

NEUM - leaders in debt risk management

The liquidation 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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Insolvent Liquidation

HELPING YOU GET A FRESH PERSPECTIVE



Leaders in Debt Risk Management

What is Liquidation?

Liquidation is the winding up of a company by realising the assets and distributing the proceeds amongst the shareholders (aka members) and creditors depending on whether the business is solvent or insolvent. At the end of the process, a company will be dissolved and cease to exist.

What is Insolvent Liquidation?

A Creditors' Voluntary Liquidation ("CVL") is the most common process of insolvent winding up of a company when the company's business cannot be rescued and voluntary liquidation is the best option for all stakeholders.

The CVL process is an out-of-court process being dealt with by a liquidator who must be a licensed insolvency practitioner who will be on appointment known as the "Liquidator". The Company can also be wound up by the Court through a compulsory process but the CVL process is most often the preferred option for the Directors when their company is insolvent.

How to conclude that the business is Insolvent?

There are two general tests to confirm the company's insolvency:

- (a) the cashflow basis when the company cannot pay its debts as they fall due; and/or
- (b) the balance sheet basis when the company has more liabilities than assets.

Process of Liquidation

The Directors of a company instruct an insolvency practitioner to assist them to place the company into voluntary liquidation. The shareholders, usually at the Directors' request, pass the formal resolutions to put a company into CVL.

The Directors declare the assets and liabilities in their statement of affairs and present their report

to creditors on the trading history of the company at a meeting of creditors.

The creditors of the company can accept the members' nominated liquidator or vote to appoint their own choice of liquidator.

Role of a Liquidator

The appointed liquidator will have statutory duties to investigate the company's affairs, realise the company's assets and distribute the assets to creditors, after the costs of liquidation, in order of priority, as defined in the Insolvency Act 1986.

Who pays for cost of Liquidation?

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

When is the Liquidation process appropriate?

Generally, once the Director concludes that the Company cannot mitigate its existing liabilities and with minimal prospects of growth in the near future then it will be in interest of all stakeholders to progress with the liquidation procedure.

The Directors could be personally liable to contribute to liquidation 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 voluntary Liquidation

- The powers of the Directors immediately cease on liquidation
- Facilitates an independent investigation into the affairs of the company and the Directors who breached their obligations or the law may be required to re-compensate the company and may result in Director's Disqualification actions which ban the Director from acting as a Director between 2 and 15 years;



Advantages of voluntary Liquidation

- Cessation of trade crystallises the level of the company's debt and prevents its affairs from worsening
- All the liabilities against the Company crystallise, including the contingent liabilities, and at the end of the process, the balance of the liabilities will be written off;
- The assets of a company are distributed amongst creditors equally and in order of priority
- Once the company is placed into liquidation, the Director's duties and obligations in respect of the company are effectively being taken over by the Liquidator, 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 CVL process
- The Directors could purchase the assets, employees and business of the company from the liquidator at market value with a view to obtain best realisation of the business