business reset Success story

plan paid in full, about $470k of debt released

Mechanical and farm machinery · Regional Australia



At a glance

Industry
Mechanical and machinery

Location
Regional Australia

Pathway
Small Business Restructure (SBR)

How they found us
Google search

Key figures

$640k
Approx. debts in the plan

$206k
Approx. total contributions

73%
Approx. debt reduction

The challenge

This regional business combines a mechanical repair workshop with farm machinery sales, parts and service. It became a one-stop shop for everything from family cars to tractors.

COVID, a machinery boom then bust, a failed second site, unreliable books and storm damage hit in turn. A profit of about $180,000 became a loss of about $260,000, and debts reached about $640,000.

The directors refinanced their home, borrowed from family and cut their own wages. The business still paid the ATO about $76,000 in the 12 months before appointment.

What we did

We compared staying on the ATO payment plan, liquidation and a Small Business Restructure (SBR). With about $780,000 of secured debt, employee entitlements and liquidation costs ahead of them, unsecured creditors were estimated to get nil in liquidation.

Before appointment, the directors raised margins, cut staff, sold three vehicles, cleared most of the ageing stock and got the books up to date. They also renegotiated a key contract at a better rate.

General information only, shared with permission. Some details may be changed to protect privacy. Outcomes depend on each company's circumstances.

How it unfolded

Early days
1. **Hit by COVID.** The business was still young when lockdowns and staff isolation cut trade for long periods.

Boom, then bust
2. **Stuck with stock.** A rush on farm machinery left ageing stock suppliers wouldn't take back, with interest still running. A second site failed within a year.

The low point
3. **Books and a storm.** Software errors and a string of bookkeepers left the books unreliable. A storm also damaged the premises, stock and equipment.

Before appointment
4. **Back in profit.** Margins up, costs cut and the books fixed. The business made about $100,000 profit in the quarter before appointment.

The plan
5. **Plan put forward.** About $206,000 in total: $35,000 upfront from the director, then 18 monthly instalments from trading. No assets were sold.

Completed
6. **Paid in full.** Creditors accepted the plan, every instalment was met and three dividends were paid.

The outcome

The plan returned just under 27 cents in the dollar, against an estimated nil in liquidation. Once it was completed, the company was released from the balance of its debts, about $470,000. The ATO was estimated to be at least $130,000 better off.

What made the difference: the turnaround came before the plan. A profitable quarter, regular ATO payments and up-to-date lodgements supported the proposal.

Is ATO debt putting pressure on your business?
Talk to us about your options, or refer a client.
1300 073 738
businessreset.com.au

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