



Small Business Restructure Case Study: Engineering



Our client is a family owned business based in the Central West of NSW specialising in steel fabrication and general engineering services as well as coal handling preparation plant operation and maintenance. The business was significantly affected by the COVID-19 Pandemic, which caused it to lose clients and suffer a huge reduction in work due to travel restrictions and key employees being ill.

Debt

There was an outstanding debt of \$77,353 due to iCare Workcover and an outstanding taxation debt with the ATO of \$464,738.

Background

From early 2020, the business had an increase in cost of goods due to rising consumables and steel prices, while it also had to pay higher wages to its employees to retain talent. In this regard, the business suffered significant trading losses during the financial years ended 30 June 2021 and 30 June 2022. As a result, it was not able to keep up to date with its taxation obligations.

As a part of the SBR process, combining with the assistance from the external accountant in respect to strategic planning and cash flow management, the business undertook various actions to continuously improve its ongoing financial position

and operations. In particular, it ceased offering steel supply at its local workshop to avoid incurring storage and holding costs, improved trading terms with its customers and reduced employment costs.

Proposal

The ATO and iCare Workcover were the only affected creditors with a total outstanding debt of \$542,091 and the Restructuring Plan offered a total distribution of \$100,287 to creditors, which resulted in a return of 18.5c/\$.

Both of the affected creditors voted to accept the Restructuring Plan, as the return under the Plan was better than an estimated return in a hypothetical liquidation scenario.

Outcome

Following the SBR Process, the employees have retained their jobs and the director has obtained a fresh start to carry on the business releasing it from the historical debts, all achieved without the significant costs of placing the business into Voluntary Administration.



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