



Small Business Restructure Case Study: Interior Design



Our client provides commercial interior design consulting services to the construction industry, which was heavily impacted by COVID-19 Pandemic. During the COVID-19 lockdown periods, most of the business's projects were cancelled or significantly delayed.

Debt

There was an outstanding debt of \$6,366 due to the business's external accountant and a taxation debt of \$314,864, together with a potential unfair preference claim of \$16,000 against the ATO in a hypothetical liquidation scenario.

Background

The business operated across the Asia-Pacific region, which required international travel from time to time to meet with new and existing clients for the purpose of attracting new projects and/or progressing existing projects.

However, international travelling was not a viable option for the business for the 2 years previous to the SBR, with the closure of the internal borders within Australia and international borders with other countries in the Asia-Pacific region, due to the COVID-19 Pandemic.

The revenue of the business reduced significantly during the COVID-19 lockdown periods. Notwithstanding, the business still had various fixed costs, in particular, rent, wages and other employee entitlements for a number of full-time employees, to meet.

Proposal

The ATO and the business's external accountant were the only affected creditors with a total outstanding debt of \$321,230 and the Restructuring Plan offered a total distribution of \$71,429 to creditors, which resulted in a return of 22.24c/\$. 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 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.

This case was featured in the Acuity Magazine (CAANZ) to show how a collaboration between the external accounting firm and Rodgers Reidy to restructure the common client's business has paid off.

Visit the link below to read the full article at Acuity Magazine: <https://www.acuitymag.com/business/recommending-clients-to-specialists-need-not-be-taboo>



Andrew Barnden

Director

(02) 9262 1944

abarnden@rodgersreidy.com.au

A MEMBER OF BTG Global Advisory