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The team at Leading corporate Recovery were recently approached by a London based events company who had been struggling financially following a contract they had been unable to fulfil. The business had traded successfully for several years with each year witnessing an increase in turnover and profit.

Having been engaged to manage a large function for a high profile European based client, the business had ordered electronic equipment that was required for a light and laser show for approximately £150k.

Sadly, during the show the equipment failed, leaving an unhappy client who refused to pay for the services of the business. This left the business with a £ 300k bad debt and in response, the bank also decided to reduce the company's overdraft facility by £50k.

With heavily depleted resources, the company was able to process its small payroll but could not meet either PAYE or VAT obligations. At the point of contacting Leading Corporate Recovery, the Inland Revenue had issued a Winding up petition.

In the first instance, the Insolvency Practitioner conducted a full review of the business looking at all aspects including finance, sales and marketing plans, operational and staffing plans as well as reviewing the history between the company and the petitioning creditor. The Insolvency Practitioner believed that if the company chose to follow a liquidation path, creditors would see a realisation of only 10 pence in the pound.

Next the team contributed to the preparation of updated profit and loss accounts, cashflow projections and produced a balance sheet on the basis that existing creditors were frozen.

Following the review, the insolvency Practitioner believed the business remained viable if the existing creditors were frozen and the directors took steps to reduce overheads in line with the decreased level of turnover.

The decision was made to apply to the court for an administration order which proposed that a Company Voluntary Arrangement would ensure the longevity of the business and be able to realise a considerably higher realisation for creditors over a 3 year period.

The administration order was granted which meant the Inland Revenue were no longer able to pursue the company with the Winding up petition and all other creditors were frozen. A Company Voluntary Arrangement proposal was prepared and sent to creditors for consideration and as this was approved very quickly, the administrator had only a minimal role in the interim period, mainly monitoring income and expenditure within the bank account.

Following the approval of the CVA, the administrator applied to the court for his release and the company was handed back to the directors. The IP became the supervisor of the CVA and is now managing the contributions from the company in order to distribute these to creditors. To date, the company has met its obligations under the CVA and the business is returning to a profitable position.



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