

FREQUENTLY ASKED QUESTIONS?

This sounds better than a CVA. Is it?

In actual fact, it would be an unnecessarily expensive procedure where a CVA is achievable. Often a CVA is the exit route from an Administration. It is, of course, preferable to have only one insolvency process rather than two.

I have heard of a Pre-pack Administration. What is it?

This is where a sale of the company is agreed prior to the Administration. As soon as the Administrator is appointed the sale is completed.

Could the directors buy the company?

Yes. But it would be important to show that the transaction was equivalent to an arms length price.

Do the directors stay in control once the Administration starts?

No. The Administrator (Insolvency Practitioner) will manage the company whilst the restructuring process is underway. After the creditors have accepted the restructuring proposals and they have been implemented, control may return to the directors – for example through a CVA.

How are fees agreed?

The method of charging fees is fully explained at the outset. All details of fees and costs are agreed by creditors.

WHAT TO DO NEXT?

Call us for a free consultation – we will be delighted to help.

Telephone **01922 722 205**

email: enquiries@griffinandking.co.uk



26-28 Goodall Street Walsall West Midlands WS1 1QL

T. 01922 722205 F. 01922 639480

Email - enquiries@griffinandking.co.uk

WWW.GRIFFINANDKING.CO.UK



GRIFFIN & KING

LICENSED INSOLVENCY PRACTITIONERS



GRIFFIN & KING

LICENSED INSOLVENCY PRACTITIONERS

ADMINISTRATION

ADMINISTRATION

WHAT IS IT?

This procedure protects insolvent companies from their creditors while a restructuring plan is completed. It is not to be confused with Administrative Receivership.

This procedure can be used to facilitate numerous situations; a continuation of the trade (in one form or another), sale of the business or winding down of the business. Reasonably accurate management information to assess the strategy is imperative. Good, professional advice is essential.

The procedure is essentially a court procedure but it is not now necessary to have a court hearing for the granting of an Administration Order.

There must be one of three objectives for the Administration;

- Company rescue (as a going concern) is the primary objective.
- If that is not possible, if a better realisation can be achieved other than by an immediate winding-up of the company. For example, the company may continue to trade for a period before the business is sold as a going concern.
- If neither of the first two objectives can be achieved, assets can be realised to distribute to secured and/or preferential creditors.

Five days notice needs to be given to holders of floating charges, usually banks. In practice, it is important to liaise with the company bankers very closely during this period making sure they are fully aware of the situation.

Within eight weeks the Administrator must write to creditors detailing the proposals and there must be either a creditors' meeting or a postal vote within ten weeks of the commencement of the Administration.

During the period of the Administration the Administrator manages the company's affairs and business in accordance with the proposals that have been agreed with the creditors.

The Administration period should not exceed one year.

WHAT IS THE PROPOSAL AND WHAT SHOULD IT CONTAIN?

The Administrator's proposals explain in detail exactly what is going to happen to the company and its assets. The main contents of the proposals are;

- Details of the Administrator's appointment.
- A statement of the company's affairs.
- Explanation of the circumstances leading up to the Administration.
- The purpose of the Administration.
- How the purpose of the Administration is to be achieved.
- How the Administration will end.

WHAT HAPPENS AT THE CREDITORS' MEETING?

The meeting can be conducted by correspondence. The proposals can be accepted (by a majority in value), modified or rejected. Providing the proposals have been realistically drafted, it is likely that the creditors will accept them, perhaps subject to certain modifications.

WHAT ARE THE ADVANTAGES OF THIS PROCESS?

- Once the Administrator's appointment is made he is authorised to deal with the assets of the company (including sale).
- An orderly sale as a going concern of the whole or part of the entity can be achieved.
- Jobs may be preserved.
- The company can continue to trade in Administration which could achieve a better realisation of assets than in a Liquidation.

WHAT ARE THE DISADVANTAGES OF THE PROCESS?

- The directors will not be in control of the company during the Administration process.
- The procedure is quite complex and tends to be more expensive than a Liquidation or Company Voluntary Arrangement (CVA).
- The company bankers may appoint their own Administrator if they think their position is going to be compromised by the proposed Administration.

