

“It is in the owners and directors interest to work closely with the administrator” — **Tony Mitchell**

Worst case scenario: survival guide

In this the second in our series of articles about how to survive insolvency we explore the relatively new rescue procedure – administration.

This process should present an opportunity for the current owners and directors to rescue all or part of a company in financial difficulties. It is therefore important to understand how this can be achieved and whether it is feasible.

The way to survive administration is to understand the purpose, process and possible outcomes. Armed with these facts the directors, owners and their advisers can establish whether they can salvage anything from the administration process or whether they should walk away.

The primary purpose of administration is to rescue the company as a going concern.

Turnaround

Owners or directors facing administration should ask themselves – are the financial problems such that with the protection the administration offers and with the assistance of the Administrator, the company can be turned around, and in time handed back to the owners?



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If this is the case it is in the owners and directors interest to work closely with the Administrator and all other stakeholders, especially creditors, to achieve a swift exit from the process.

New company option

If the circumstances are such that from the beginning it appears unlikely that the com-

pany can be saved consider how parts or all of the business can be acquired from the Administrator and put into a new company.

Many of the questions posed in our first article on liquidation are relevant here – *what constitutes the business and is there part of it that can be taken forward? How can you fund the new business? Is there a customer base and is your product still in demand?*

Sale of assets

If after consideration it doesn't seem feasible to take all or part of the business forward the decision may have to be made to allow the Administrator to sell the assets for as much as possible for the benefit of the creditors.

Work with the Administrator

Depending on which of the three options the owners or directors chose will determine how much time and effort they'll want to put into achieving their own personal objectives. If it's considered the company or part of it can survive they will want to work closely with the Administrator throughout.

It is important for the survival of the business that there is continuity of trade and everything possible should be done to assist the Administrator to achieve this. It may be necessary for redundancies to be made or for part of the business to close but during the Administration process the ultimate purpose of survival has to be concentrated upon.

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pre arrange to purchase the company's business and assets before the administration comes into effect. Over recent years a practice has emerged whereby business owners agree to buy back the company's assets and business at an agreed price as soon as administration is declared.

This 'pre-pack' procedure in certain circumstances may be appropriate but more usually the Administrator would seek to market the business and its assets for a period giving the existing owners every opportunity to make an offer. It is essential therefore that owners and directors work with their professional advisers to properly evaluate the business and what it is worth.

For a free, confidential consultation contact Tony Mitchell at Cranfield Recovery Ltd on 01926 450414 or email tony.mitchell@cranfieldrecovery.com