

Issue 2
Winter 2012/13

Insolvency News



Welcome

Happy New Year and welcome to our winter 2013 edition of Focus Insolvency News.

The first quarter of a new year is usually a busy period for our profession; with an increase in the number of both business and personal clients that need our help and advice. I would like to take the opportunity to remind you that we are here to help if you discover that any of your clients need insolvency advice for themselves or their business.

We have some big news to start you off this quarter as we are proud to announce the acquisition of Phil Stone Consultancy; a debt restructuring company in our front page article, as well as news of our first fund raising event of the year for our charity of 2013, Joining Jack. Take a look at our company page for more information.

We hope you enjoy this issue of Focus Insolvency News; we're always keen to get your feedback about what you'd like to see in the next issue so get in touch.

Best Wishes,

Anthony Fisher



Focus Insolvency Group acquires Phil Stone Consultancy

After its most successful year to date in 2012 Focus Insolvency Group are pleased to announce the acquisition of Phil Stone Consultancy. Phil Stone Consultancy, which offers a nationwide service from its base in Newhaven, East Sussex has officially joined the Focus Insolvency Group family on 21 January 2013 offering restructuring advice and solutions for businesses in financial distress.

The acquisition of Phil Stone Consultancy means that Focus Insolvency Group can now offer a greater range of services to its clients than ever before as Managing Director Anthony Fisher explains:

"We are already well placed to offer advice, guidance and solutions on debt and money issues. However, sometimes a business may unintentionally suffer at the hands of its directors or others as they might have very little skill or experience in running a business. They are good at their trade, but know very little about finding good deals, negotiating settlements, marketing or book-keeping and staying on top of the administration. They are generally left to their own devices and even if their debts are managed into an affordable payment plan, the problem of bad management skills remains. The problems are then destined to be repeated and therefore need to be addressed from the outset for the future success of the business.

The unique formula that Phil Stone Consultancy will bring ensures businesses who take these services up will benefit from increased revenues, decreased expenses and improved efficiencies within the business whilst Focus Insolvency Group will sort out the formal restructuring of the debts. Working with businesses in this way will give them every chance of success and will help to identify any further problems at an early stage."

Phil Stone, who has built the business up over many decades, has established trusted relationships with numerous accountants, financial advisors and the Citizens Advice Bureau will stay on as Marketing Director. He commented:

"The synergy between our two firms was obvious from first contact. We all want to sort out businesses in trouble. Working together with Focus Insolvency Group is the best way to offer a complete service to struggling businesses. Being part of a well-respected Group will make it possible for more professional advisors around the country to introduce struggling clients to our full range of services."

Phil Stone consultancy will provide open days nationwide in convenient locations enabling businesses access to the face to face advice they need to get their business back on track.

For Further Information please contact

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Inside this issue

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If any of your clients have been affected by the stories in our newsletter or need advice on any other matters, please feel free to contact us. All our introducers receive unrivalled levels of service and personal attention.



@FocusInsolvency

Why does a business need a cash flow forecast?

Profits are important and an obvious priority to any business however cash flow management is the integral building block to the success and growth of that business.

As we have seen in the past many business owners will put a lot of their time and interest into their profit and loss sheets but may overlook the important information that can be gleaned from the cash flow forecast. As you are aware profit and loss sheets do not contain all the information needed to predict how the business will do in the future, if it has the potential to grow and how it might overcome any problems. As is all too common, even the appearance of a healthy profit and loss sheet could be masking a poor cash flow and papering over the cracks of a future problem, potential business distress, and eventually insolvency.

Many business owners do not consider that a profit is not in fact a profit until the invoice is paid and as such also do not consider the impact on their own business's financial commitments if that invoice remains unpaid. They do not always consider what happens when customers pay late or there is a slow sales month.

The answers to these concerns can of course be predicted with the aid of their accountant; by a well put together and concise cash flow forecast. As we know it is no guarantee of future business performance as there are a lot of different defining factors in cash flow management and each business is different, but it will give the best possible idea of when and how money is coming into and going out of a business, when there might be surplus cash, gaps to fill or signs of business distress that need to be dealt with sooner rather than later.

Helping a business to plan and manage their cash flow forecast will undoubtedly help them to see any rough patches that could be heading their way and by running various scenarios through the forecast it will help them see how the business will stand up if the worst should happen. This is the perfect time to seek advice regarding business distress and insolvency, the sooner a business knows its options and what it needs to look out for, the quicker these options can be put in place if the time should come, and the earlier professional advice is sought, the more options will be available to get things back on track.

Directors Loan Accounts

Recently we have seen a substantial increase in the amount of companies we deal with that bring to light the problems relating to overdrawn director's loan accounts. Company liquidations are quite often turning into personal debt worries of the directors themselves.

Although there is a lot of protection on offer from having a limited company, as it initially separates the director from the company debts, in cases where the director's loan account is overdrawn it can have some devastating financial consequences on their personal finances. Dividends have been drawn or personal bills paid, often on the advice of their accountants, where there are no profits in which to declare a dividend thus enabling the repayment of the director's loan account.

By the time the overdrawn account is realised, it is often very far down the line, as in cases of liquidation, and the director now finds that he is unable to walk away from the company as he first thought. The money is technically borrowed from the company and therefore needs to be repaid, possibly with some tax implications on top depending on how long the account has been overdrawn.

There are options that we are able to offer to directors in these cases. It is always better to seek advice as early as possible to enable the best course of action to be taken, whether it be personal or corporate debt.

Our Values



Focus Insolvency Testimonials

"Very efficient, information provided is straightforward and easy to understand, excellent help at such short notice" – **Mr Hunt**

"Take time for clients, knowledgeable and patient" – **Mr Kenny**

"All my clients that I have referred to Focus Insolvency have received an unrivalled service which has exceeded my expectations and I can certainly confirm that Focus Insolvency live up to their excellent reputation" – **Accountant, Manchester**

Options Available to Sole Traders and Partnerships

Debt Management Plan – Continue Trading

Just like an individual entering into a debt management plan, a reduced monthly payment will be negotiated with all unsecured creditors, and payments will continue to be made until the debt is paid in full. There is however no legal protection from creditors and they may decide at any point to take steps to recover the debt with the use of bailiffs and court action.

Individual Voluntary Arrangement (IVA)/Partnership Voluntary Arrangement (PVA) – Continue Trading

If business is good but cash flow problems arise due to past difficulties, or the business is juggling creditors from one month to the next but is viable on paper, then as long as there is spare income each month after all priority creditors are accounted for then an IVA/PVA may be the best option. Since the business' debts are considered the same as the business owner's personal debts in the eyes of the law then they can all be placed together into a voluntary arrangement, and as long as the monthly contributions are paid, both the business owner and business will be debt free in 5 years. Anything that has not been paid back at the end of the 5 year term is written off by the creditors. Voluntary Arrangements will also offer full legal protection from creditors. However, there are criteria that need to be met in order to qualify, so these will need to be discussed beforehand in order to find the best solution.

Debt Relief Order (DRO) – Continue Trading

A Debt Relief order is an alternative to going bankrupt and allows those with low amounts of debt, no assets and low income to avoid bankruptcy. As with bankruptcy the business owner would be debt free in one year, but if their position were to improve while subject to a DRO then they will be asked to make payments to their creditors. There are very specific criteria to qualify for DRO so advice should be sought for eligibility if this option is being considered.

Bankruptcy – Cease Trading

Bankruptcy is the procedure whereby an individual, sole trader or partnership may be declared insolvent. Bankruptcy however is a last resort that should only be considered if the business' debts are extremely serious and there is no other alternative. The business in most cases would be closed down or sold dependant on its circumstances and personal assets realised to pay creditors. Bankrupts are normally discharged from their debts after one year and would be legally protected from creditors.

Limited Company Insolvency Statistics 2012 Quarter 3

Company voluntary Arrangement (CVA)

This figure (not seasonally adjusted) is down 21.8% on the same period last year and down 54.3% on the previous quarter.



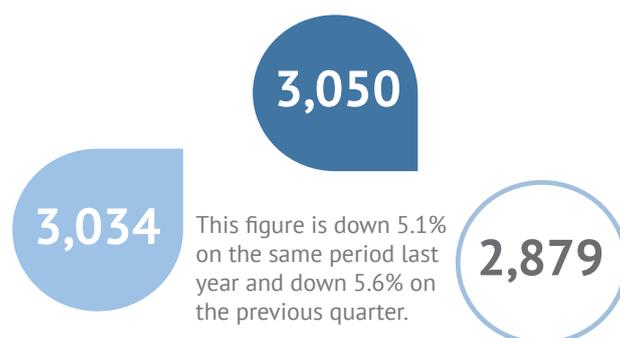
Administration

This figure (not seasonally adjusted) is down 18.6% on the same period last year and down 12.3% on the previous quarter.



Liquidation

There were 3,971 liquidations in total in the third quarter of 2012 (seasonally adjusted), this figure is made up of 1,092 compulsory liquidations and 2,879 Creditor's Voluntary Liquidations (CVL)



Source: Insolvency Service and Companies House

In Conclusion Anthony Fisher Comments:

On the face of it, all insolvencies being down represent a good thing and perhaps a turn out of the economic recession. However, as a result of less money in the market, there are also a lot of 'zombie' companies out there that simply do not have the cash to even support formal insolvency. There are also the banks that are more reluctant to appoint administrators and the HMR&C time to pay arrangement that has supported companies. It remains to be seen the impact any interest rate rise would have on a company just 'hanging in there' and whether insolvencies will rise on the road to recovery.

Staff Profile: Gary Birchall *Insolvency Director*

Gary has been working within insolvency for 18 years, 11 years being with Begbies Traynor in Manchester. He has worked on a large number of personal and corporate insolvency appointments ranging from large trading administrations to small liquidations.

In 2009 Gary successfully sat his JIEB exams and has been taking insolvency appointments since the summer of 2010.

Gary is married with one daughter and in his spare time (which he has very little of!) is a keen golfer and rugby fan.

More about Gary

Q. Describe yourself in three words

A. Professional, driven and approachable.

Q. What do you find most rewarding about your job?

A. I get a great satisfaction knowing that we have provided essential advice to directors, individuals and stakeholders which can lead to the survival of a business.

Q. What is your proudest/greatest achievement?

A. Passing the JIEB exams first time, but getting a hole in one in 2005 comes a close second!

Q. What would you put in Room 101?

A. My wife Louise. Only joking! I would pick cheese, I really can't stand it!



Company News - Focus Insolvency Group are Joining Jack in the New Year

Focus Insolvency Group are delighted to announce that they have chosen to support the Wigan based charity 'Joining Jack' as part of their continuing charity work in the coming year.

Each year Focus Insolvency Group chooses a local charity to get behind by raising awareness and money for their cause. Previous events have involved taking part in the Great Manchester Run and the X-runner Wild Thing obstacle course and mud run.

Joining Jack was set up by former Wigan Warrior Andy Johnson and his wife Alex in aid of their son Jack who suffers from Duchenne muscular dystrophy (DMD), a rare and incurable muscle wasting condition. The charity began in May 2012 to raise awareness and fund research to find a cure. I urge you to go and look at the Joining Jack website (www.joiningjack.org) to learn more about Jack and all those like him and what the charity is doing to fund the search for a cure for DMD.

Anthony Fisher, Managing Director of Focus Insolvency Group met the Joining Jack team at this year's Wigan Business Expo. Anthony said,

'It was great to meet the Joining Jack team supported by Andy's fellow Wigan Warriors legend Jason Robinson at the Business Expo. The Joining Jack campaign has raised a lot of awareness in our area and I want us to help this year with this most worthy cause'

Andy Johnson, founder of Joining Jack said of the announcement,

"I'm incredibly grateful to hear of the support Focus Insolvency Group have offered to give us as their charity of the year 2013. We really appreciate businesses choosing to help Joining Jack. As a family we had no choice, we could not sit back and allow this terrible condition destroy the life of our son but one of the things that has really moved us is the willingness of other people to put their hands up and say that they are willing to join our fight. Thank you."

Focus Insolvency Group leaves behind an amazing and successful year of support for their charity of 2012, Derian House Children's Hospice.

Upcoming events Focus 400 Charity Challenge

In March we will undertake our first charity event of the year for Joining Jack.

Together with celebrating the acquisition of Phil Stone Consultancy we are going to attempt to run, jog or walk the equivalent distance between our two offices in Wigan and Newhaven during the month of March. That's just over 400km!

Everyone in the office has agreed to do their bit and we hope to average around 13km a day to reach our goal.

We'll be tweeting regular updates with the hash tag #Focus400 about our progress on the 'road' from Wigan to Newhaven (@focusinsolvency) and accepting donations for this amazing charity on our Just Giving page. The charity appreciates every single penny so dig deep and visit www.justgiving.com/focus400charitychallenge

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