



Liquidation Centre's changing role in the assignment

Liquidating a company is a complex legal process subject to regulatory requirements in the insolvency legislation, Statements of Insolvency Practice ("SIPs") and those of our regulatory bodies. As the assignment develops, our role changes and it is important that we make you aware of how this may affect you.

To date, as the Company's advisor, we owed our prime duty to the Company acting through its Board and took appropriate steps to ensure that the Board received appropriate advice on its options.

From now on, as our Insolvency Practitioner becomes a potential Liquidator, he will have to take a more independent and balanced approach, arranging for independent valuations of assets and recording information about the Company's affairs and dealings without compromising his future duty as Liquidator. Any advice that he gives from this point will have to remain independent to avoid compromising the potential appointment as Liquidator and may have to be disclosed to creditors.

Once appointed Liquidator, our Insolvency Practitioner will owe his prime duty to the creditors as a whole and must act as an officer of the Court. He will have to realise and distribute assets, maximising realisations for creditors. He will have to investigate the Company's affairs, which may lead to action being taken against individual Directors in respect of transactions and the disposal of assets entered into by the Company, and/or adverse reports submitted to the Secretary of State under the Company Directors Disqualification Act ("CDDA"). This may, from the Board's perspective, appear hostile, although the Liquidator will merely be fulfilling his statutory duty as required.