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Small Business Restructure
Case Study: Construction

SBR
SMALL BUSINESS RESTRUCTURE
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Our client operated in the production and installation of steel frames in Victoria. A director of the business attributed the failure of the business to the global steel shortage, the increase in costs of materials and the level of fixed costs, during a period of reduction in revenue (all factors largely arising out of COVID-19).

Debt

The unsecured creditors at the commencement of the Small Business Restructure (SBR) were approximately $380,000 in value, with the most significant creditor being the ATO for around $325,000 of that debt.

Background

The business held cash at bank, vehicles, debtors and retentions at the date of the appointment, none of which were available under the restructuring plan.

The business continued to trade during the restructuring period, and investigations identified potential unreasonable Director Related Transactions, an unfair preference claim and an Insolvent Trading claim.

Proposal

The proposal provided for approximately $75,000 to be available to unsecured creditors after related party creditors elected not to participate in any dividend.

This proposal provided a better outcome for unsecured creditors than in a hypothetical Liquidation, noting that in that process there would be a significant amount of priority (employees) creditors crystalised upon the business being placed into Liquidation.

Creditors duly voted to accept the restructuring proposal.

Outcome

Following the process, the Director was able to carry on the business without the significant debt levels and without the cost or burden of the business being placed into Voluntary Administration, to reach the same outcome.

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