

Splitting profitable and non-profitable businesses

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Leeds, UK ([RPRN](#)) 03/06/13 —
The client's original situation



National business rescue and [insolvency practice](#) Chamberlain & Co were recently successful in assisting the directors of a coach servicing company to extricate themselves from their loss-making business, along with a profitable

MOT and servicing garage that co-existed within the same company. The coach service was making losses due to a slump in bookings, losses of some contracts, and rising operating costs. Meanwhile, the MOT and servicing garage had established a niche in catering for larger vehicles, and had opportunities for profitable expansion.

However, the losses incurred by the coach business were so large that the company had become insolvent and needed to be placed into a formal procedure.

As the directors considered the MOT and servicing business to be capable of operating viably, the directors wished to salvage it while closing down the coach business, and they also wished to retain the freehold and leasehold operating sites.

The rescue strategy

Under the advice of Chamberlain & Co, the directors established a new

company which purchased the business and assets of the MOT and service division for fair value and got the MOT licence transferred. They then sold the recurring coach contracts. These transactions were conducted pre-insolvency with the benefit of appropriate legal and valuation advice in order to protect the position of the directors and the value of the assets.

If either of these sales had not been conducted until after a formal insolvency appointment, there would have been a significant risk that neither transaction could have been completed, resulting in a significant loss of value to the creditors.

Following this, the company was placed into administration. The coaches and other surplus assets being sold, and the freehold and leasehold land and buildings were leased. A CVA was then approved to distribute the realisations amongst the unsecured creditors to leave a solvent property company to hand back to the directors.

Outcome

The directors had the opportunity to establish a profitable MOT and Servicing garage to rent space from their solvent property company. The loss-making coach business was successfully exited. This outcome was satisfactory to all parties involved and was made possible by the knowledge and expert guidance of Chamberlain & Co.

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