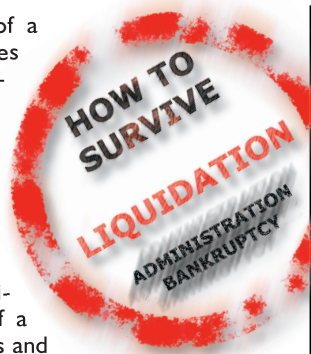


Worst case scenario: survival guide

In this, the first of a series of articles from business rescue and personal insolvency specialists, Cranfield Recovery Ltd, we explore how to survive the most difficult of business situations – liquidation, the sale of a company's business and assets to pay off its debts.



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How to survive liquidation

Numbers of liquidations have shown a steady decline since 2004, but there were still 2,900 liquidations in England and Wales in the first quarter of 2005, so if you find yourself in this situation you are not alone. There is however a series of questions you should ask to establish whether anything from your business can be salvaged.

Ask yourself...

What constitutes the business and is there a part of it that can be taken forward?

Does your company design, manufacture or provide a service that stands out from the competition. The key is to identify what elements of the old company could be restructured into a new business.

How to fund the new business

A new business will have no access to the funds previously available to the old company such as debtors. New working capital will be needed particularly as suppliers to the new business are

likely to insist on cash on delivery and it could be up to eight weeks before customers pay you. So where will the cash come from? It's unlikely you will be able to raise funds from traditional sources, so do you have equity available (in your house for example) which could be used? Can you look to family or friends for support? Factoring the new debtors may also be an option. It's at this stage when you might need to ask yourself the very difficult question – do I have to walk away from the business completely?

Is there a customer base and is your product still in demand?

If you've lost your largest, or worse still your only customer, it may be very difficult to find new customers quickly enough for your new company to get off the ground. Customers may be reluctant to deal with you if you start up a new company having seen the old one go into liquidation. Communication with customers is vital.

One of the reasons for business failure is that the market is no longer interested in the product you are offering. Conversely you may have a fantastic product that you were selling into a very narrow market. Look at this situation as an opportunity to refocus your marketing and to develop new markets on a global scale.

Your people

Do you have the right people left in your business to take things forward? Think about

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Think about the people around you that will make your new business work”

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Do you have good advisers?

Is your accountant helping you to look at your business and helping you to work through your options? Have you got a solicitor who will explain your personal liabilities as a director of an insolvent company. If not, go and get them.

Facing liquidation is a stressful and uncomfortable time for anyone, but with the right help and support to manage the process you may be able to retain your pride and a part of your business.

For a free, confidential consultation contact Tony Mitchell at Cranfield Recovery Ltd on 01926 450414.

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