



# SBR Case Study Electrical Contractor



Our client operates as an Electrical Contractor, providing the following services throughout Tasmania:

- Residential, Commercial & Industrial.
- Solar Panel Installation.
- Heat Pump Installation and Servicing.
- After Hours Call Outs 24/7.
- Maintenance and contract works for the Residential Tenancy Commissioner.

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 \$455,916 owing to the ATO.

## 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 business suffering losses on fixed price contracts and incurring penalties for delays. The business also faced difficulties in collecting outstanding accounts due to key clients being slow paying and, in some instances, clients becoming insolvent.

Following an internal review of administrative processes it was also found that statements had not been issued to clients since Oct 2023 and therefore significant debtors remained outstanding. There were also significant errors in tenders – which included materials missing

on quotes that are necessary to undertake the work, under estimation of hours and travel/accommodation costs not being estimated correctly – which led to significant losses on jobs and, in some cases, materials being purchased, but not being invoiced on jobs and jobs being completed and not invoiced.

## Proposal

The proposal provided for monthly payments over a period of 6 months, making a total commitment of \$82,800. Creditors voted to accept the restructure proposal which resulted in a 17.2c/\$ return.

## Outcome

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

- Increasing hourly rates and negotiating with key clients to enter into new contracts.
- Review of all internal policies, to ensure jobs are quoted accurately and invoices issued on a monthly basis.
- 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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