



# Small Business Restructure Case Study: Security Services



Our client has been providing security services (including but not limited to guard and patrol services, security system installation and technical services, security monitoring and cash and armed services) for over a decade in regional NSW. During the COVID-19 lockdowns, the profitable side of the business, being the alarms and CCTV installation services, declined due to the uncertainty among its customers.

While the client still generated revenues from its guard operations, the labour shortage caused significant pressure on its cash flow. In addition, the client was only entitled to access the Cashboost scheme but not the Jobkeeper Support scheme, which further placed it at a distinct competitive disadvantage.

## Debt

As of our appointment, there was an outstanding debt of \$56,540 to Revenue NSW and an outstanding tax debt of \$879,982 to the ATO, which was subject to a significant instalment arrangement affecting the cashflow of the business.

## Background

With the goodwill accumulated by the client over years of operations, our client was a large employer in regional NSW with approximately 50 full-time, part-time, and casual staff.

During the COVID-19 Pandemic, the director suffered a marriage separation, which significantly affected him financially, emotionally and mentally. While the director was trying to reconcile his marriage, he appointed a general manager to oversee the business's day-to-day operations.

However, as the Pandemic persisted, the client's revenues decreased as margins were further tightened. Consequently, the client suffered a significant trading loss from January 2020 to February 2022.

## Proposal

The ATO and Revenue NSW were the only affected creditors with a total outstanding debt of \$936,523 under the Restructuring Plan, which offered a total distribution of \$234,131 to creditors, resulting in a return of 25c/\$. Both 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

By implementing the SBR Process, the employees kept their jobs and the client has been able to continue operating the business, free from the burden of significant historical debts. Moreover, this has been accomplished without incurring substantial expenses and the stigma associated with placing the business into Voluntary Administration and propounding a DoCA.



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