplify their approach to pay and benefits, and consult with employees to move to a lower cost model across the business.

We worked with a UK Building Society to generate significant cash savings by identifying c.1000 headcount savings following an organisation review which involved integrating branches, restructuring departments and reviewing current activity.

Who we are



Ann Elliot

I have extensive HR restructuring and integration experience. Before joining PwC, I held a number of HR Director positions in the UK and internationally, working for Unilever, Tetley, Tata, Allied Domecq, Barclays, and Nationwide. I was part of an MBO team which acquired Tetley Tea Group from Allied Domecq, where I led a series of people initiatives which reduced cash costs, increased productivity and improved cash flow. Recently I supported management on the restructure programme at a UK bank and developed the people integration programme for the merger of two UK building societies.

Pensions

Pensions can be a significant and volatile drain on a company's cash flow, particularly in territories where regulation requires pre-funding to ensure sufficient assets are set aside to meet future obligations. Additionally, Pension Trustees can place stronger cash demands on a business precisely when a company can least afford it. We support our clients in a number of areas to manage the cash flow into pension plans and increase the value from the company spend on pensions:

- Review how pension cash costs are shared with employees: companies have been able to significantly increase the employee share, and hence reduce the employer share, of cash costs over the last few years;
- For funded plans, review your current cash schedule and identify opportunities to re-negotiate in light of any changes in affordability. Manage the trustees' perception of the employer covenant;
- Identify value within the business that could be offered to the trustees of funded plans instead of direct cash, such as asset backed guarantees or contingent funding;
- In the UK, salary sacrifice arrangements can be used to reduce employment tax costs;
- Close or redesign your pension plan as part of overall reward - benchmark your pension plan against competitors/industry current practice to identify any opportunities for cash savings. This applies to defined contribution as well as defined benefit plans;
- In many pension plans, there will be areas of discretion (e.g. early retirement, redundancy) that can significantly increase cash costs – review the approach to these practices; and
- Review the investment strategy of funded plans to reduce future cash volatility.

Case Studies

We were engaged by a food manufacturer where the pension trustees were demanding significant cash contributions based on their funding valuation which failed to reflect the investment strategy or a reasonable degree of prudence. Using our knowledge of the employer covenant and our asset and liability modelling we supported the company in negotiating a settlement which reduced the trustees' cash demand by £10m a year.

We worked with a retailer to analyse the contingent asset offerings of a number of financial institutions, to help in the development of their pension scheme funding strategy. This helped reduce the cash requirements below the trustees initial request and over a longer period.

Who we are



Alex Wilson

I am a Partner within PwC's pensions practice. I am a qualified actuary and have over 18 years experience on advising companies and trustees on pension and related matters. For the last eight years, I have focused on assisting corporates and private equity houses in dealing with pension issues, with a particular emphasis on understanding, managing and reducing the cash income statement and balance sheet implications of pension arrangements.

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