

What is a Pre-pack?

In a nutshell

A company is put into administration and its business and assets are sold immediately after the administrator is formally appointed.

The benefits of this are:

- the business can be transferred quickly ensuring a continuity of trade
- it helps to preserve customer and employee confidence
- it can be very effective for a business whose goodwill is important e.g. a legal practice.

What actually happens?

We meet with the directors and review the options available to them. If the company has a good core business but needs to reduce its liabilities in order to survive then we may then suggest a pre-pack administration.

We instruct an independent valuer and business agent to value the company assets and market them for sale. This is done confidentially in order to maintain employee, supplier and customer confidence.

The agent invites bids to be received by a deadline and offers can be made by anyone including the current directors. The offers are assessed and the agent will recommend the best offer to accept. A sale is then agreed with a completion date set for the date of administration.

At the date of transfer, the new company takes over and continues to trade as seamlessly as possible. We meet with the employees and explain their rights in the transfer.

We write to all of the creditors within a week advising them of the sale and asking them to confirm how much they are owed. Any assets not purchased by the new company eg book debts etc are realised by the administrator for the benefit of the company's creditors.

Within 70 days (ten weeks) from the date of the administration we usually hold a creditors meeting. You, as a director, would normally attend this meeting and all creditors are invited to attend. At this meeting the formal strategy is discussed and the outcome is decided as to what will ultimately happen to the company. This could be:-

- the company moves into liquidation to enable realisations to continue
- the administration continues
- the administration ends and the company is dissolved

If the only person who will be paid out of the administration is the bank then we do not normally hold a creditors meeting unless asked to do so by at least 10% of the creditors.

Administration normally only lasts for twelve months.

What it is used for

When a company has the potential to continue to trade profitably if it did not have the level of debts behind it.

Contact Us

For further information regarding pre-pack administration please contact David Kirk on **01392 474303**, alternatively email mail@kirks.co.uk for more information.

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