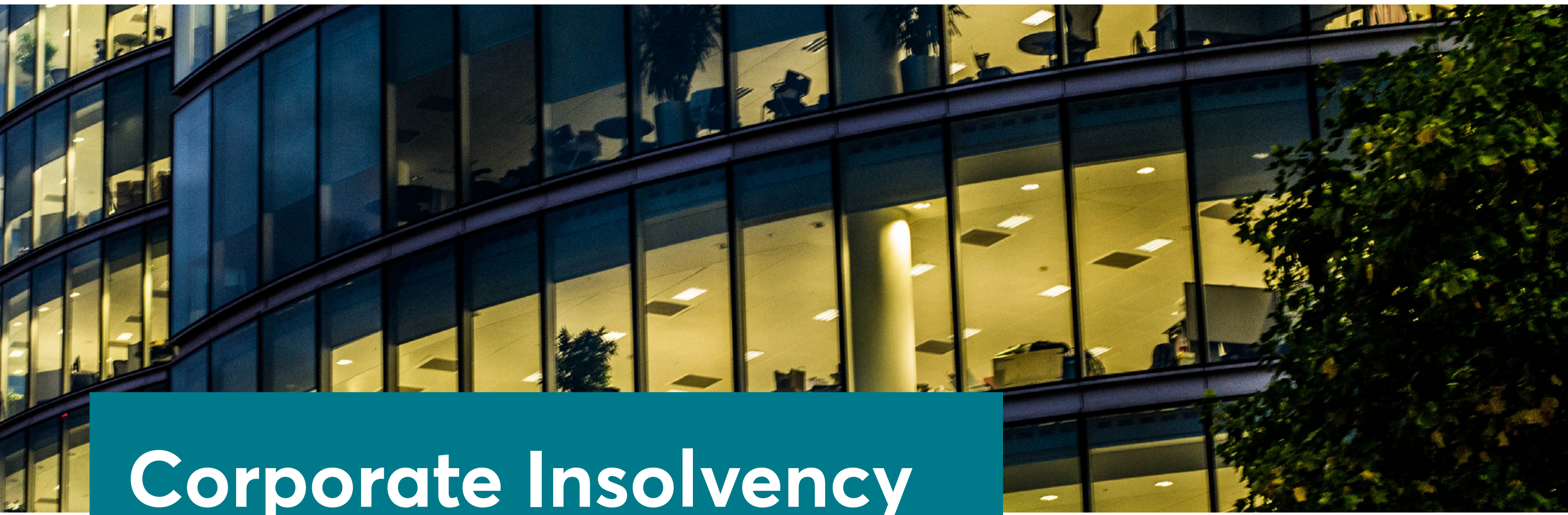
Larking Gowen
Insolvency & Recovery

Committed to you.



Corporate Insolvency

Administration

Administration is a rescue procedure which allows the business to continue trading and prevents creditors from taking action to recover debts. Administrators can continue to trade the business to complete work in progress, arrange a sale of part or all of the business or to provide time to propose a Company Voluntary Arrangement to creditors.

A Pre-Pack Administration is where a sale of the business is arranged prior to the company entering Administration.

Voluntary Arrangement

A Company Voluntary Arrangement (CVA) is a formal agreement between an insolvent company and its creditors which requires the support of those creditors before it becomes legally binding. An arrangement allows viable businesses to continue to trade and gives them time to repay historic debts, often from future profits or third party funding.

This option may involve restructuring the business to remove any unprofitable areas.

Liquidation

A Creditors' Voluntary Liquidation is initiated by the directors and requires the passing of resolutions by shareholders to appoint a Liquidator. The Liquidator's role is to realise the company's assets and, if possible, pay a dividend to creditors. There's a greater involvement of the directors and more opportunity to achieve a controlled sale of the assets.

A Compulsory Liquidation is a court driven process and results in the Official Receiver being appointed.

Formal insolvency

Whilst we will always try to help you rescue your business, sometimes formal insolvency is unavoidable.

A business is technically insolvent if it is unable to pay its debts as they fall due or where a company's liabilities are greater than its assets.

> “We offer friendly impartial advice, based on years of experience, to guide and support you throughout the process of getting your business back on track, restructuring your debts and negotiating with creditors.”

Case studies

Administration

The company operated a pub and restaurant business in Norfolk. Following a downturn in trade, the company began to struggle with cash flow problems and was being supported financially by the director. The company began to fall behind with suppliers, and HMRC, who were owed £40,000 in VAT and PAYE arrears, were threatening to seize property.

Whilst there was value in the assets, which included freehold premises, and goodwill from creditors, a review confirmed that the company should be put into a formal insolvency procedure. It was decided that the company should enter Administration as this would enable it to continue trading, thereby preserving the value of the goodwill and preventing HMRC from seizing property.

Revenue generated from the fulfillment of existing Christmas and New Year bookings funded the trading period and the jobs of its 14 employees were protected. It also provided the Administrators with time to find a purchaser for the business. A sale was subsequently agreed and the sale proceeds were sufficient to make sure preferential creditors were paid in full and that a payment could be made to the company's secured creditor.

Creditors' Voluntary Liquidation

The company operated an agricultural supply business. The nature of the business was that the majority of trade took place from spring to summer with very little happening in the winter months.

Whilst the company had traded well historically, the usual seasonal sales increase, which normally started in March, did not materialise and the company began to incur heavy financial losses. Sales did begin to improve later in the season but, due to the company's level of indebtedness to suppliers, its director contacted Larking Gowen for advice.

Initially, a Company Voluntary Arrangement was proposed but creditors were not willing to support this. Accordingly, the company was placed into Creditors' Voluntary Liquidation. The director helped the Liquidator to sell the company's remaining stock and collect outstanding book debts. Sufficient funds were realised to enable a payment in full to the company's preferential creditors and dividends of 53.80 pence in the pound (totalling £87,560.47) were paid to unsecured creditors.

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