



It's never too late to start your new beginning.

At Leading Corporate Recovery, we know that many business owners have struggled to stay afloat during the tough economic climate of recent years. In many cases, you will have already struggled to manage cash flow, retain employees or keep your creditors at bay, no doubt leaving you stressed and overwhelmed.

We specialise in helping you to overcome these obstacles, particularly if you feel that you have a viable and sustainable business model.

What is an Administration?

An Administration is a legal process where a Licensed Insolvency Practitioner is appointed as an Administrator in order to manage the Company's business, affairs and property. In essence, from the date the Administration starts, the Insolvency Practitioner takes control of the Company. An Administration is the UK's number one business rescue procedure and is commonly used to:

-  Rescue the Company as a going concern through a payment plan or business sale
 -  Achieve a better result for the Company and creditors than in a liquidation
 -  Make repayments to secured creditors and employees
- The Administrator may choose to trade the Company for a period of time or seek to try and arrange a sale of the business (which may be to the current staff or management).

What are the main benefits of an Administration?

-  The appointed Administrator has a wide range of powers to take control of the Company, this means they can trade or sell the business or enter into new contracts.
-  Any winding up petition is dismissed or frozen whilst the Administrator puts together the rescue plan.
-  Bailiffs, finance companies and other creditors cannot repossess assets such as stock or vehicles whilst the Administrator is in control.
-  Administration protects the Company whilst the Administrator assesses the viability of the business.
-  Creditors cannot start or continue any legal action against the Company during Administration.
-  Administration prevents the landlord from ending the lease and taking back the premises.

What are the main disadvantages of an Administration?

-  The Company's Administration will become public knowledge because the Administrator is required to inform all creditors and employees of the Company, as well as notifying Companies House of the appointment.
-  During the Administration, the Directors no longer retain control of the Company.

Who can appoint an Administrator?

The directors or shareholders of a Company may appoint an Administrator by a formal majority resolution, subject to the rules set out in the Company's articles. This type of appointment can be effected very quickly, often in a matter of days, and does not require a full Court hearing. However, there are restrictions on the ability of the directors and the shareholders to appoint an Administrator, such as when a winding up petition has already been presented against the Company. If this is the case, an application to the Court for a full hearing to consider an Administrator Order will need to be made.

The holder of a Qualifying Floating Charge (such as certain types of secure creditor) may appoint an Administrator without a full hearing. A Qualifying Floating Charge is security or a charge (such as a debenture) over the Company's assets which gives the right to appoint an Administrator.

Any creditor or group of creditors (such as trade suppliers, a landlord, unsecured lenders or employees) may make an application to Court for a full hearing to consider an Administration Order if the Company has not paid any liability due.

This list is not exhaustive, so please get in touch if you have any specific circumstances to discuss with us.

How long does the Process take?

Once an Administrator has been appointed, they have 8 weeks to submit their proposals to creditors on how they intend to carry out the Administration. An Administration is designed to last no longer than 1 year, but this time limit can be extended by the Court, or with the consent of the Company's creditors. A pre-pack Administration can be organised quickly and completed in a short timescale, often as short as just a few days.

What is a pre-pack Administration?

A pre pack Administration sale is a way for the Administrator of a Company to sell a business on to a third party or to the existing directors operating under a new company, in a process where valuations, marketing and the terms of a sale have been largely agreed in advance of the Company actually entering Administration. The sale is then completed

immediately, or very quickly, after the Company enters Administration. This can be an

invaluable tool to enable the

business to continue

trading whilst

achieving

the



best price to be obtained for the business and assets.

After the Insolvency Practitioner has reviewed the Company's affairs and the valuation of the Company's assets, and if it is decided that a pre pack may provide the best outcome for the Company's creditors, a marketing exercise would normally be undertaken that would allow the best price for the business to be obtained. Generally, the Insolvency Practitioner's duty is



to obtain the highest price possible for the business, which can include an offer put forward by the current directors or shareholders and may also include some element of deferred consideration, where not all sums are paid up front.

The Insolvency Practitioner will generate interest and invite offers for the business and when a buyer has been agreed, the terms of the sale are agreed prior to the appointment of the Insolvency Practitioner. Then the sale of the business and assets is completed to the buyer shortly after the Administrator's appointment. The Company's debts, onerous contracts, and in some cases employee liabilities will remain with the Company, allowing the purchaser to continue trading the business without the historic debt.

There is therefore no interruption to the business, which itself can destroy value. There can be negative publicity associated with a pre pack, however the procedure is heavily regulated to ensure that the creditors of the Company get the best possible outcome. Pre packs are particularly useful with companies that have large intangible assets, as the value of these assets are generally negatively affected at the start of an insolvency procedure. A big advantage of a pre pack is that the cost of the process is generally lower, as it can be expensive for an Administrator to trade a business over the course of a few days or weeks whilst a marketing process takes place.

How much does it cost?

At Leading Corporate Recovery, we understand that when you have reached the point where you need to seek professional advice regarding your options, it may seem impossible to find the fees usually charged by professional advisors.

That is why we always provide a free, no obligation consultation to discuss your options and should you choose to instruct us, will offer a flexible payment arrangement that enables you to get the assistance you require.

The cost of an Administration can vary widely based on the procedure required to place the Company into Administration and the work required to be carried out in the Administration. For example, if the Administrator plans to trade a large business, the fees will be greater than if the Company is to be shortly placed into a CVA. We will of course discuss and agree our fees with you in advance of you formally instructing us.