



FOCUS
INSOLVENCY GROUP

Turnaround & Restructuring Guide

**Licensed Insolvency Practitioners
& Business Recovery Professionals**

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Introduction

If your company is experiencing cashflow problems or showing signs of distress or insolvency it is vital that you seek advice as soon as possible to avoid limiting your options and before the situation becomes critical.

At Focus Insolvency our first aim is to see whether your business can and should avoid a formal insolvency procedure, to ascertain this we will carry out a full assessment of your business, identifying both the strengths and potential weakness of your company and highlighting areas of change or improvement.

Is my company insolvent?

There are three insolvency tests to establish if your company is insolvent.

Cash flow test.

Can the company pay its debts as and when they fall due?

If you are finding that the company is suffering from poor cashflow and as a result it is unable to meet payment terms of its creditors or maybe it is not paying national insurance and income tax contributions for directors or staff, then your company is more than likely insolvent.

Balance sheet test.

Does the company owe more than it owns, or in other terms are the company's assets exceeded by its liabilities? If the answer is yes, then the company is more than likely insolvent.

Legal action test.

If a creditor has taken legal action and has obtained a county court judgment (CCJ) or a statutory demand against the company, this may indicate the company's insolvency and allow the creditor to petition to wind it up.

Therefore if your company has one or more CCJs and/or a statutory demand, it is more than likely insolvent.

If you believe that your company has failed any of the above tests, it is crucial that you take immediate action to address the company's insolvent situation.

What is wrongful trading?

Directors of a company have a legal obligation to seek appropriate advice or take action if they believe the company has insufficient cashflow to pay its debts as and when they fall due? If they don't, then directors can find themselves personally liable for the debts that they have accrued since they should have taken those steps. The 'Company Director Disqualification Act 1986' deals harshly with directors who ignore the early warning signals and continue to trade.

Business Health Check

If you discover that your company is insolvent or suffering with poor cashflow and showing signs that it could be heading in that direction, then one of the first things that should be done is a business health check.

A health check can help to establish not only where the problems lie but ways to try and solve them before they get out of control and unmanageable. It will allow you to assess both the strengths and weaknesses of the company and identify areas for change or improvement so that you can create a clear plan of action on how to move forward.

A health check would normally look at the following areas of the business:

Administration will be appropriate where:

- Assessing the business performance and strategy
- Looking at cashflow management
- Analysing sales activity
- Establishing if you are utilising your assets
- Marketing and competition analysis
- Looking at the plans for the future of the company

It's best to go through these points with a financial advisor or insolvency practitioner and any initial discussion and advice is provided free of charge. The health check should outline any areas for improvement and any options the company might have available to it from simple restructuring and turnaround advice right up to liquidation. Every situation is different and the sooner advice is sought, the more options your company will have available to it.

If a business health check is something that you think your company would benefit from or if you simply have questions then remember that Focus Insolvency are licensed insolvency practitioners and financial advisors and are here to offer you impartial advice and guidance.

Turnaround Strategies

If the results of a business health check suggest that formal insolvency can be avoided it is still important to consider your current business model and cashflow to see if there are any improvements that can be made to make the business more efficient and profitable and so avoid a formal insolvency further down the line.

It can be a very slippery slope down the path to formal insolvency where things quickly get beyond your control. What starts out a short term setback can quickly turn into an unmanageable problem that continues to snowball. If your company is stalling then there are some options you may want to look at that can help it to overcome any short-term issues; enabling it to be turned around and get back on track.

These options range from:

Arranging Finance

- Commercial mortgages
- Commercial loans
- Asset finance
- Invoice discounting

Cost Reduction Plans

- Re-negotiating existing finance terms
- Re-negotiating leases
- Re-negotiating with your suppliers
- Moving or downsizing premises
- Reducing wastage and inefficient processes
- Looking at ways to reduce your tax bill
- And sadly, making redundancies if necessary

Cashflow Management

- Preparing sales and budget forecasts
- Credit control
- Debtor collection services

Marketing and Planning

- Explore low-cost and no-cost ways to advertise
- Introduce new products and services or offer better deals
- See if you could justify increasing your prices even by a small amount
- Boost productivity and efficiency by cutting out strategies that bring in no business and concentrating your time on ones that do

When are turnaround strategies appropriate?

Turnaround measures are often small changes that can improve the running of a business making it more efficient, bringing in more customers or improving cashflow. They can help to put a business that is struggling but not yet insolvent back on the right tracks.

If it appears that turnaround measures will not be enough to secure the survival of the business then a formal insolvency procedure should be considered instead. Where it may be possible to trade out of the situation, or continue in business procedures such as a company voluntary arrangement (CVA) need to be explored. Or if the company is no longer a going concern then options such as liquidation may be considered. It is for this reason that directors should contact Focus Insolvency Group who can guide you through your options.

Turnaround strategies will be appropriate where:

- The company is not yet insolvent and so a formal insolvency procedure is not appropriate
- The company may become insolvent without intervention
- The company is suffering cashflow problems or short term minor setbacks that are hindering its performance
- The company/business is considered a going concern

Focus Insolvency assesses every situation and provides directors with the best options available to them.

Why choose Focus Insolvency Group?

Focus Insolvency has successfully established itself as a top 20 Insolvency firm. We pride ourselves on having the correct blend of expertise, experience and professionally qualified staff to deliver all the necessary services and products, but with the traditional bespoke personal service of a local and friendly company at a competitive cost.

We understand that a company can find itself in financial difficulty for a variety of different reasons and we will take time to meet with Directors and key management to understand what has happened within the company and how we can help. We provide this service completely free of charge and without obligation.

Our team work with management to identify the available options, understand their implications and agree a course of action designed to result in the best possible outcome.

Our Company Values.....

Our success and progression has been built on a number of core company values;

- INTEGRITY –** We have strong ethics and are always open, honest and reliable.
- QUALITY -** Delivering excellent standards consistently from our experienced and qualified directors and staff.
- SERVICE –** We take pride in delivering the highest standard of service possible.
- VALUE –** We strive to deliver exceptional value to our Referrers and their clients.
- INNOVATION –** We strive to be better every day and we take steps to make this happen.
- ACCOUNTABILITY –** We accept that we have an obligation to take responsibility and account for our actions and will do so willingly.
- POSITIVITY –** We have a 'can do' attitude and are passionate about our business.

Further Information

If you would like further information or guidance on anything that you have read in our guide Focus Insolvency Group are here to help you. With extensive experience in helping people and companies regain control of their finances; our immediate aim is to provide you with free advice and assistance and to structure that correct solution to your problem.

The expert advice we will offer will always be the 'best advice' for you, dependant on you or your company's circumstances and financial situation.

Rest assured that we will not charge anything until a debt solution is in place!

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