

A Statement of Affairs is a document detailing a company's assets and liabilities. Generally prepared by a liquidator or appointed professional during certain insolvency proceedings, the document is later registered at Companies House, where it becomes available for public view.

The Statement of Affairs includes details of any fixed or floating charges secured on company assets, and provides detailed information for interested parties – generally creditors, shareholders and the appointed insolvency practitioner, but the document could also prove to be of interest to potential buyers.

What is included in a Statement of Affairs

- In addition to a detailed account of the company's assets and liabilities, the document includes a professional opinion on the value that could be realised from the sale of company assets.
- Thus, it shows, in theory, how much would be left to pay creditors once assets have been sold. The costs of administering the sale are not usually included at this stage. A detailed account of company liabilities shows how much is owed and to whom, with a list of all creditors and shareholders being included.

Investigations into director conduct

- The Statement of Affairs serves a further purpose at the end of the insolvency procedure, being used as part of the subsequent investigation into the conduct of directors leading up to company insolvency.
- Failure by the directors to provide a Statement of Affairs during insolvency could lead to a fine, but will also negatively affect the insolvency practitioner's opinion of their conduct overall.
- The existence of this document also aids in monitoring how much money has been realised from each asset sale, and allows comparison with estimates provided by the IP.
- It is highly advisable to appoint a licensed Insolvency Practitioner to prepare a Statement of Affairs due to the complex nature of this document. Begbies Traynor can assist in this regard, and offers a free same-day consultation from numerous offices across the country.

A Statement of Affairs in liquidation

- In cases of voluntary liquidation, the Statement of Affairs is presented at a creditors' or shareholders' meeting in order to outline the company's financial position.
- The winding-up, or compulsory liquidation process, also requires this document to be presented. In this instance, it could be prepared by the Official Receiver if they are acting as liquidator, or alternatively by the appointed IP.

- A realisable value of assets appears alongside the book value. Accurate realisable values are reliant on the experience and judgement of a professional third party. All assumptions relating to the valuation process should be documented, so that reference can be made to them at a later stage if necessary.
- Detailing all business assets within a Statement of Affairs clarifies the company's financial position. It provides a clear audit trail which identifies whether any assets have been sold in insolvency – an offence that would be investigated by the Insolvency Service, and may lead to director disqualification if creditors' interests have not been given priority.
- Begbies Traynor is the UK's leading corporate recovery firm in the UK, with an extensive UK office network. We can offer a same-day consultation free of charge, and are available for appointment as Insolvency Practitioners.