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SBR Case Study

Civil Contracting

SBR
SMALL BUSINESS RESTRUCTURE
Powered by Rodgers Reidy

Our client operates two businesses, a small Hair Salon and family owned Civil Contracting, Earthmoving and Heavy Haulage Company based in Tasmania, that latter specialising in Commercial and Residential/Domestic Earthworks.

COVID-19 severely impacted the business due to Government restrictions imposed which led to increased operating costs, the inability to have as many staff on site at one time due to social distancing requirements, increased sick leave costs due to staff downtime and the need to terminate staff due to a decrease in available work.

Debt

Total debt within this SBR was approx $534,678 owing to the ATO and State Revenue for Payroll Tax.

Background

As well as the impact of Government restrictions surrounding COVID-19, during COVID and in the period post COVID there have been significant increases in material costs and delays in supply which has led to the Company suffering losses on fixed price contracts and incurring penalties for delays.

Significant growth in the business led to the Director purchasing a large amount of equipment on finance.

The Company also faced challenges with staff not being accountable for safety and compliance issues, which led to various accidents and damage to equipment. This in turn led to extensive repairs and maintenance costs and loss of income due to downtime of equipment and further losses of income. Competition in the local jobs market led to issues with staff retention and staff being poached by competitors.

Proposal

The proposal provided for monthly payments over a period of 30 months, making a total commitment of $240,000. Creditors voted to accept the restructure proposal which resulted in a 43.65c/$ return.

Outcome

The business has continued to trade profitably and has taken various steps to improve its position moving forward and to ensure ongoing profitability, including:

- Reviewing assets and selling excess vehicles/equipment.
- Following a review of trading operations the Directors have agreed to focus on paying down current finance contracts to reduce current monthly overheads and have acknowledged based on the refocussing of the business' direction there will be no need to purchase new equipment and enter into any new finance agreements in the near future.
- Reviewing and refocus the business offerings and the types/size of contracts tendered. It is recognised the biggest contract is not always the most profitable.
- Engagement of a new accountant.
- Conducted a detailed analysis of operating expenditure in order to achieve further costs savings, therefore reducing overheads.

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