

Covid-19 support measures: what should directors be thinking about as these ease?

Support Measures	Jan	Feb	Mar	Apr	May	Jun	Key Considerations
<p>1 Future Fund</p> <p>Convertible loan notes (CLNs) of up to £5 million issued to innovative companies for working capital purposes only</p>	Closed 31 Jan		CLN conversion upon (i) funding round equal to CLN, (ii) sale or IPO, or (iii) after 36 months				<p>Immediate Considerations</p> <ul style="list-style-type: none"> Whether the company can take advantage of applicable measures while they are still available Companies may have accumulated significant debt and must consider how to service it appropriately and whether more capital is needed. Options include (i) refinancing the debt, (ii) repaying the debt, and/or (iii) issuing shares <p>Business Viability</p> <ul style="list-style-type: none"> Whether there is sufficient liquidity to meet prospective and contingent liabilities Whether it is still appropriate for the company to continue trading in light of resources available and demand for its products and/or services <p>Ongoing Actions</p> <ul style="list-style-type: none"> Ensure detailed financial forecasts are maintained and regularly reviewed to identify potential liquidity issues Hold regular board meetings to assess the options available and business viability (see above) Record any decisions in writing, preferably in signed board minutes, with the rationale detailed Maintain an open dialogue with advisors to ensure (i) possible liabilities and opportunities are managed, and (ii) you are aware of all the options available to the company Engage in discussions with creditors, if there are concerns about any repayment obligations Take further advice if insolvency is real prospect for the company (collectively and individually)
<p>2 Coronavirus Business Interruption Loan Scheme (CBILS) – for SMEs</p> <p>A government-backed loan of up to £5 million, available on repayment terms of up to six years. No interest is payable by the borrower for the first 12 months</p>		Available until 31 Mar	Earliest repayments due Mar, term up to 6 years				
<p>3 Bounce Back Loan (BBLs)</p> <p>SME-focused loans between £2,000 and £50,000, guaranteed by the government (100%). No fees or interest payable for the first 12 months, and an interest rate of 2.5% thereafter. The term of the loan is six years but can be extended to 10 years</p>		Applications open until 31 Mar	Earliest repayments due Mar, term up to 10 years				
<p>4 Coronavirus Large Business Interruption Loan Scheme (CLBILS)</p> <p>Loans of up to £200 million, available on repayment terms from three months to three years, supported by a government-backed partial guarantee (80%)</p>		Applications open until 31 Mar	Repayments due throughout loan period, term up to 3 years				
<p>5 COVID-19 Corporate Finance Facility (CCFF)</p> <p>Funding provided to firms making a “material contribution” to the UK economy by purchasing commercial paper of up to one-year maturity</p>		New drawings available until 23 Mar	Commercial paper issued due up to 1 year following issue				

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<p>6 Coronavirus Job Retention Scheme (CJRS)</p> <p>A government grant of up to £2,500 per employee per month available to all organisations to pay 80% of a retained employee's salary for hours not worked</p>				Ends 30 Apr			<p>Insolvency-Specific Considerations</p> <p>Shift of Duties Owed</p> <ul style="list-style-type: none"> In addition to the considerations set out on page 1, directors should be mindful that as the financial position of a company deteriorates, directors should, among other factors, be considering the interests of the creditors as a whole (as opposed to the members) <p>Winding-up Petitions</p> <ul style="list-style-type: none"> On 1 April 2021, the temporary suspension on the use of statutory demands and winding-up petition will have ended Directors should be mindful that creditors will be able to take action and consider engaging in dialogue with creditors and advisors, as early as possible <p>Wrongful Trading Liability</p> <ul style="list-style-type: none"> On 1 May 2021, the temporary suspension of wrongful trading measures will have ended As measures ease, interest and other payments may become payable Directors should be mindful of this when attempting to accurately produce financial projections Directors should take care to take appropriate steps to minimise losses to creditors, where insolvency is a prospect 	
<p>7 Local Restrictions Support Grants</p> <p>Any business in England required to close due to national or local restrictions may claim grants from its local authority</p>	Available while restrictions remain in place							
<p>8 VAT Deferrals</p> <p>VAT payments due can be deferred. Payments can be paid in instalments without interest</p>	Deferred VAT payments due between 20 Mar 2020 and 30 Jun 2020 due by 31 Mar 2021, unless new scheme is joined New scheme open from 23 Feb to 21 Jun, deferral available until Jan 2022							
Insolvency specific measures								
<p>9 Winding-up Petition Suspension</p> <p>Temporary suspension of the use of statutory demands and winding-up petitions, protecting companies from creditor enforcement action</p>	Suspended until 31 Mar							
					Creditors may petition			
<p>10 Wrongful Trading Suspension</p> <p>Temporary removal of threat of personal liability for wrongful trading from directors</p>	Suspended until 30 Apr							
					Liability may arise			

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