Rodgers Reidy

Insolvency • Forensic • Reconstruction

Small Business Restructure
Case Study: Architecture

SBR
SMALL BUSINESS RESTRUCTURE
Powered by Rodgers Reidy

We recently completed Small Business Restructure for an architecture business with a debt to the Australian Taxation Office (ATO). The debt was incurred mainly before the COVID Pandemic but remained unpaid because of trading issues during the pandemic.

Debt

Aside from a loan arrangement with its director, most of the debt was with the ATO and a small amount to the State Revenue Office (SRO). The total debt dealt with in this SBR was $179,318.

Background

This architecture business had been trading profitably until the loss of two substantial contracts in 2018 and a subsequent downturn in the multi-unit residential market.

The business executed a sale to a similar business in December 2019, which involved all the business contracts, software licenses, and computer/office equipment and took over the lease of the trading premises the following month.

None of the business's employees other than the director was retained. The business continued to trade as a consultant to the purchasing company, but that arrangement was discontinued in March 2020 at the start of the COVID Pandemic, and our client recommenced trading in July 2021 with a legacy debt to the ATO and SRO.

Proposal

The proposal provided an initial lump sum contribution of $30,000 with three subsequent equal monthly payments to the total of $10,000, making a total commitment of $40,000.

Creditors duly voted to accept the restructuring proposal, which resulted in a 20.3c/$ return.

Outcome

The business has continued to trade profitably but has taken several steps to improve its position going forwards, including:

- Raising prices.
- Setting an establishment fee for new work.
- No longer undertaking feasibility studies.
- Reducing overheads by operating a home office and using contractors for specific tasks.
- The director is taking several other steps to improve the business's financial position.

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