



## THE SOLVENCY HEALTHCHECK

### What exactly is The Solvency Healthcheck?

Simply, it is a map for all debt-laden businesses and their overstressed owners. Written in clear language, it sets out what precisely you should be thinking about when the chips are down and your business is spiralling downwards.

The Solvency Healthcheck takes you through the process necessary in order for you to emerge at the other end with a clear path on which to tread; a path that leads to business survival, in one form or another.

The Solvency Healthcheck gives you something which is precious. It gives clear practical guidance, in a logical, commercial and practical way.

This map to crisis management addresses all the key areas critical not only to the survival of your business but, importantly, to your own personal survival. For the world of insolvency is potentially heavily laden with time bombs and legal minefields. You need the tools to be able to throw each challenge thrown at you.

Professional advice today is freely available. But, it is not free. In fact, it can cost you an arm and a leg. Usually yours. This simple and effective guide is the one hated by insolvency lawyers and many insolvency practitioners. Why? Because it exposes the biggest racket that exists today in the world of professional services. The advice contained here should cost you in the region of £10,000. But, it doesn't.

Here, you'll get concise tips. Be wiser when your company is in crisis; queue of creditors getting longer and legal letters coming in faster than the than you can say "I 'm bust!!!".

### Who is The Solvency Healthcheck aimed at?

The map to life after insolvency is aimed at all directors and shareholders of businesses that are struggling. Cash flow has stopped flowing; bank and factor has withdrawn support; trade suppliers are pushing hard for their money and some have you on stop; key staff is leaving in droves and you are now reading the tealeaves. Don't forget the adage about your bank; they will give you an umbrella when the Sun is shining and take it away when it rains.

The Solvency Healthcheck is aimed for those of you business people who had an idea, a kernel of a gem, which you then developed into a worthwhile business. But, as the business grew you employed staff and cast the net wider in terms of sales opportunities. Customer relationships built up. You did well.

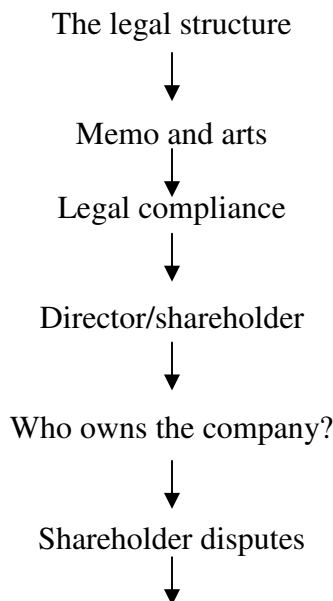
The money bit came in. You granted the bank a second hare on your matrimonial home or gave a personal guarantee. Bits of paper you thought necessary. Others call it coercion by the bank but that’s another story.

You were required to pay on the nail to your suppliers, usually on 30 days terms. However, your bank overdraft facility was limited and you were already maxed out on your credit cards. So, now you get yourself a factoring agreement. Great idea but it’s not free.

The finance cost is now heavy. Sales are difficult, margins low. Organic growth always difficult to achieve in a short space of time.

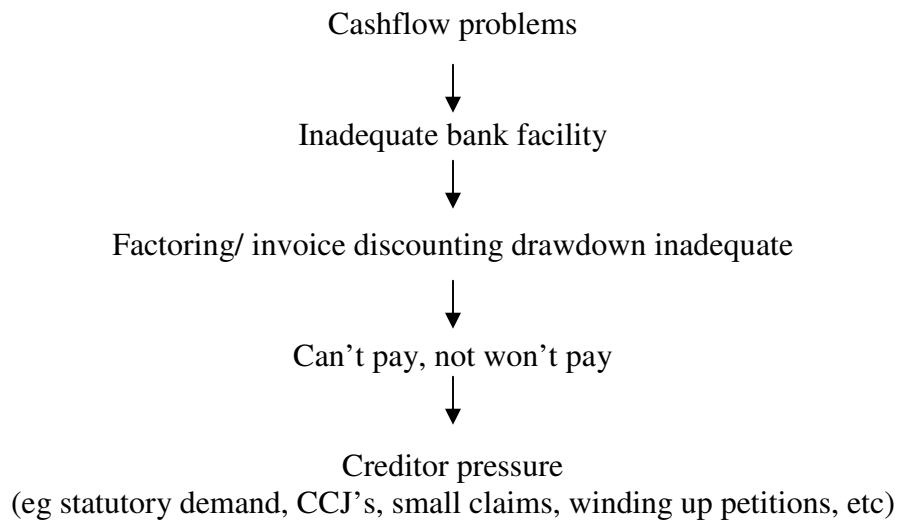
The Solvency Healthcheck is aimed at you the business person, a potential wealth creator, the enterprise man( or woman) , who took personal risk, put your own assets on the line to start a business . There are turbulent waters and the business is shipwrecked on the high seas. It’s your life so you cannot jump ship; waters are shark-infested. You need to be tugged to safety and there the remedial works can be done. The Solvency Healthcheck is the lighthouse. It will direct you back to safe, warm waters and restore you to full health.

**The Solvency Healthcheck  
The Flow Chart- Phase one**



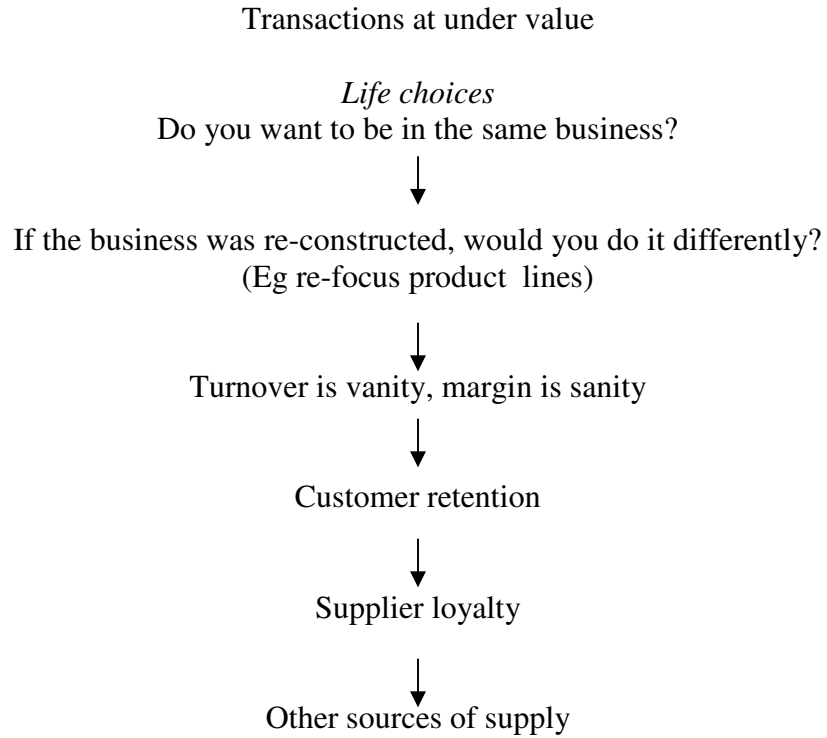


**The Solvency Healthcheck**  
**The Flow Chart- Phase two**

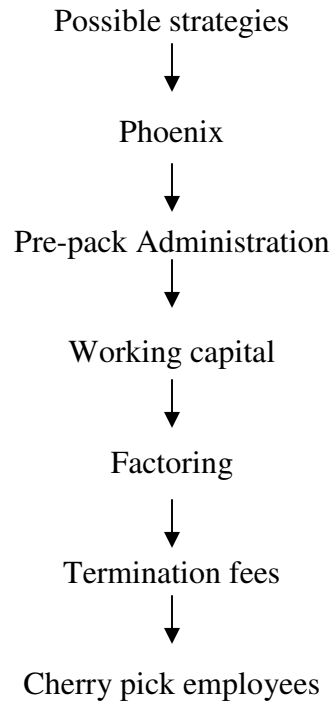


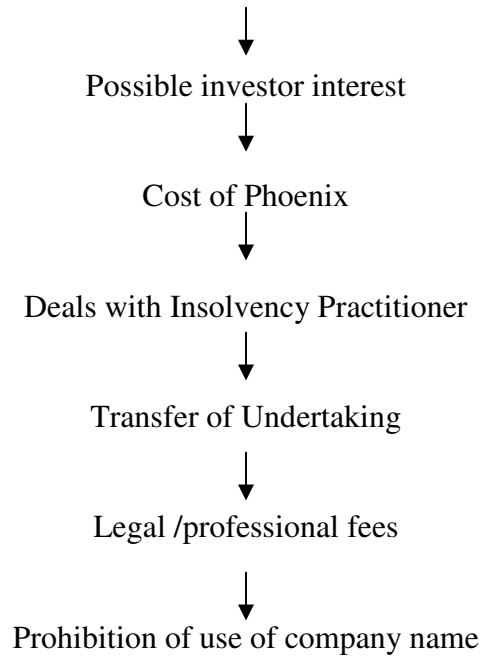
**The Solvency Healthcheck**  
**The Flow Chart- Phase three**



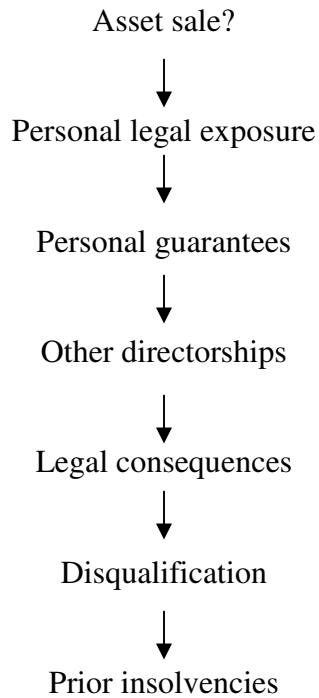


**The Solvency Healthcheck**  
**The Flow Chart- Phase four**





**The Solvency Healthcheck-Phase five**



**Using the Flow Chart**

**R**emember; go through the flow chart, one by one. Miss a piece of the jigsaw, and you will almost certainly fall flat on you face.

Enterprise Britain is about knowing the law and the right professionals. Knowing what is possible, when the pressure is on and your business is going down. The Insolvency legislation is about you – the director- and how you can navigate around the legal process to achieve what you want. It's about you knowing what you want. No one is concerned about Mr Muggins so only one person can change that- you.

*Use the Solvency Healthcheck- follow the Flow Chart, step by step.*

At the end of the process, if you still have questions, don't worry, we're here to help. We're a phone call away. Our professionals are available to provide no nonsense, clear guidance throughout the insolvency maze. Our professionals can attend meetings anywhere in the UK at short notice. Our panel includes top lawyers, factors, banks, interim managers and much more.

For the first time, you can beat the professionals at their own game. Learn quickly about how to protect yourself from attack from Draconian creditors and, more importantly, learn how to survive failing and failed business and start a new life. Same business, same everything, but this time, a wonderful opportunity to get it right- the right people round you – the right employees- and, without suppliers breathing down your neck.

For a price of a prawn sandwich and a couple of takeaway Chicken Tikka Masalas, here you will find the secrets of corporate survival; the keys to your cash flow problems; the gateway to a new world, a haven for the debt free. Control your own life or someone else will do it for you.

### **The Solvency Healthcheck - The legal entity**

**H**aving gathered key facts on the company's financial and trading position, which must include:

- How much do you owe?
- How much is owed to you?
- Are there disputed amounts?
- Are any of the assets encumbered, ie, belong to third parties such as a bank or factor or leasing company?
- Stock position, ie, how much is there and what's it worth, book value?

We then move quickly into the legal aspects as they currently are. This legal audit includes;

- Who owns the company?
- What is the legal status on the shareholding, voting shares etc?

- Are shareholders all friendly
- Is the Board united
- Are the statutory matters complied eg, minutes, Board meetings, returns etc
- Are there shareholder agreements in place and what do they say?
- Articles and memorandum? Usual stuff or changed?
- Rights of shareholders

There is nothing worse than the main director of company thinking that he's got the support of the Board and the rest of the shareholders, when, in fact, there are disagreements. Unless the strategy is united, there will be problems. The strategy will be scuppered, even before it's launched and the exits jeopardised.

All important, when the heat is on and demands and claims flying around everywhere, remember where the buck stops.

Don't be left holding the baby. Remember, that as a director, you are legally responsible – you cannot say later that you were the salesman or the production or finance guy or whatever. The law expects a degree of diligence and competence from you as a director, irrespective of your role in the company.

Don't let others around you run with the agenda- take your own advice.

### **The Solvency Healthcheck - Gather the facts**

So, you are in crisis. It's hit you suddenly. You were busy looking after the sales office and thought that it looked good; a few good prospects. Good pipeline.

Cash flow is a problem and you have run out of money. The bank is at the door, knocking, and piling on the pressure.

The factor or invoice discounter is concerned about your sales ledger. You have some bad and doubtful debts. The factors think there's too much concentration; too few customers. Insolvency hangs over you like Jack the Ripper's dark shadow. It will strike you down. What you desperately need is corporate rescue; a turnaround, a salvage from going bust.

Depression has set in. Your head is buried firmly in the sand. It's the Ostrich syndrome. You cannot even rise out of the comfy sofa and make tea. There is probably a diagnosis. Everything has a diagnosis. Perhaps it's called "My company is in trouble, its insolvent, can't pay anyone and I need to know what I can do about it" syndrome.

Not to mention the Other Significant Half. School fees or not; holidays; credit card overheated; pocket money. That's just for starters.



## THE SOLVENCY HEALTHCHECK

The suppliers are getting nasty. They have issued county court judgements, statutory demands and petitions to wind-up. So, it does not look rosy in the garden.

The first thing you have to do is gather the facts in a single document. Have full access to all the company's trading position, its financial position, its employees, customers, contracts, profit margins etc.

Remember, get it wrong at this stage and your chances of survival from this corporate crisis are small. Forget the pressure for the time being. Focus on the task at hand.

Shut the office door - Identify the key areas in your business.

*What you urgently need is a Solvency Health Check!*

### **The Solvency Health Check - The Management**

**R**ight, you have established that your company is in trouble. Why, though?

Take a look at the number one reason why companies and businesses go bust, often into voluntary liquidation or some form of insolvency procedure such as Administration. The reason is mismanagement. People think its bad debts or loss of business or some kind of litigation against the company. Not so.

Did you know that in the whole of Europe, the UK leads in enterprise? You can start your company in seconds, using company formation agencies, get a bank account and a VAT number and you are in business. You don't need a deposit as you do in most European countries. There is no insurance bond needed by law or directors' guarantees. There is no training or competence requirement for directors; you can be a complete incompetent. Indeed, most businesses are run by people with absolutely no idea on management information, accounting, terms and conditions of trade

The fact that you have not paid the suppliers is, actually, your problem. Be careful. You may become personally liable for your company's debts if you carried on trading, incurring further liabilities, when you should have stopped trading. That's called wrongful trading and if you did this in a more serious manner, than it's fraudulent trading, a criminal offence for which you may end up inside Her Majesty's less attractive residences, wearing pyjamas and desperately avoiding dropping the unscented, brick-sized soap in the showers.

So, what is the first issue you need to focus on?

What are the key management elements?

Managing Director

Sales

Finance

Depending on the type of sector you operate in, there are other key areas. Whether you sell goods or services or both, it's important that you have;

A credit controller

Questions you need to ask of your management team;

- ✚ Has my cash flow problems been exacerbated by an on-performing team? Have my profit margin worsened because too many costs on human capital?
- ✚ Competence of key managers. Are they up to it?
- ✚ Management assessment. Has an assessment ever been done?
- ✚ Remuneration packages. Is there a high basic and little incentive for key managers to perform?
- ✚ Do you have regular manager meetings?
- ✚ Does anyone have a handle on pipeline business?
- ✚ Spending too much time on chasing new business and not extracting more value from existing lines?
- ✚ Are manager responsibilities clearly delineated?

Now, move on to the people who pay your bills, your customers.

### **The Solvency Healthcheck - Your customers**

Have you asked yourself, what will happen to your customers if your business went bust?

Here are some key questions:

- ✚ Are your customers on a contract?
- ✚ What does your terms and condition say if your company went into liquidation.
- ✚ Administration or any kind of insolvency procedure? This includes schemes of informal arrangements or voluntary arrangements with creditors, repayment schedules, moratoriums etc. Many contracts terminate on the incidence of one of these events.
- ✚ How many customers do you have?
- ✚ If your company went down, can you source from elsewhere?

Don't forget, if your company went into an insolvency procedure, you could do extra deals with the suppliers who lost their money. For example, you could pay them a little bit of their old debt from the new company. Be careful, however, as you don't want to pay too many people or do too many deals, out of goodwill. If you do, you'll be back to square one.

Remember, though, all it needs is a little red letter from a supplier whom you owe some money and you are in danger.....

### **The Solvency Healthcheck - Watch the supplier**

OK, you get on well with your main suppliers but these relationships seldom look as rosy as you think. Every director believes the supplier – they say, never mind, we're credit-insured and I am sure you'll see us right in your next company. If only.

All it takes is a £750 debt and potentially, this is enough to upset the apple cart. That's all it takes. The creditor can issue a statutory demand. This is a form – it costs nothing to fill in by your supplier- no need for a solicitor- and once it's sent, you've got 21 days to cough up. Problem is, it's just the beginning.

If you don't pay the statutory demand, the creditor will serve a petition to wind-up the company.

Worse still, if you don't satisfy a statutory demand, then the petition will be advertised in the London Gazette. When this happens, it's an invitation to the world to join the petition. Creditors will merge as if they've been awoken from the dead – like a Thriller video, except its real.

So, even if you pay the first petitioner, you have now acquired a line of other creditors.

So, control who you pay, how much you pay.

Pay one of them, and then others may accuse you of preference- especially if you've given a personal guarantee.

Think, is there another way.....

### **The Insolvency Healthcheck- Informal moratorium**

Yes, there is another way. Possibly- depends on the size of your bought ledger, or, in other words, how many creditors you have.

Have you thought about an informal moratorium? It's binding on those creditors who accept but not on those who don't.

Usually, the informal moratorium works like this;

- ✚ pay off small creditors

- ✚ agree a settlement with large creditors, on basis of a certain amount of money payable immediately, in full and final settlement of the debt
- ✚ get an independent insolvency practitioner to get a quick look at the proposal – make sure it says what you want it to
- ✚ the assessment should confirm that there are insufficient assets to pay creditors in full and that if they did not accept the proposal, eg 20 in the £ , then the company will go into an insolvency procedure ie liquidation or Administration and creditors will end up with little or nothing

Informal moratoriums are difficult; complicated by the attitude of the debenture holder or the bank or factor that holds security, registered at Companies House.

So, some more questions;

- ✚ will the debenture holder support the moratorium?
- ✚ will suppliers, having written off debt, continue to support the company in future trade?
- ✚ have you given personal guarantees to any of the suppliers and, if so, a strategy needs to be put in place on how this is dealt with.

Key events;

- ✚ Consider moratorium
- ✚ Cashflow-enabled
- ✚ Pay small creditors
- ✚ Agree repayment schedule with large creditors
- ✚ Post approval trade
- ✚ Special deals with mission critical suppliers

You need a strategy to deal with the claims and demands coming in like a Tsunami of very bad news.

### **The Solvency Healthcheck - Demands for money**

**M**uch is said about legal letters, letters before action, statutory demands, CCJ's and so on.

Be careful. You must deal with them in one way or another.

Even a CCJ will have a massive impact on your credit rating – the company's, not yours.

If you have a statutory demand issued – don't forget that it's a simple form which does not need a solicitor to send- then you need to act.



## THE SOLVENCY HEALTHCHECK

An unsatisfied statutory demand will be a sure sign that you can't pay as and when your debt falls due- it's a definition of insolvency.

The action you need to take once you have established that you can't pay is urgent. There will be a snowball effect with other creditors crawling out of the woodwork; rolling down the hill gathering more supporting creditors. Therefore, you need to consult an insolvency practitioner urgently to explore options, before the creditor concerned and those others joining the action, to consult their choice of advisor.

It's a game. You have to get in first.

If you don't deal with the paperwork from creditors decisively, then it will come back to bite you.

The sooner you think about the process, the better it is. Act decisively.

### **The Solvency Healthcheck - Starting the Process**

So, now you have arrived to a point. You have established the following;

You are insolvent because one of three reasons: you cannot pay a statutory demand , a 21 day notice , which must be not less than £750; you cannot pay your debts as and when they fall due and ,lastly, your liabilities exceed your assets. These are the three definitions of insolvency.

You need to think about;

- engage a "friendly" insolvency practitioner urgently, someone who understands where you are, how you got there, where you want to get to, how you will get there and how to achieve all this safely, legally, professionally, ethically and without any legal comeback to you.

Simple. Not asking for much, but with The Solvency Healthcheck, it really is very simple; it's all about getting your ducks in a row.

The Solvency Healthcheck has excellent access to all the top professionals.

- ✚ draw up a list, showing what you need from the "old" company and what you'll need for the new
- ✚ do you need all the employees for the new company?
- ✚ are there any assets that you need for the new company?
- ✚ some of the assets are leased. The insolvency practitioners agents will help you negotiate favourable rate for those items – don't pay cash, always get it transferred on a lease. You'll get better terms that when the lease was with the

old company. Leasing companies don't like to re-possess their subject of hire or lease.

- ✚ same applies to company cars, subject to hire purchase or contract hire.

*Preparation done, get ready for the action.*

## **The Solvency Healthcheck- Get Ready**

There are a number of options available to the struggling company. Stress, creditor pressure, the bank or the factors, not to mention demands and claims from suppliers, is too much.

Now, it is time to act.

You have already engaged the services of an insolvency practitioner and if he's any good, you'll be taking care of, from the start to the finish.

Choices for you include:

- informal arrangements
- corporate voluntary arrangement
- voluntary liquidation
- Administration

These are the main procedures. In most cases, the last two are runner.

The professional costs to include legal fees are relatively small and affordable for both voluntary arrangements and Administrations. But, it's about speed. Especially, if you operate in a sector where continuity of trade is absolutely critical; where you cannot afford any break in the relationship with your customers.

Also, it's critical that your customers know as little as possible about the processes you are about to enter.

Of course, your creditors will know - - no way of avoiding that.

A good practitioner will sell the idea of a "re-construction", even to your more important trading partners. Don't forget that in many sectors, the actual bad debt incurred by your suppliers is cushioned by two things; they get their VAT back and many are credit - insured.

Let's focus on voluntary liquidation...



## The Solvency Healthcheck - Voluntary Liquidation

We have drilled down to probable procedures you can use.

Let's talk about the voluntary liquidation.

Here are some key facts;

- instigated by directors, resolved by both Board and shareholders.
- for a quick liquidation, 95% shareholders approval is needed but 75% otherwise
- fairly quick procedure, from start to creditors meeting, about 2 weeks- must give seven days notice to creditors
- liquidation is advertised in London Gazette and two newspapers.

Possible pitfalls:

- stigma? That died out 4 years ago but you may think differently.
- suppliers reaction? Will they support your new company, if that's what you want to do?
- are you ready for it? Have you prepared?
- insolvency practitioner engaged? Does he understand what you want?
- How can you stop anyone else bidding for your business?

The voluntary liquidation is cheap, quick and easy.

But, the Administration route might be even better.

## The Solvency Healthcheck - Administration Process

Now, let's talk about the Administration process.

Administration is a procedure similar to Chapter 11 in the States but key differences. The Management stay in executive control over the Pond but here, the Administrator is court appointed technically; crucially, it's an appointment usually made by you as a director or shareholder. It is seldom instigated by the creditors, although your bank or factoring company can and usually do, asking you to put the process in place where they feel their exposure is at risk.

The Administration process is now cheaper and quicker than ever before. It gives you;

- ✚ Flexibility
- ✚ Speed
- ✚ Survival of business as a going concern
- ✚ Pre-pack Administration enables you to
- ✚ Cheap
- ✚ No court hearing if there is no debenture holder
- ✚ Can exclude other interested parties for the business if managed “properly”
- ✚ More palatable for suppliers and customers alike, than possibly liquidation
- ✚ All debts written off in one small step
- ✚ Directors perceived to have acted responsibly
- ✚ Better asset realisation, more orderly and, therefore, possibly a better return to creditors
- ✚ Over and done with in few weeks or months or upto a year maximum whereas the statutory paperwork on liquidations tend to go on for ever.

All in all, an absolute runner for businesses are:

- ✚ a good business exists but is heavily in debt and insolvent and can't pay creditors
- ✚ directors/shareholders interested in a new company, same business but not interested in taking the liabilities with them
- ✚ customers are loyal to people rather than company
- ✚ customers are not contracted necessarily to the company
- ✚ useful where continuity of relationship with customers is important

So, you've agreed an outline deal with the insolvency practitioner. Are you prepared to be stitched up?

### **The Solvency Healthcheck - Buying from an insolvency practitioner**

So, now your company has gone into Administration, as the most likely route you have chosen. Note, however, for very small companies with little or nothing in the way of assets, voluntary liquidation is probably the best way forward.

Here are some tips when buying from an insolvency practitioner

- ✚ get an intermediary to do the negotiation
- ✚ pay very little up front.
- ✚ pay the balance as a deferred consideration, based on a percentage of net profit over, say, 12 months.
- ✚ have a lawyer on standby to cast an eye over the sales contract
- ✚ might be an asset sale and not a business sale
- ✚ be careful of transfer of undertaking regulations, where your new company could adopt the contracts of employees (that you don't take on).
- ✚ don't forget the practicalities

- ✚ focus on the new co eg telephone systems etc
- ✚ when buying, include everything you'll need for the newco, such as website, intellectual property, unencumbered stock, fixtures and fittings, contracts, goodwill, customer base and all information relating to it , employee records.
- ✚ if the sales ledger is unencumbered, that is, doesn't belong to a factor or a bank, then you've possible won the jackpot. You could do a deal with the ledger from the insolvency practitioner for a knock down price or collect on his behalf on a very good deal for a good deal. Either way, whatever money you commit to the ledger, as long as you know the debtors are good, then you'll be laughing all the way to the bank.

There is more bad news you need to be watchful of before the lightness appears in your life.

### **The Solvency Healthcheck - What they didn't tell you?**

**Did you know?**

- ⇒ Most of the proceeds of the sale of assets in insolvencies (liquidations, Administrations etc) end up in the insolvency practitioners pockets in so called fees. Their charge out rates and timesheets are worthy of the Noble Prize for Fiction.
- ⇒ UK has the worst record in Europe in insolvencies in returning money to creditors
- ⇒ In nearly 100% of insolvency cases, creditors get nothing
- ⇒ insolvencies provide a feast for the insolvency profession, practitioners and lawyers, alike
- ⇒ paperwork. Don't expect a quick response from insolvency practitioners- you won't get one. They'll be at lunch or in the pub.
- ⇒ backtracking . If you have done a deal on purchase of assets, once belonging to your company, bank on the deal to be overturned.
- ⇒ Exclusivity. If you think that you're the only party in the frame to buy the assets from the insolvency practitioner, think again. There's a couple of others n the queue and your "pet" IP is also talking to them. He's a pet to others, too. The winner of the Dutch auction will be the party who'll pay of the IP's biggest meal. Loyalty? What's that?
- ⇒ Jargon. Don't be bamboozled by words; it's just another way of maximising fees
- ⇒ What about your new business? Don't expect any sense or guidance from the IP about how you should structure your new business, working capital etc. Most IP's have neither the skill, stamina nor inclination to help you. They are lazy and prescriptive. You have to give them the present and wrap it for them, too
- ⇒ one stop only. Don't expect the IP to advice you on general business issues; he won't and he can't.



## THE SOLVENCY HEALTHCHECK

So, be careful on who you choose as your Insolvency Practitioner. You'll only have one chance – choose well.

### **The Solvency Healthcheck - The guiding hand.....**

Now, you have the secrets of business survival and life after insolvency; call us if you need access to our experts in the field of insolvency and business recovery.

We will attend meetings anywhere in the country and at short notice. Our advice is given without obligation.

We have built up an excellent reputation for client service- you are our client, not your bank, factor or creditors.

Our advice will provide a clear path for you to walk down.

We don't leave you in the lurch. We hold your hand and guide you through the whole process; from initial consultation and fact-finding to signing you up to the whole legal process to the creation of your new company, the Phoenix.

But, we have two ears and one mouth. So, we listen; who you are, how you have got here, where are you now and, most crucially, in an ideal world where would you like to be.

- ◆ We have excellent contacts with factors, banks and discounters
- ◆ .We know corporate finance boutiques with access to institutional and private equity.
- ◆ We can assist on money raising, business plans and bank dealings.
- ◆ We can provide interim management.
- ◆ We can re-structure your business and put in place a safe, legal and profitable business.

If the company's problems have lead to personal debt, perhaps a exposure on credit cards and personal guarantees, we can help here, too. We are constantly introducing people to properly constructed Individual Voluntary Arrangements, an alternative to bankruptcy. In some IVA's, our clients have written off some 90% of their debts.

We know the best lawyers in town.

***Call us now. It will be the best call you've made.***

### **The Solvency Healthcheck- See what our clients say**

“Without the help from The Solvency Healthcheck, I would now be personally bankrupt and with no business” Mr C K, Lincoln

“I now have a profitable, focused and streamlined business thanks to these guys” Mr J H, Salford

“My computer business went into Administration; it’s the best thing that’s ever happened to me!!” Mr S P, Neasden, North London

“I had major cashflow problems; couldn’t pay anyone; nasty legal letters flying in everyday and my marriage was on the rocks. These guys came in and did a complete overhaul of my business through a managed exit and a new business at the other end and it saved my marriage, too” Mr K J, Basingstoke

“This website saved me being ripped off” Mr G C, Ilford, Essex

“Speak to these guys first before you speak to your own accountant or lawyer” Mr D D, Thornton Heath, Surrey

“These guys are not my advisors; they’re my friends, real friends” Miss S J, High Wycombe

**I**t’s important that you are prepared, even if it’s a tiny bit. Our Solvency Healthcheck will light a bulb or two in your mind; things to think about when we start advising. Its better that you have some ideas of your own.

We would love to help you to pay us thousands of pounds in professional advisory fees in helping you come out of corporate insolvency and rise again, but we are not in the business of ripping you off. There are plenty of so called professionals out there who do. Go to them if that’s what you want.

But, if what you want is good , affordable , professional and practical guidance throughout the process , then first place is for you is us. Be better informed about the major upsides and downsides. Better for you to know this now and then come to us- if you need to. There is no obligation.



## THE SOLVENCY HEALTHCHECK

No, The Solvency Healthcheck is about commonsense. It's about extending the hand of practical knowledge, navigating you, the hapless and stressed director, through shark-infested territory to a better place. A better place for you and your family. A better place for your business. It's about introducing you to new friends. Not fair weather friends but friends that will see you right, all the way through.

**+++++End of Report +++++**