

FREQUENTLY ASKED QUESTIONS

Who runs the company when it is in a CVA? Is it the directors or the Supervisor?

The directors. The Supervisor will want to see regular accounting information but he will take no part in managing the company.

Can the terms of the arrangement be varied after the creditors' meeting?

It is possible to call a variation meeting during the period of the arrangement.

Does the Supervisor report to the DTI on the conduct of the directors?

No. There is no reporting requirement unlike a Creditors' Voluntary Liquidation.

How are fees agreed?

The method of charging fees is fully explained at the outset. All details of fees and costs are agreed at the creditors meeting.

WHAT TO DO NEXT?

Call us for a free consultation – we will be delighted to help.
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COMPANY VOLUNTARY
ARRANGEMENTS

COMPANY VOLUNTARY ARRANGEMENTS (CVA)

WHAT IS IT?

A CVA is a procedure by which a company can approach its creditors with a proposal to pay back the debts owed, in full or in part over a period of time.

This procedure is used, usually, when the directors wish the company to continue to trade but the company is insolvent – that is, it cannot pay its debts as they fall due. To be successful, it is vital that future trade returns to profitability which will provide funds not only for the working capital of the company but to fund the proposed dividends to creditors. Reasonably accurate management information to assess the strategy is imperative. Time is of the essence. The directors must be realistic. Good, professional advice at this point is essential.

Proposals will be drafted and sent to all creditors to be considered formally at a creditors' meeting. The exact proposals will depend upon the circumstances of the company and it is difficult to generalise. In practice, these proposals will be prepared by a firm of Insolvency Practitioners.

Shareholders and directors will need to approve the proposals before they are forwarded to creditors. At the creditors' meeting it is necessary to receive the support of 75% of the creditors present or represented. This will bind all creditors.

Any unpaid debts after completion of the arrangement will be written off.

Court protection from creditors can be obtained before the CVA is approved by entering into a moratorium.

A CVA has to be done through a Licensed Insolvency Practitioner. Up to the date of the creditors' meeting he is called the Nominee. From the creditors' meeting date he is called the Supervisor.

At Griffin & King our track record for successful implementation of CVA's is second to none. Our team of accountants are specialists in this area.

WHAT IS THE PROPOSAL AND WHAT SHOULD IT CONTAIN?

The proposal is the written contract given to all creditors of the company to examine, discuss and formally vote on at the creditors' meeting. When approved, this proposal becomes legally binding. The main contents of the proposal are;

- A detailed trading history explaining how the company has arrived at its current situation and how it intends to move forward.
- A summary of the company's accounts for the past two years.
- A full disclosure of the company's assets and liabilities, including a detailed list of all creditors.
- A trading and cash flow forecast.
- A comparison between the outcome of the CVA compared to liquidation.
- An indication of dividend payments and the timing of those payments.
- Details of any assets excluded from the arrangement.

WHAT HAPPENS AT THE CREDITORS' MEETING?

In practice it is unlikely that many of the creditors will attend the creditors' meeting. Some creditors are likely to vote by proxy prior to the meeting.

The Nominee will allow sufficient time for any questions the attending creditors may have to the directors or the Nominee concerning the reasons for the financial position of the company or the proposals themselves.

Creditors may wish to modify the existing proposals and the directors will need to consider these. To assist with the approval of the proposals the Nominee can allow up to a 14 day adjournment of the meeting. Providing the proposals have been realistically drafted, it is likely that the creditors will accept them, perhaps subject to certain modifications.

The shareholders will also need to approve any modifications to the proposals.

