Small business restructuring used to ‘clean house’ for Sydney property business

Like many businesses that find themselves in financial distress, this diversified building management/property maintenance business faced a number of challenges that led to it owing the ATO a sizeable debt. The company director and accountants consulted with Jirsch Sutherland to determine the best solution and to subsequently develop a Small Business Restructuring (SBR)plan.

Background

Peter Moore, Partner, Jirsch Sutherland

The Sydney-based company provides professional building management, concierge, cleaning and gardening services for residential and commercial buildings across Sydney. They employ four full-time building managers and one part-time relief building manager. At the time of Jirsch Sutherland’s appointment the revenue was slightly over $1.1 million.

The company found itself in financial distress due to a combination of pressures including:

- **Higher expenses:** the director increased expenditure on promotional advertising and higher-quality products in a bid to grow his company's business and reputation. "While it was considered a good idea at the time and the director was hopeful it would result in an enhanced

profile, the outlay did not provide the long-term gains that were expected, ultimately resulting in

a reduced profit and losses being incurred," explains Jirsch Sutherland Partner Peter Moore,

who worked on the matter.

- **Unprofitable contracts:** some of the business's existing clients were subject to contracts that were unprofitable, and the company wasn't successful in renegotiating an increased price.

- **Personal trauma:** over a four-year period, the company's director experienced multiple

personal traumas, which saw him lose focus on his duties as a director. The strategic management of the business was impacted, resulting in a failure to manage the company's tax obligations in a timely manner.

- **Loss of clients:** during the current financial year, the company lost several clients.

Solution

Jirsch Sutherland worked closely with the company's director and accountants to develop a restructuring plan. In addition, the director took steps to reduce operational costs while actively looking for new clients and maintaining current client relationships. The reductions included:

- Bulk purchasing of products.
- Reducing motor vehicle expenses.
- Reducing contractor fees.

"The director and his accountants were eager to help and provided all the information requested and answered any queries we had while conducting the matter, which helped make it very straightforward," says Moore.

Results

The company was restructured without any issues, which resulted in the saving of employee jobs and enabled the business to continue trading with a lesser financial burden. The ATO received 16 cents in the dollar return ($93,000) on their claim of approx. $570,000.

“After the plan was executed and the dividend was paid to the ATO, the director expressed his gratitude for the service he received and also at the outcome of the restructuring plan” adds Moore.