



Carillion situation puts construction industry supply chain at risk.

Suppliers and sub suppliers to Carillion or its JV partners must be taking a deep breath and wondering what this means to their businesses. There can hardly be a company in the construction or construction supply industry that will not be touched by this dilemma. They will have taken little comfort from the PwC Special Managers' web announcement today "to keep calm and carry on", and that all future work for the direct subsidiaries of the group will be paid for. Complete silence of when, and complete silence on when or if their unsecured receivables will ever be paid! Also, no mention of how suppliers to Joint Venture partners will be treated. For many the hit to cash flow alone may be difficult or even impossible to manage. Insolvencies in the supply chain are to be expected.

Suppliers need to take immediate action to protect their businesses! Understanding the impact of non-payment of current outstandings on cash flow to business survival is vital. Understanding where they stand in the complex network of subsidiaries and JV's is crucial. Any decision to keep supplying on what is a non-binding commitment from the Special Managers should be taken only after a full understanding of the implications on cash flow, balanced with future business relationships with a major customer. What effect stopping supply will have on work in process, progress payments, employee retention, purchase commitments with one's own suppliers, all come into the equation. And what leverage is there to press for payment of past due balances balanced with the risk of acting in a possible preference.

Urgent action is necessary and experienced independent advice required. These are a complex cocktail of commercial, financial and legal issues where practical experience counts as heavily as technical expertise. We at BM&T with our record of turnaround in challenging and near insolvent situations are ready to assist.