Rodgers Reidy

*Insolvency • Forensic • Reconstruction*

# Small Business Restructure
# **Case Study: Concreting**

SBR
SMALL BUSINESS RESTRUCTURE
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We recently completed Small Business Restructures for two related concreting businesses with a common director and one with an extra related shareholder. The majority of the debt for both businesses was with the ATO.

## Debt

Small Business A carried a tax debt of $274,274 as well as a debt of $422,784 to Small Business B.

Small Business B had a debt of $280,510 comprising a tax debt, WorkCover premium and a deposit for works not completed, as well a debt to Small Business A.

A series of inter-related loans used to smooth cashflow loans between each business were not dealt with as part of this Small Business Restructure.

## Background

Both businesses had a significant ATO debt and may have been trading insolvent since July 2020, but the amounts involved were only partially recoverable due to the financial situation of the director.

Both businesses suffered from the conditions placed on them by the COVID Pandemic, including the inability to trade at times. One business was impacted by the failure to collect on a major debt in 2019, which caused cashflow issues that had a flow-on effect on the other business.

## Proposal

The proposal provided a lump sum contribution of $55,000 for Small Business A, providing a return of approximately 19.06c/$.

For Small Business B, a lump sum contribution of $70,000 was proposed, representing a 23.71c/$ return to creditors.

This proposal provided a better outcome for unsecured creditors than in a hypothetical Liquidation.

Creditors duly voted to accept the restructuring proposal.

## Outcome

Following the process, both businesses have returned to trading profitably with no loss of jobs.

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