LANYANA
FINANCIAL GROUP

BUSINESS DEBT SOLUTION

INFORMATION BROCHURE

About Our Business Debt Solution

Running a business takes passion, dedication, hard work, intelligence and a little bit of luck. So when your business takes a turn, it can be devastating.

In Australia's challenging economic climate, even the most successful business can fall prey to volatile market conditions and cash flow pressures.

In these situations, it's vital to identify, assess and respond to the signs of company turmoil to give your business the best chance of survival.

Business owners can unexpectedly come under financial duress because of circumstances out of their control. There could be changes in the economy, a customer might not pay an account, you could lose a vital contract or your debts could simply become unmanageable.

If your company is experiencing financial pressures, you should assess its solvency situation. If it looks as though your business is headed towards insolvency you need to take immediate action.

Individuals entered personal insolvency in 2017

30,161

Companies entered insolvency in 2017

11,296

Construction companies entered insolvency in 2017

2,146

Average Australian credit card debt

$4,223

Your Options

There are a number of strategic plans you can put in place to minimise the impact on all stakeholders.

When considering strategic action, it is important to be realistic about your financial situation. Ask for expert advice from your accountant or a professional corporate solvency company.

Turn Around

When your business hits hard times it is possible to turn things around and get back on track before your solvency becomes an issue. If you feel your solvency status might be slipping it is imperative to determine the chances of the business's survival, identify appropriate strategies, and develop a preliminary action plan.

To do this, you should review each area of your business to uncover any major financial issues.
From your findings in the review you can then develop and implement a turnaround plan. Some common steps in a turnaround plan include:

- Assessing your labour requirement and making changes where needed.
- Refocus on the organisation's core business by closing under performing business units.
- Restructuring management
- Eliminating unprofitable lines of business.
- Identifying and potentially selling surplus assets.
- Eliminating unnecessary capital expenditure.
- Improving the accounts receivable collection process.
- Focusing on the business' cashflow.
- Communicating with financiers and creditors.

Acting quickly and seeking appropriate advice from your advisors is key in any turnaround.

Voluntary Administration

Has your business hit a bump in the road? If you are going through a rough patch or have short-term cash flow restrictions, you may consider Voluntary Administration for your business.

Voluntary Administration allows you to continue trading while undertaking a formal restructure that includes a compromise with your creditors. Unsecured creditors can't enforce any of their claims against the company during the Voluntary Administration period which lasts for 20 days.

At the end of the Voluntary Administration period, creditors vote for one of three options:

- End the Voluntary Administration and return the company to the Directors' control.
- Approve a Deed of Company Arrangement for the company to pay all or part of its debts and then be free of those debts.
- Wind up the company and appoint a liquidator (Company Liquidation).

Voluntary Administration is a formal insolvency appointment that gives companies the best chance to survive. It is designed to resolve a company's future quickly.

One of the outcomes may involve a Deed of Company Arrangement (DOCA). A DOCA is a formal agreement between the company and its creditors to satisfy company debts.

Company Liquidation

A company goes into liquidation when its Directors and shareholders decide to wind it up because it can't pay its debts.

Company Liquidation helps the directors to comply with their statutory duties by wiping the debts and deregistering the company.

When a company goes into liquidation the shareholders/creditors appoint a Liquidator to:

- Secure and sell all the assets belonging to the company and distributing the proceeds to creditors.
- Investigate and report the company's affairs to its creditors.
- Prepare a report for ASIC looking into the company's failure.
- Once the liquidation is complete the liquidator will apply to deregister the company.

We help thousands of people every year get themselves and their businesses out of debt so they can regain their peace of mind.

And we can help you too!

Frequently Asked Questions

What is trading while insolvent?

Insolvent trading occurs when a director allows a business to incur debts even though they are aware the business is unable to pay them as and when they fall due, rendering the business insolvent.

It is important to note that the duty to prevent insolvent trading also applies to any person acting in the position of director, even if they are not formally or validly appointed as a director.

What are the consequences of trading while insolvent?

A director may be held personally liable to compensate creditors for the amount of the unpaid debts incurred from the time the business became insolvent to the start of the liquidation.

In 2015, the Australian Securities and Investments Commission (ASIC) focused on insolvent trading by directors, noting that the following penalties can apply in certain circumstance:

Civil penalties: these can apply for contravening the insolvent trading provisions of the Corporations Act 2001, which can include pecuniary penalties of up to $200,000.

Criminal charges: if dishonesty is found to be a factor in insolvent trading, a director may also be subject to criminal charges, which can include a fine of up to $220,000 or imprisonment for up to five years, or both.

The Corporations Act 2001 provides some statutory defences for directors. However, directors may find it difficult to rely upon these if they have not taken steps to keep themselves informed about the company's financial position.

Will employees receive entitlements if the company is placed into liquidation?

Eligible employees are entitled to claim under the Federal Government Scheme known as Fair Entitlement Guarantee Scheme (FEGS), which provides for various employee entitlements upon the insolvency of a business. However, it should be noted that FEGS does not cover outstanding superannuation.

Are you ready to take control of your business debts through one of our Business Debt Solutions?

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Giving Australians a Fresh Start to a Positive Financial Future