Rodgers Reidy

Insolvency • Forensic • Reconstruction

Small Business Restructure
Case Study: Bakery

SBR
SMALL BUSINESS RESTRUCTURE
Powered by Rodgers Reidy

We recently completed a successful Small Business Restructure of a bakery with a potted history of tax compliance and poor bookkeeping in its infancy, which resulted in it incurring substantial superannuation liabilities among other issues.

Debt

The company's unsecured debts totalled $585,333, which was well under the $1m threshold for an SBR, being as follows:

- the ATO who was owed $437,231.70; and
- an unsecured financier who was owed $148,101.50.

Background

The bakery recently appointed new accountants who reconciled the superannuation debt and identified several issues and came to us for help.

The business also failed to implement appropriate systems and procedures to manage its business and cash flow effectively. In addition, the director had focused on developing a wholesale arm of the business, which was less profitable than its retail arm.

When the inevitable downturn came during the COVID Pandemic, the business wasn't robust enough to cope with the shutdown of the dine-in part of the business that was central to its retail activity. It continued to trade as a takeaway bakery business only which negatively impacted turnover and profitability.

Proposal

With all this in mind, we proposed:

- that the Company pay the outstanding superannuation of c.$70,000 (to be eligible for an SBR);
- an SBR plan that was paying around 17.72 cents in the dollar, which was approved by the Company's creditors (saving the company c.$480,000); and
- put better strategies and systems in place to deal with tax compliance and prevent growing debt in this space again.

The proposal had no impact on claims by secured creditors.

Outcome

The Plan was accepted and now the business is trading profitably and is working with its new accounting firm on issues directly related to better profit outcomes and reducing its costs in the less profitable wholesale arm of the business.

Shane Cremin

Director

(03) 9670 8700

scremin@rodgersreidy.com.au