Collaborate and Communicate

Avoid Liquidation with SBR

When a company has liabilities less than $1 million it is eligible for the Small Business Restructuring (SBR) process. SBR involves registered liquidators working with financially distressed companies and their accountants to rebuild a profitable business as a viable alternative to liquidation.

As an accountant it is always difficult when you notice cashflow stress in a client's company but now you can tell the director not to feel bad because together you can call in a registered liquidator and SBR specialist.

It might sound weird to engage a liquidator to AVOID liquidation but when accountants, directors and these specialists collaborate and communicate they aim to achieve one off debt resolution so the business can thrive again.

Four stages to successful restructuring-SBR:

1. <u>Recognise cashflow defeat early</u> – when debts are too big to service during the course of normal business. We all know that post covid factors have not been kind to business: rising interest rates, changes to client activities, increasing cost of labour, inability to source labour and even your ATO payment plan may be sinking your cashflow. Remember liabilities cannot exceed $1M to use this process so don't be an ostrich. **Act early.**

2. <u>Call for specialist advice</u> – if you are a director then engage with your company and/or tax accountants to seek outside expertise from a registered liquidator with experience in SBR. It might feel bad for a director to put their business into voluntary administration with a registered liquidator even when they know it's just a temporary phase in the SBR process. Liquidators are people too and they know your business is a huge part of life. On a positive note, the company or tax accountant/s will do the same amount of work as usual while working in **collaboration** with the liquidator SBR specialist so there is not too much needed in fees.

3. <u>The restructuring plan itself</u> – after analysing company financials in collaboration with the tax accountants, the administrator/ liquidator/ SBR specialist presents a detailed plan to creditors such as the ATO and other suppliers of goods and services to satisfy all debt in a one-off payment. Creditors then vote to accept a debt settlement deal (which varies greatly and maybe even in the vicinity of 22 cents in the dollar). The SBR process is relatively fast (can be as little as 2 months) and costs less in comparison to liquidation which a formal process requiring more investigative and reporting processes meaning more fees.

4. <u>Back to business as usual</u> – directors are usually worried about reputational damage and this is where **communication** is key. Regular clients can be kept informed about the business restructure process and its short-term nature. Cooperation not competition between the company's tax accountants and the solvency specialist is vital to success. The SBR specialist is there only to lend short term expertise. The specialist exits the scene after the debt settlement and the business is free to prosper again.

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