

## Insolvency Alert - Warning Signs

Directors need to be aware they could be personally liable should their company trade whilst insolvent. Being aware of the indicators of insolvency may avoid any insolvent trading claim and assist directors in assessing the business trading position.

According to ASIC's Insolvency: A Guide for Directors, signs that may indicate a company is at risk of insolvency are;

- ongoing losses
- poor cash flow
- absence of a business plan
- incomplete financial records or disorganised internal accounting procedures
- lack of cash-flow forecasts and other budgets
- increasing debt (liabilities greater than assets)
- problems selling stock or collecting debts
- unrecoverable loans to associated parties
- creditors unpaid outside usual terms
- solicitors' letters, demands, summonses, judgements or warrants issued against your company
- suppliers placing your company on cash-on-delivery (COD) terms
- issuing post-dated cheques or dishonouring cheques
- special arrangements with selected creditors
- payments to creditors of rounded sums that are not reconcilable to specific invoices
- overdraft limit reached or defaults on loan or interest payments
- problems obtaining finance
- change of bank, lender or increased monitoring/involvement by financier
- inability to raise funds from shareholders
- overdue taxes and superannuation liabilities
- board disputes and director resignations, or loss of management personnel
- increased level of complaints or queries raised with suppliers
- an expectation that the 'next' big job/sale/contract will save the company

If any of these sound familiar then you should contact Gideon Rathner of Lowe Lippmann.

Gideon Rathner is the Partner in charge of the Corporate Reconstruction & Insolvency practice. Gideon has over 30 years experience in assisting directors in identifying the business drivers and reviewing businesses in financial distress. He leads a young, dynamic and energetic team that is solution focussed. Should you have any questions concerning either your business or delinquent customers, please contact us at Lowe Lippmann.

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