MOTORSPORT SUCCESS TO ADMINISTRATION: WORLD CHAMPIONSHIP AIR RACE

BUSINESS RECOVERY & INSOLVENCY CASE STUDY

LOCAL KNOWLEDGE, GLOBAL EXPERTISE

Summary

This case study surrounds a start-up with hopes of success in the motorsport industry, comprising of four experienced individuals with a breadth of relevant knowledge. £2.1 million was invested in the project with the expectation that the company would begin generating income in March 2022. When promised funding from an overseas shareholder failed to materialise, PKF Smith Cooper were instructed to advise the Board of Directors on the options available to them. In this circumstance, recovery was not an option and the best possible route was to place the company into Administration, to protect creditors' interests.

Dean Nelson and Michael Roome, Business Recovery and Insolvency (BR&I) Partners at PKF Smith Cooper, were appointed as Joint Administrators and worked to ensure that the maximum value was realised for the company's assets, in this case via a pre-packaged sale.

Background

In February 2020, World Championship Air Race Ltd was incorporated and began operating from Sywell, Northampton. The primary intention of the company was to bring back the fastest three-dimensional motorsport, integrating the latest technological developments in Green Power and Advanced Ariel Mobility. The company employed four members of staff, with high levels of experience and skills in their individual roles, one of which had significant aviation expertise.

From the start to scaling up

Over £2.1million was invested in the development of the brand and business before the company was placed into Administration, with the company forecast to commence generating income in March 2022. The shareholder, based in Hong Kong, indicated that a very significant sum of money would be invested and made available to the business to continue to build their brand and get race ready.

Unfortunately, despite ongoing assurances from the shareholder, the funds were not forthcoming and, as the company had not yet generated income, they were wholly reliant upon investment to enable trading to continue. After the funding failed to materialise, PKF Smith Cooper were instructed to advise the Board of Directors on possible options available to them, as a result of a lack of working capital.

How we helped

7th Sept 2021

Following a call with the directors, it became clear that funding was unlikely to materialise, with no credible information provided as to the likely timing or amount of funds to be received. The directors gave the funder a final 48 hours to deliver the funds.

9th Sept 2021

We provided thorough commercial advice on available options. It was concluded that an accelerated marketing process of the company's business and assets would be undertaken to protect the interests of the creditors.

13th Sept 2021

We met with the funder by conference call to set out the position of the company and the timescales involved.

16th Sept 2021

A deadline for offers to purchase the business and/or its assets was decided. Upon its expiry, no working capital had been produced so the decision was made to place the business into administration. A pre-packaged sale was organised immediately prior to the decision.
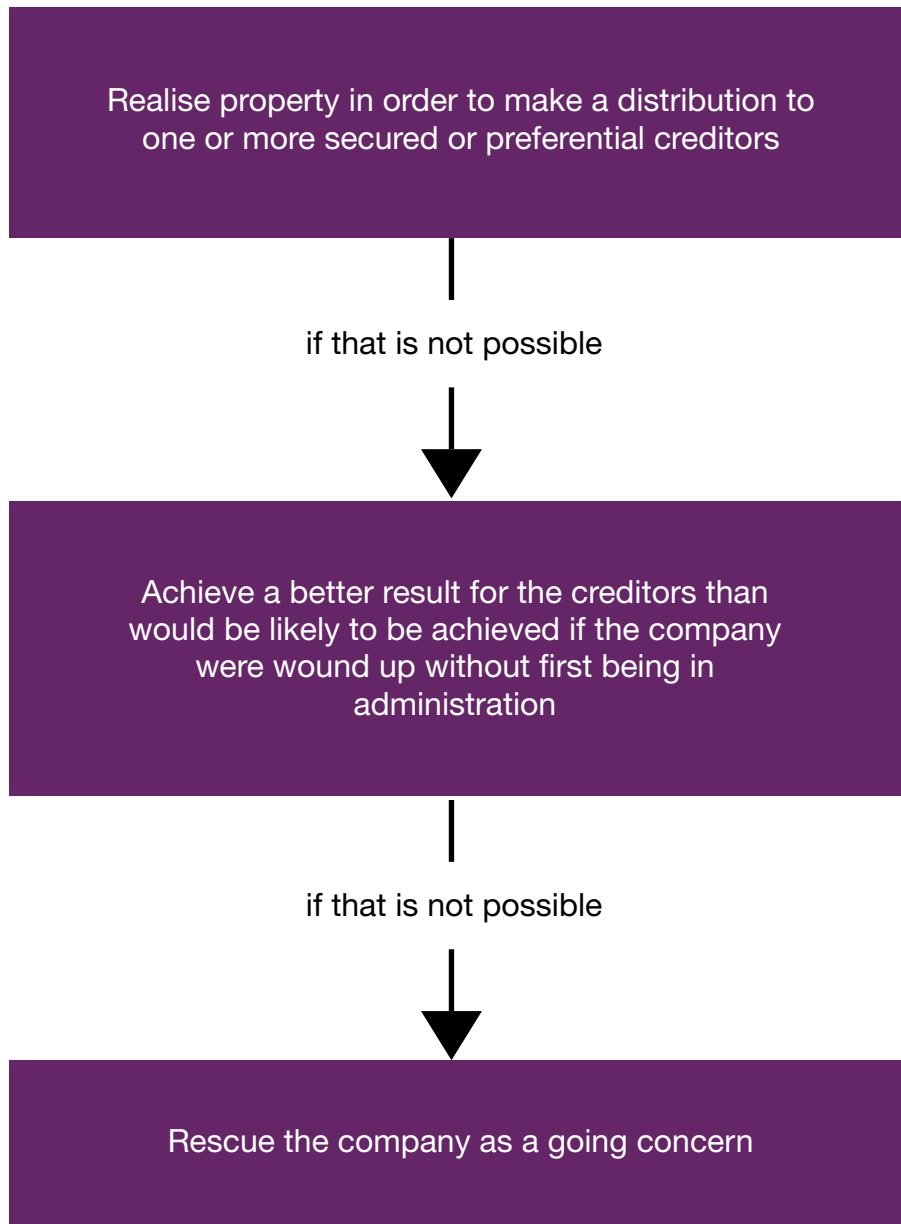
This conclusion was supported by our experts and confidence was instilled that this was the best possible outcome, as recovery was not an option in this case.

17th Sept 2021

Dean Nelson and Michael Roome were appointed Joint Administrators of the company following the filing of a Notice of Appointment of Administrators by the company directors.

Appropriate actions were taken and directors were supported by our team throughout.

Objectives of administration

Realise property in order to make a distribution to one or more secured or preferential creditors

if that is not possible

Achieve a better result for the creditors than would be likely to be achieved if the company were wound up without first being in administration

if that is not possible

Rescue the company as a going concern

Due to a lack of working capital, the business could not be rescued via a restructuring plan or Company Voluntary Agreement.

The Joint Administrators found that achieving a better result for creditors than winding up the company would not have been possible, therefore it was agreed that the third objective was the only viable option.

Results

The Joint Administrators went on to conclude a pre-packaged sale of the company's business and assets for £50,000.

Overall, a successful outcome was achieved with a dividend being made to the preferential creditors.

Speak to our team

If you need advice on the future of your business or would like to find out more about the specialist Business Recovery & Insolvency services at PKF Smith Cooper, please get in touch with us today.

Get in touch

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