

NEUM - leaders in debt risk management

The administration process can be complex. As a Director, you'll require the specific guidance of an insolvency practitioner to comply with your legal obligations as defined in the Insolvency Act 1986.

It is extremely important that the full implications are considered before selecting the administration option. Neum's driving force is the protection of its client's interests. We'll guide you through the decision making process and, the earlier you engage with us, the more legal options will become available to you.

Neum are the first choice for referral by many accountancy and legal firms due to our highly strategic, compassionate and value-for-money service. Neum provide a Partner level manager to all clients so you are guaranteed the best advice and the best strategy at all times.

The smart move

Running a business is fraught with danger, specially in today's 'new normal', Neum are Debt Risk Management AND Business rescue specialists. We'll help you identify the high risk scenarios so you can manoeuvre round them and hopefully avoid insolvency altogether. If you have to resort to recovery tactics you'll be better prepared and faster to react. It's the smart move for switched-on and successful business owners.



Our 15 minute promise

First call Neum. Explain your problem and within 15 minutes, we'll provide you with the best route options available and reassure you about your future.



Leaders in Debt Risk Management

Our Expertise

Neum are leaders in debt risk management with an incredible depth of experience to navigate you successfully through challenging times. Our broad range of services include:

Corporate Solutions

- Risk Advisory and Mitigation Strategies
- Administration
- Company Voluntary Liquidation
- Members Voluntary Liquidation
- Creditors Voluntary Liquidation
- Compulsory Liquidation, and
- Fixed Charge / LPA Receivership

Personal Solutions

- Individual Voluntary Arrangement
- Bankruptcy

Informal Solutions

- Negotiation with Creditors and advice to Board of Directors.



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Administration

HELPING YOU SEE A CLEAR PATH AHEAD



Leaders in Debt Risk Management

What is Administration?

Administration is a formal insolvency procedure for companies in financial difficulty. The process may save the company's business and jobs while maximising the return to creditors.

The administrator is an officer of the court with a statutory duty to act in the best interests of the creditors.

The administrator has wide powers to trade, manage and sell the business as a going concern in order to achieve one or more of the statutory purposes defined by Schedule B1 of the Insolvency Act 1986.

Who can appoint and Administrator?

The administrator can be appointed by the court, secured/unsecured creditors or the Director(s). The circumstances of the company dictate by whom the administrator could be appointed.

A court based application will usually be made by the Directors, the company or creditors. An application must be filed with the court for an administration order together with other supporting documentation.

An out-of-court application may be made by the company, its Director(s) or by a secured creditor who is the holder of "qualifying floating charge".

What is pre-pack Administration?

A Pre-Packaged Administration ("pre-pack") is a type of administration process where the purchaser and the insolvency practitioners negotiate the sale of assets of the company prior to the company entering into administration with the intention to maximise the return to the general body of creditors. The fundamental purpose of the pre-pack is to rescue the profitable part of the business and realise the best value for the assets.

Duration of Administration

The administration continues for maximum of 12 months unless extended by approval of creditors or leave of the court. The administration has a number of flexible exit routes which will enable return of the

company back to the Directors, placing the company into voluntary or compulsory liquidation or dissolution directly out of the administration.

Who pays for the cost of Administration?

The costs of administration will be met out of the realisation of assets. The creditors will not be liable for any monetary contribution towards the pre-administration or post administration costs unless they decide to do so in an exceptional circumstances.

When is the Administration process is appropriate?

The Fundamental reasons for choosing this process is to save the whole or part of the company's business in light of the company's insolvency rather than the winding up, or reaching an agreement with creditors under a voluntary arrangement.

The Directors could be personally liable to contribute towards the losses incurred by the creditors if it is proved that the Director continued to trade an insolvent company beyond the point where they knew or should have known that insolvent liquidation could not be avoided and they failed to take reasonable steps to minimise the losses to creditors.

The Directors owe fiduciary duties to creditors once the company becomes insolvent and they should consult a licensed insolvency practitioner to advise on the company's affairs, as early as possible.



Disadvantages of Administration

- The powers of the Directors immediately cease on administration
- Facilitates an independent investigation into the affairs of the company and the Directors who breached their obligations or the law may require to compensate the creditors against the debts incurred by the company and may result into Director's Disqualification actions which ban the Director from acting as a Director between 2 and 15 years



Advantages of Administration

- If the Company experienced major bad debts which strained cashflow, especially when the underlying business appears to be viable, insolvency may be avoided
- The Company's financiers including banks wish to minimise their risk exposure and require the company to enter into a formal insolvency procedure
- Recognition of the fact that the value of the business realised in the administration will outweigh the break-up value available in the liquidation process
- Frequently, the employees will transfer to the purchaser company preserving employment. TUPE regulations preserve employee rights and also minimise crystallisation of redundancy and other statutory liabilities
- An administration order provides the company with an immediate moratorium which freezes all creditors' enforcement actions against the company except by the leave of the court
- The Director could purchase the business of the company from the administrator at open market value with a view to obtain best realisation of the business
- Once the company is placed into administration, the Directors' duties and obligations in respect of the company are effectively taken over by the Administrator, and the Directors will be free to make a fresh start, which may be in the same line of business with a new company, or they can exit the industry to seek new opportunities. The Director's stress in dealing with creditors and employees under the reign of insolvency will be relieved through the process