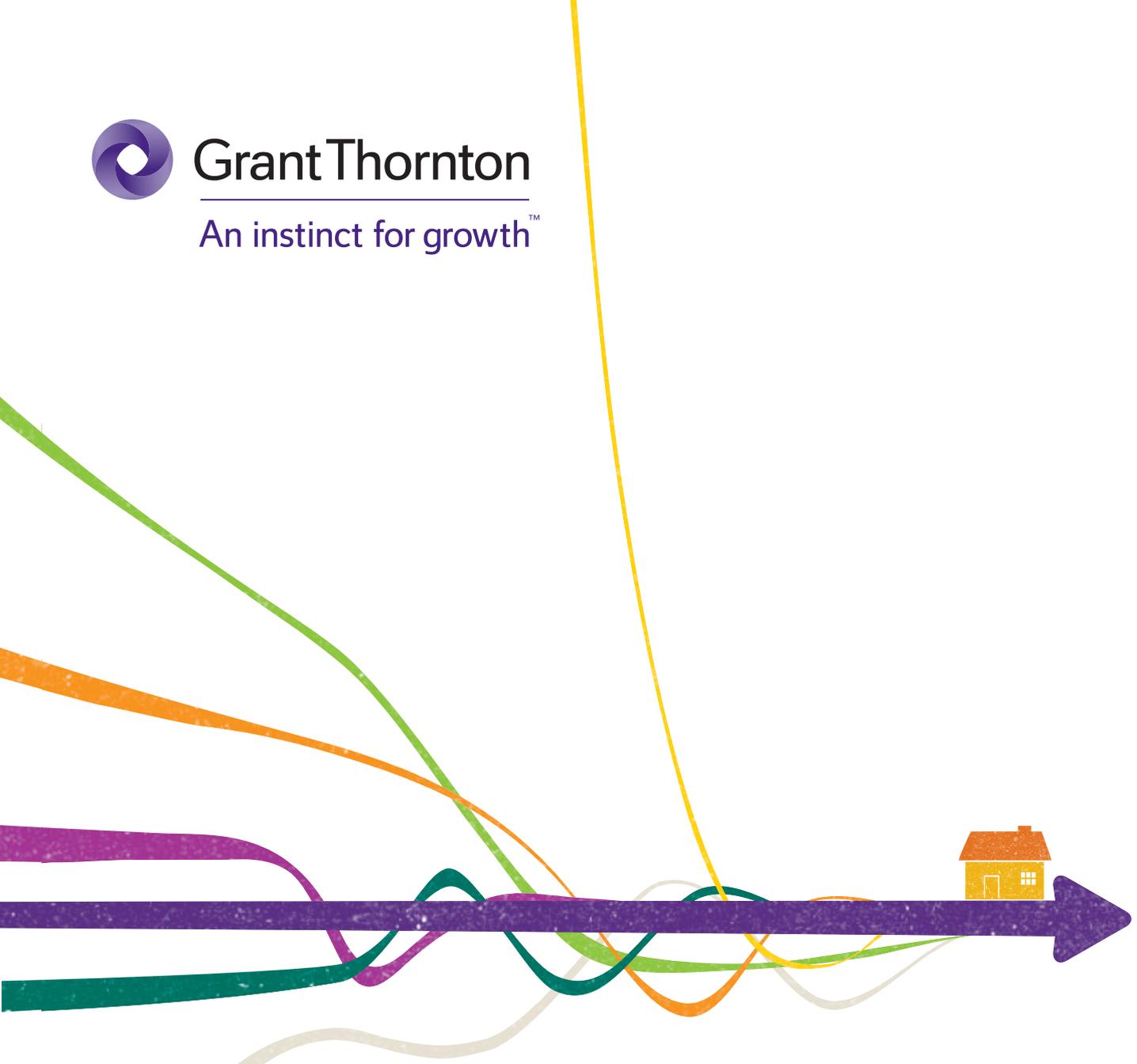




Grant Thornton

An instinct for growth™



Grant Thornton
corporate simplification

Centre of excellence

Real Estate & Construction

Overview

Redundant corporate entities can overcomplicate group structures and erode profits through unnecessary costs each year. A corporate simplification program is a careful review of the corporate structure which identifies those entities which can be removed from the structure resulting in savings, improved corporate governance and transparency and a reduction of any potential directors' exposure.

Complex group structures and special purpose legal entities created solely to serve a particular function can be unwieldy, cumbersome and costly. Over time, the administrative burden of maintaining such structures can be costly for your organisation. It can also be expensive and time consuming to rationalise large groups with complex legal and tax histories in-house.

More and more, businesses are seeking to manage their costs by running leaner structures. Consideration should be given to the time and costs of completing this process internally rather than outsourcing this function to experts in the field.

Refining processes and controlling costs are vital for a healthy business. Companies need to find ways to do more with less. For example, outsourcing non-core activities might allow you to improve efficiencies. This is where Grant Thornton's corporate simplification program may be of assistance.

What are the benefits of corporate simplification?

Corporate simplification is a process of identifying and removing entities within a group that do not contribute to the value chain. Through a Members Voluntary Liquidation, the affairs of a solvent entity are formally wound up and the risk of ongoing personal liability of Directors in relation to the company's taxation liabilities is extinguished. A Members Voluntary Liquidation reduces the ongoing compliance costs of the group, resulting in a more effective corporate structure.

Corporate simplification can:

- simplify corporate group structures
- improve efficiencies
- remove unnecessary entities from group balance sheets
- result from due diligence recommendations
- prepare for a sale of part or all of the business

When the economic life of the Special Purpose Vehicle (SPV) comes to an end

When embarking on a new development, it is common to have a number of stakeholders involved in a joint venture arrangement. This may include any of the following:

- developers
- contractors
- marketers
- funders
- asset holders

Typically stakeholders create a SPV that has an economic life according to the terms and conditions of the arrangement. Upon the completion of the development, the necessity to continue with the SPV will more than likely be redundant. However, while the SPV remains in existence, so do the associated compliance costs. Grant Thornton's Centre of excellence provides a solution through our corporate simplification process.



The Grant Thornton corporate simplification Centre of excellence and how we can assist you

Grant Thornton has established a dedicated corporate simplification Centre of excellence. Our team of specialist advisers have extensive experience in delivering cost effective corporate simplification processes across a range of organisations from large public listed companies to family owned groups.

Our corporate simplification program commences with a comprehensive review of your group's corporate structure. We can help you remove entities from the group to reduce cost, improve corporate governance and transparency, and reduce the potential risk exposure of directors.

As a firm, we are fiercely independent. We will give you well-researched and authoritative advice to help enhance your operations.

We will assist with the entire process, including:

- a careful review of the corporate structure
- pre-liquidation reviews
- advice on tax, accounting and statutory issues
- advising on demergers and reorganisations
- tax advice on intercompany loans
- cross border issues in the case of foreign operations
- project management of group simplification schemes

Corporate simplification ensures that all outstanding debts are paid in full, protects the members' interests while the company structure is dismantled and the surplus assets are distributed in a tax effective manner.

Once the redundant company is in liquidation, the liquidator will:

- realise any remaining assets
- call for proofs of debt and pay any outstanding debts
- assist in the preparation and lodgement of outstanding tax returns
- pay any taxes and obtain tax clearances – no distribution can be made until tax clearances have been obtained
- distribute surplus funds (and possibly assets in specie) to members
- hold a final meeting of members

Due to the formal advertising process that occurs during corporate simplification, any debts which might be claimed post deregistration cannot be enforced. The company cannot be re-registered unless the party applies to the Court and shows cause as to why the company should be reinstated.

Taxation

There may also be taxation advantages for the members when using the corporate simplification program. If a distribution of the assets is completed through the liquidation process, there are specific tax provisions and capital gains tax concessions that may be applied, that can be advantageous for the members.

The liquidation process includes obtaining taxation clearances from the Australian Taxation Office (ATO), Workcover agencies and the State-based Revenue Departments therefore eliminating the risk of unpaid statutory obligations.

Corporate governance

Through the elimination of obsolete corporate and tax structures, corporate governance is improved via simplifying the structure. This in turn reduces administrative and compliance costs along with the demand on management's resources.

What are the benefits of a Members Voluntary Liquidation?

Benefits can be achieved through a process of arranging one or more Members' Voluntary Liquidations (MVL), essentially, the winding up of a solvent company.

Risks associated with an informal voluntary deregistration of a company

- Directors can be held personally liable for outstanding returns, unpaid employee superannuation or PAYG
- Creditors can commence litigation against the company/ Directors for resolution of unpaid debts, leading to the reinstatement of the company by ASIC
- There is a lack of due diligence prior to a company's deregistration
- There is a risk of unpaid statutory liabilities if the deregistered company is part of a tax consolidation group.

How can a (MVL) mitigate these risks?

- An MVL would obtain clearances for the company from the national and state based statutory departments. This confirms all lodgements are complete and there are no outstanding tax liabilities against the Directors
- An MVL would ensure that any claims arising following the company's deregistration cannot be enforced
- An MVL provides cost effective due diligence prior to liquidation, giving Directors peace of mind
- An MVL provides a formal winding up process of the company.

A MVL provides greater certainty and less risk for Directors.

CASE STUDY

MRI Holdings Limited ("MRI")

MRI was formed in the 1920's and in subsequent years listed on the Australian Stock Exchange. At the date of liquidation, the entity consisted of over 1,600 shareholders. MRI operated subsidiaries in Bermuda, British Virgin Isles and Hong Kong. The entity was established as an investment vehicle investing predominantly in the infrastructure, pharmaceutical and resource based industries. The parent company of MRI resides in Singapore.

After a number of years of inactivity, shareholders resolved to wind up MRI together with its subsidiaries. Following a due diligence of the group's corporate structure and financial position, Grant Thornton provided advice on a number of issues including the group's intercompany loans, local statutory requirements for the winding up of the overseas subsidiaries and the systematic distribution of the assets of the group. Andrew Hewitt of Grant Thornton Melbourne was subsequently appointed as voluntary liquidator of MRI and took the lead role in winding up MRI and its four overseas entities. Grant Thornton's global reach provided access to experts in the subsidiaries local jurisdiction resulting in the efficient and tax effective liquidation of the entities.

MVL timeline

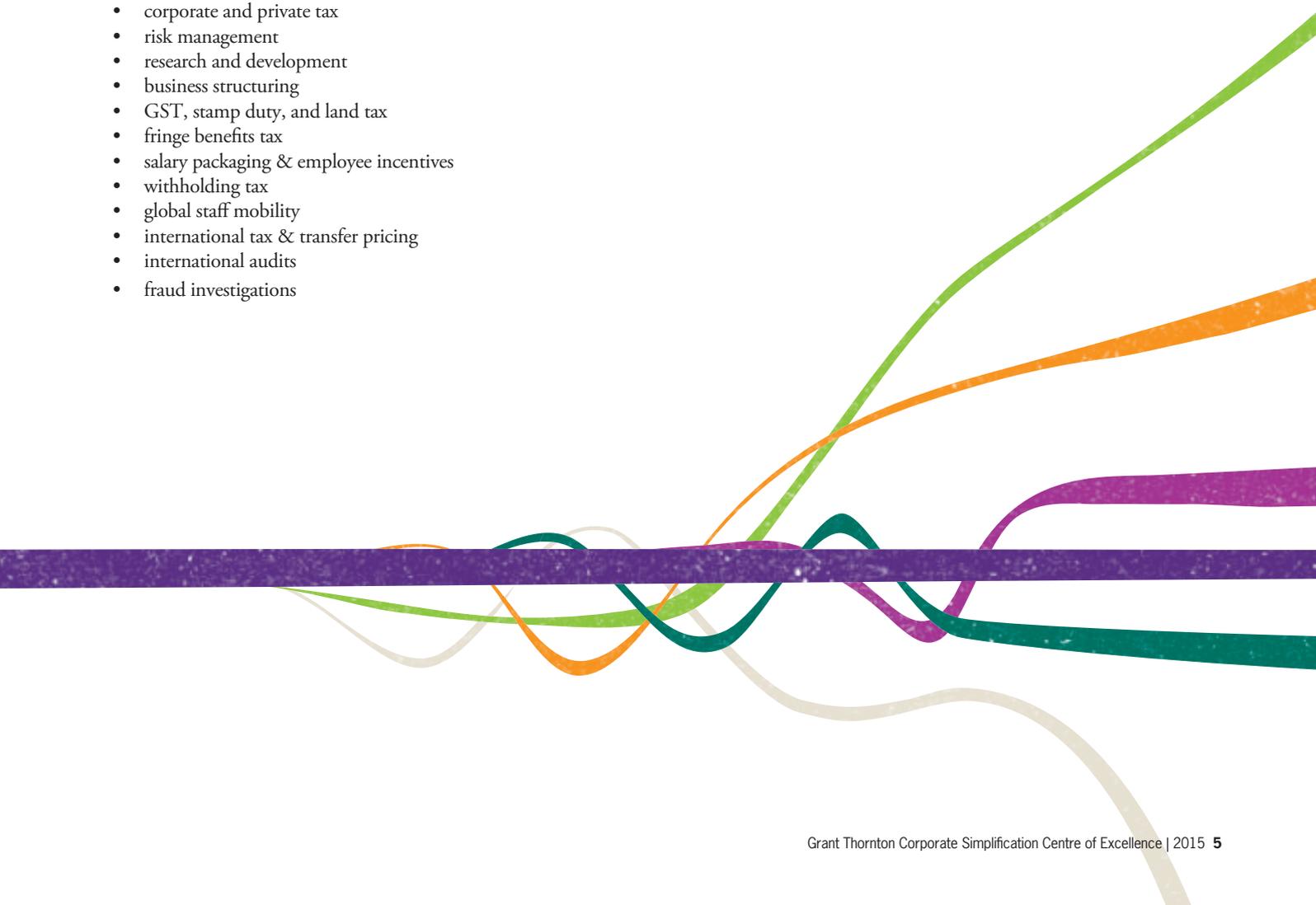


Industry expertise

Grant Thornton combines global industry knowledge and local expertise to help real estate firms, developers and construction companies with their investments and projects, no matter where they are operating or looking to expand. We recognise the importance of managing costs and maximising after-tax returns, to get the most out of your investment.

Our real estate and construction team understand the issues facing organisations in the industry. Companies come to us to help them raise capital, undertake due diligence, restructure their operations, manage their tax exposure and audit the reporting and internal controls of their business.

We also provide advice on:

- corporate and private tax
 - risk management
 - research and development
 - business structuring
 - GST, stamp duty, and land tax
 - fringe benefits tax
 - salary packaging & employee incentives
 - withholding tax
 - global staff mobility
 - international tax & transfer pricing
 - international audits
 - fraud investigations
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Real estate and construction team leaders

By having access to our multi-disciplinary team in Grant Thornton nationally and internationally, our real estate and construction team can ensure the process is delivered effectively and efficiently.

If you would like to discuss corporate simplification further and how it may benefit your organisation, please contact one of our team members who specialise in real estate & construction:

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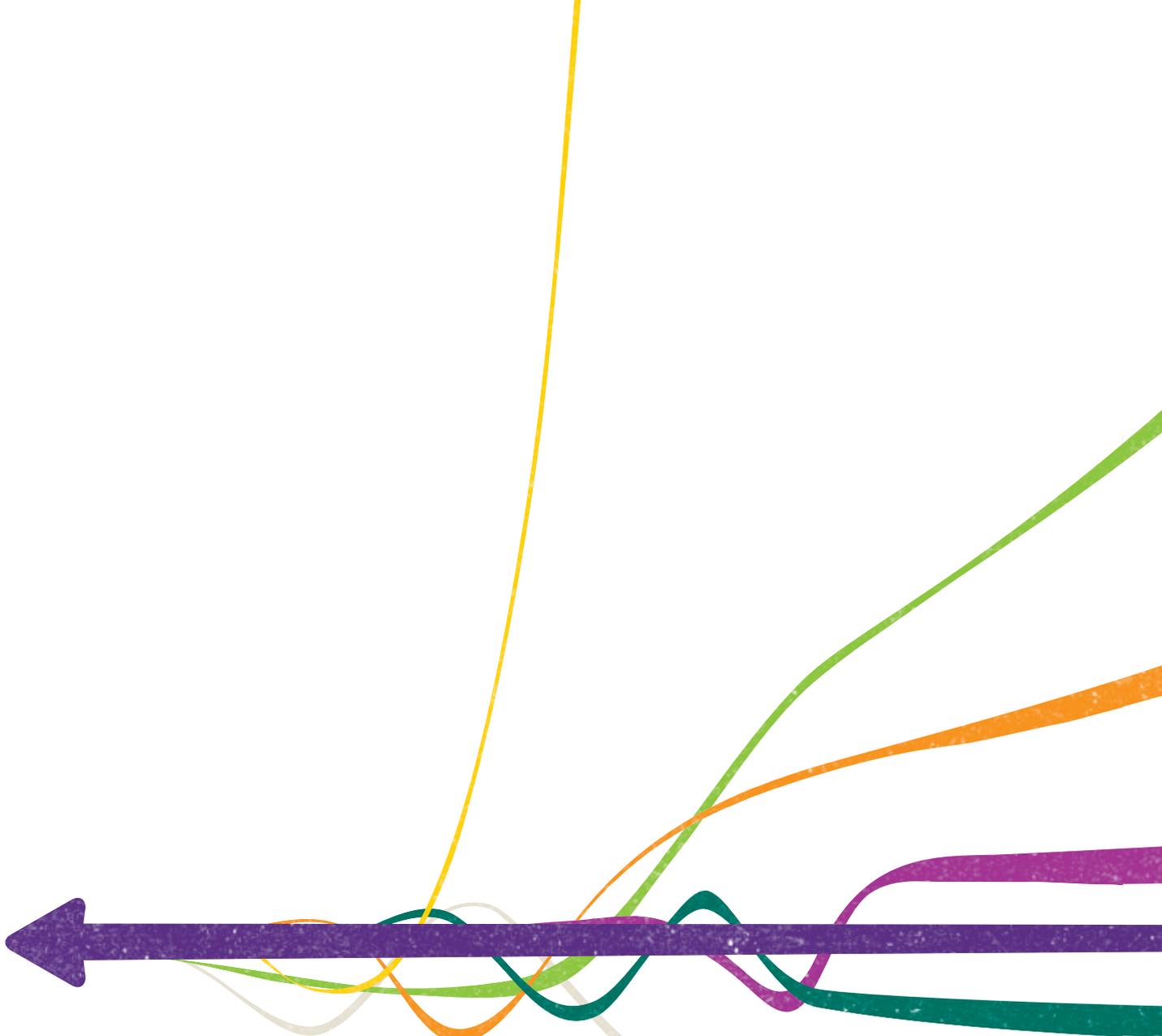
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