

News with Clout

Providing Corporate & Personal Solvency Solutions

To Bite the Bullet or Not

A company has a problem. The directors need to talk to somebody and more often than not some formal appointment or if not formal some fairly drastic initiative needs to be implemented. Yet all too often it is too hard and the decision and the initiatives are put off to another time. And we all watch the suffering continue.

This is a serious regional issue. Directors and owners, many of whom unwittingly have torn up serious amounts of money over the last 18 months will now hang in there with the hope that the statistics are right and Australia and their business is not experiencing a recession.

How much have they lost? How quickly are they going to be able to make it back up? How much emotional pain can they continue to put up with? Are they continuing to trade insolvently?

Why a regional issue? Simple in the regions business is so much more personal. The customers, suppliers and subcontractors are all friends. Everything they have is tied up in the business or soon will be if they continue to trade insolvently.

In the cities and the big end of town it is much more impersonal and easier to approach the whole situation in a professional and objective fashion.

Yet all seem to forget that the clincher in these situations is that the earlier a decision is made to approach someone for advice in a potential insolvency situation the wider the variety of positive options are available to enable the preserving value for all stakeholders including the owners.

Voluntary Administration and Deeds of Company Arrangement are positive restructuring tools. To be totally effective in a turnaround scenario there needs to be resources available for many and varied reasons such as continuing to fund trading on and short term losses whilst the business

operations are restructured To preserve resources decisions need to be made early.

To live in hope and trade on each day whilst net cash out flows are occurring is like the poker machine gambler hoping the next play will make their future! You just can't tell them.

Oh by the way ASIC are looking at the possibility of obtaining a few insolvent trading convictions in the regions to make examples out of some poor punters who have played the machines one or two times too many. We all forget knowingly incurring credit, knowing you can not repay it as and when it falls due (that is paying it on time) otherwise referred to as **Insolvent Trading is a criminal offence**. "She'll be right" I won't cop it is a standard response. We see it as like running the random breath testing gauntlet.

How long can most punters put up with the pain? They are a pretty tough breed. The best we have seen is the directors struggled and postponed the inevitable for three years until the pressure got too much to bear. The end result in terms of the persons health was not pretty.

Do your struggling clients a favour and suggest if they are not listening to you they get a second opinion. Refinancing would appear to be off the table for many but there are still plenty of other positive remedies at the practitioners' disposal.

Surely it is better to bite on a bullet earlier rather than beating ones head against a brick wall and having to swallow what ends up being a very bitter pill. From our experience most in retrospect are relieved to have bitten the bullet.

As ever we welcome and appreciate all your enquiries which are always kept strictly confidential.

Yes we are busier than we have been but never too busy to help those who are endeavouring to help themselves.