

Reporting to creditors in corporate insolvency¹

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Introduction

The purpose of this technical paper is to explore the quality of financial and non-financial information provided by insolvency practitioners to creditors. It does this by presenting illustrative extracts from corporate insolvency case reports and with reference to Statements of Insolvency Practice (SIPs) 7, 9 and 14. The data is extracted from a review of all administration appointments of Scottish registered companies entering administration in calendar years 2012 and 2013 and builds on summary findings presented in Joyce and Maclean (2020). The study's findings are of UK-wide relevance – in the population of 282 cases, we have 35 insolvency practitioner firms from national and global professional services and restructuring firms and the individual IPs are (or would have been at the time) licenced and authorised by the Institute of Chartered Accountants of England and Wales (ICAEW), the Institute of Chartered Accountants of Scotland (ICAS) or the Insolvency Practitioners Association (IPA). These bodies act as Recognised Professional Bodies (RPBs) with responsibility for authorising individuals to act as insolvency practitioners (IPs).

The data is gathered from Companies House records; specifically, the Notice of the Statement of administrator's proposals (R2.25/ Form 2.16B (Scot)), the administrator's progress reports (R2.38/ Form 2.20B Scot), Notice of end of administration (R2.45(1)(a), Form 2.23B(Scot)) and Notice of move from administration to dissolution (R2.48 (1), Form 2.26(B)(Scot)). Where the companies exited administration into a creditors voluntary liquidation (CVL), we requested the succeeding liquidation accounts from the Accountant in Bankruptcy (AiB). A detailed case review was undertaken on a sub-sample of 37 individual cases, which provided a wide range of reporting issues. We provide extracts from the creditors' reports by way of illustration of the issues we identify.

Context

Drawing on contemporary debates surrounding corporate reporting and the production of financial statements in a *solvent* world, we are reminded of the reasons why robust communication between

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companies (the preparers of the financial statements and corporate reports) and a range of stakeholders (the recipients of these statements and reports) is important. Corporate reporting (and the financial and non-financial information therein) is an essential means by which companies fulfill their accountability and stewardship obligations to shareholders and other interested stakeholders. Corporate reports provide information on company performance and stewardship information relating to the management of resources. Corporate reporting is therefore a key mechanism by which managers can account for their decisions and actions to different stakeholders. ICAS (2018) in its straw man report and working group on corporate reporting highlight that whilst investors make use of a wide variety of sources in their investment models, there remains a need for a publicly available periodic report, to demonstrate accountability to investors and other users. Similarly, the Federation of European Accountants (FEE, 2015) highlight the role of corporate reports in allowing companies to discharge their accountability and stewardship obligations to shareholders and a wider group of corporate stakeholders.

FEE also highlights the importance of information relevance; in the world of International Financial Reporting Standards (IFRS), relevant information is often buried in an ever-increasing volume of the financial statements. Over the years, the annual report has become a repository for a multitude of detailed disclosure requirements arising from a wide variety of sources and arguably of differing value to users and investors, resulting in longer reports, repetition, boilerplate disclosures, lack of depth, important information hidden amongst detailed disclosures, and a lack of internal consistency and coherence (ICAS, 2018).

More recently, the corporate report is seen as an important means of restoring trust among market participants (ICAS, 2018). ICAS (2018) describes low levels of public trust in business and its role in society. Further ICAS (2018) argues that the annual report, in its current format and purpose, has lost much of its relevance, is not valued or trusted by users as a key information source and is not fit for the future.

It is not difficult to extend these solvent financial reporting debates to the world of *insolvent* reporting. Insolvency reports, including abstracts of receipts and payments (R&Ps), trading accounts, estimated outcome statements and the qualitative narrative that accompanies these financial statements, are a primary channel of communication between insolvency practitioners and the insolvent company's creditors and shareholders (Joyce and Maclean, 2020). Insolvency reports provide creditors with 'performance-related' information on how the insolvency practitioner has maximised value for the creditor body and stewardship information on how the insolvency practitioner has managed scarce corporate resources.

According to Statement of Insolvency Practice (SIP) 7 (Presentation of financial information in insolvency proceedings) (2021, p1, para 4), insolvency reports (including the financial information) should be “clear and informative, be consistent across periods and be sufficient to enable creditors and other interested parties to understand the nature and amounts of the receipts and payments.” Further, the office holder should report “in a way that will assist creditors and other interested parties properly to exercise their rights under the insolvency legislation” (SIP 7, 2021, p1, para 6).

Academic research conceptualises the insolvency financial reports and narrative as a potential ‘object of trust’ between insolvency practitioners and creditors (Joyce, 2020). In other words, the insolvency reports can mediate relationships between the office holder and the creditors at a time of crisis and when creditors are in need of relevant, reliable and understandable information (Joyce, 2020). Furthermore, the relationship between IPs and creditors is characterised by information gaps and competence gaps. An ‘information gap’ may arise as a consequence of information asymmetry. In this case, insolvency practitioners may be expected to be better informed than the majority of creditors, having access to management, employees and management accounting information systems. A ‘competence gap’ may arise as a consequence of one party having expert knowledge and understanding of a given situation compared with another. In this case, insolvency practitioners may be expected to have higher competence levels than many of the creditors on insolvency-related matters, being repeat players and, of course, professionally qualified.

Insolvency reports therefore play a critical role in mediating relationships between insolvency practitioners and creditors, helping to build or restore trust at a time of crisis and uncertainty (Joyce, 2020). However, their potential in this regard depends on the quality of information provided. In the next section, we provide our research findings.

Findings

Table 1 provides a snapshot of the reporting issues. On a positive note, it is important to emphasise that the majority of cases had robust reports with high quality reporting in many cases.

Table 1 Summary of Reporting Issues

Reporting issue	Number of times recorded in data set	% of total reporting issues
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(1) Accounting errors and/or inconsistencies within and across abstracts of receipts and payments (R&Ps) accounts	38	30%
(2) No split or unclear split of realisations and/ or costs between fixed charge and floating charge assets	27	21%
(3) Documents not filed at Companies House or missing info (inc. SIP 9 statements) within reports	24	19%
(4) Confusing/ inconsistent information provided in narrative of administrator's proposal and progress reports	20	16%
(5) Inconsistencies and/or unclear narrative surrounding stated statutory objective	10	8%
(6) Missing period of account between administration and CVL and/ or closing balance from administration R&P not equal to opening liquidation figure (funds transferred in)	8	6%

Out of 282 companies which make up the population, 105 had at least one reporting issue, representing 37% of companies. In terms of 'number of issues', we identified 127 issues. This figure is likely to be an underestimate of the actual number of reporting issues when we take into account the researchers' collective expertise. Recognising the competence gap noted above, it is quite likely that many creditors would be at a significantly greater disadvantage in making sense of the insolvency reports. Our illustrative cases are provided in Appendix 1.

Issue 1

This first reporting issue considers the abstracts of receipt and payments, capturing any accounting errors or inconsistencies within the receipts and payments accounts themselves. We find a significant number of cases where the 'final' R&P accounts report a 'positive' net receipts figure instead of a nil balance (see Case 1). Where the company is subsequently placed into CVL and funds are available for transfer to a liquidator, we identify cases without a line entry on the final R&P account indicating 'funds transferred to liquidator'. Quite often, balances are 'left sitting' in a VAT control account or in some cases, a bank account or cash in hand balance. Whilst this reporting issue is likely to be a

‘simple housekeeping’ matter with regards to settling the final VAT return, it may not be clear to creditors and other users of the reports. In these cases, questions such as what will happen with those remaining funds and will creditors receive a (further) dividend would be entirely reasonable.

We find cases where the ‘top half’ of the R&P (net receipts and payments) does not equate to the ‘bottom half’ of the R&P (represented by); cases where the R&P accounting period is shorter than it should be; and arithmetical errors (see Case 2). Furthermore, the SIP 9 (Payments to insolvency office holders and their associates from an estate) information is largely problematic. Specifically, we identify SIP 9 periods as shorter than they should be; SIP 9 information provided from the date of appointment rather than for the period; SIP 9 periods ending after the accounting period end; and SIP 9 information appearing to commence before the administration appointment date.

Ultimately a creditor should be able to read across every document sent, starting with at the outset, a comparison to the most recent available set of accounts pre insolvency compared to the IP’s statement of affairs, and the difference between the two documents analysed in a deficiency statement. Thereafter the first set of receipts and payments should reference the statement of affairs and every receipts and payments account thereafter should present a cumulative position in comparison to the predicted figures set out in the statement of affairs. The issues we report here would significantly hamper a creditor’s ability to read across and within accounts. However, this is compounded further by our findings relating to the second issue.

Issue 2

The second issue considers the allocation of realisations and costs between the fixed charge assets and the floating charge assets.

Looking at the abstracts of R&P accounts, many accounts are not well laid out or self-explanatory. For example, in some cases there is one heading for realisations and another for costs and it is then a case of working through the R&Ps line by line and trying to allocate both realisations and costs between the different types of security; namely fixed and floating charge (see Case 3). Such layouts do not enable a straightforward and transparent view of how realisations relate to or have been apportioned between the different categories of assets, and furthermore, hinders an assessment of how costs have been allocated between fixed and floating charge assets.

Without this clear allocation between fixed and floating charge assets, creditors are likely to be left to form ‘best guess’ allocations of realisations and costs. Related to this, it is not a straightforward task to review security arrangements filed at Companies House and the required information may not even be there. This makes it very difficult - if not impossible - to understand the nature of

security arrangements and which creditors are ultimately entitled to what. Recall also, the competence gap between some readers of these accounts and the preparers. Not all creditors are likely to understand the legal nature of security arrangements.

In some cases, there are no costs allocated to asset realisations from assets subject to fixed security. This seems intuitively odd. And in others, there are no office holder fees or expenses allocated to fixed charge realisations (see Case 5 and Case 7). Reviewing SIP 9 data does not yield much additional help in this regard: SIP 9 data often supported time spent on 'asset realisations' (including property) but with no corresponding allocation of fees to secured asset realisations on the R&P accounts (Case 9). There could be good and valid reasons for this but given the potential risk of cost loading to floating charge assets, and the knock-on effects on the calculation of a prescribed part and unsecured creditor dividends, the need for clear and transparent reporting is critical.

A related matter manifests in apparent arithmetical errors within the R&P. This was typically found (in a small number of cases) within the fixed charge assets section of the R&Ps. Specifically taking fixed charge realisations and deducting the reported costs associated with those realisations and then deducting from this net figure, the payments to the fixed charge creditor produces a negative figure. Thus, the payment to the fixed charge creditor exceeds the net secured asset realisations. This is obviously intuitively confusing. Certainly, to a less well-informed creditor, it may suggest an overpayment to the fixed charge creditor (even though perhaps the overall position is correct) (see Cases 4, 6, 8).

Although our data is derived from administration appointments, SIP 14 (A receiver's responsibility to preferential creditors) seems entirely relevant to our findings and the issues we identify. The purpose of SIP 14 is to address the concerns of preferential creditors specifically, regarding the categorisation of assets as between fixed and floating charges and the manner in which costs incurred during a receivership are charged against the different categories of assets. In order to ascertain what assets are subject to the statutory rights of preferential creditors, it is necessary to confirm which assets are subject to a fixed or other fixed security and which are subject to the floating charge.

The SIP then goes on to deal with the allocation of proceeds. For example, when assets are sold as part of a going concern (or otherwise in parcels comprising both fixed and floating charge assets, the apportionment of the total consideration suggested by the purchaser (for example for their own financial reasons) may not properly reflect the financial interests of the different classes of creditors in the individual assets or categories of assets. In these circumstances the receiver should ensure that he/she will be able properly to discharge their obligations to account to holders of fixed charges on the one hand and creditors interested in assets subject to floating charges on the other.

Similarly, SIP 14 reminds us that the amount available to meet preferential debts is the funds realised from the disposal of assets subject to a floating charge net of the costs of realisation. It is dependent, therefore, not only on the correct categorisation of the assets but also on the appropriate allocation of costs incurred in effecting realisations. Where costs are clearly identifiable as having been incurred in the realisation or collecting in of one or other of the two categories they should be recorded as such in the receiver's records so that they can be deducted from realisation proceeds in ascertaining the amount available for each class of creditors. Where costs are not so clearly identified, the receiver will require to carry out an apportionment and so far as possible, record his reasons for doing so.

Given the volume and significance of the case examples presented in this paper, we see no reason for restricting the application of SIP 14 to receiverships and would suggest that SIP 14 is revised and made best practice across all insolvency proceedings.

Issue 3

Issue 3 covers instances where documents are not filed at Companies House or information (including SIP 9 statements) is missing within reports. Included in our case review work here, we find instances of missing R&Ps, missing SIP 9 information, no notice of deemed acceptance of proposals lodged, and no SIP 13 (Disposal of assets to connected parties in an insolvency process) disclosures in a handful of cases involving a sale of assets to or involving a connected party. One other matter that is frequently identified is late filing of proposals, notice of outcome of proposals, progress reports and final reports. We also encounter one case where the IPs are authorised by the ICAEW and report for a Scottish registered company under England and Wales rules (possibly because there are multiple companies in the group with the rest being registered in England and Wales). We came across a second case where the guide to insolvency practitioner fees is the England and Wales version rather than the Scottish version.

A further observation to make under this reporting issue relates to being able to determine the dividends paid to each category of creditor and just how 'under water' the company is. From our review work, it is rather difficult to calculate dividends reliably across categories of secured, preferential and unsecured creditors. Establishing and disclosing the ultimate level of indebtedness will reveal the extent of the total loss suffered by creditors, as well as providing an indication of how likely a dividend payment will be and why it may be particularly small.

There are two inter-related issues here. The first is where a dividend is paid to one or more categories of creditors. The requirements of SIP 7 specify that payments should be stated by

category, distinguishing payments made under duress, in settlement of reservation of title claims, to secured creditors, and to preferential creditors and unsecured creditors as dividends. The dates and amounts of dividends (pence in the £) should also be stated. We find that in some cases, payments are made but no dividend in pence per £ is stated. In these cases, some reports disclose an outstanding debt figure, so it is possible to calculate the dividend, but many did not.

The second issue is where a dividend is not paid or not paid to all creditors, we find that the total amount outstanding to the different categories of creditors is often not disclosed within the administrator's proposal and progress reports in our dataset. There are some cases where a Director's Statement of Affairs is not filed so no information exists on outstanding debt other than what is available from the latest set of financial statements filed at Companies House. There are many cases where sums due to creditors change throughout the progress reports. Of course, it is important to recognise that the outstanding unsecured debt figure in particular can be a difficult figure to establish and where there is no prospect of a dividend to unsecured creditors, it is rarely cost-effective for the administrator to accurately establish this figure. Nonetheless, some sort of commentary on the estimated outstanding debt for each category perhaps using the last set of management or financial accounts provides useful information to the extent that it is available to the IP. Recall the IP is closer to the case than many creditors so ought to be in a better position to ascertain the company's financial position.

Issue 4

Issue 4 identifies confusing or inconsistent information between progress reports or between the narrative and R&P financial information. It is not possible to provide a 'summary' of issues as each issue is distinct or specific to the case. But what they do have in common is they force the reader to pause and consider the issue but often with no way of concluding or reaching a sensible answer to the issue. They might also force the reader to return to earlier reports and commence 'investigative work' to try and understand the problem presented by these reports (see Cases 10, 11, 12). It is pertinent at this point to refer to the 'information and competence gaps' we noted earlier in the paper.

Issue 5

The fifth issue in terms of frequency of occurrence relates to the statutory objective of administration and any accompanying narrative. With regard to the statutory objective, this should be quite straightforward to report as there are only three (Schedule B1 Para 3 (1) (a), (b) and (c)) and

the administrator's proposal should clearly state which one is being pursued and why. The objectives are:

- a) Rescuing the company as a going concern; or
- b) Achieving a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration); or
- c) Realising property in order to make a distribution to one or more secured or preferential creditors.

Specifically, the administrator of a company shall make a statement setting out proposals for achieving the purpose of administration (Para 49 (1) Sch B1).

In the vast majority of cases, it is straightforward to identify the statutory objective being pursued. We provide some examples of the small number of cases where it wasn't clear. In some cases, proposals suggest that both objectives b) and c) are being pursued simultaneously (Case 13). In others, the statutory wording has been varied and is somewhat confusing (Case 14). And in others, the statutory objective being pursued appears to change during the administration and is not reflected in the administrator's proposals, provided for by variation or taken into account in the exit process. For example, we identify one case where the Administrators' Proposal advises that it *is* possible to rescue the company as a going concern. However, the Proposal and all subsequent progress reports describe progress on trying to sell properties. The company is moved from administration to dissolution. Based on our reading of reports, this case appears to have been an objective c) administration from the start (Case 15). And in reverse albeit very rarely, we see objective c) at the commencement but ending in what appears to be achievement of objective a). Furthermore, the proposals did not allow for exit via automatic end.

Besides these formal/ statutory requirements, there are arguably two bigger issues at stake here. The first relates to the lack of information within the administrator's proposals on why they have chosen an objective and how this will be pursued. By way of reminder, the administrator must perform his functions with the objective specified in sub-paragraph (1)(a) unless he thinks either—

- (a) that it is not reasonably practicable to achieve that objective, or
- (b) that the objective specified in sub-paragraph (1)(b) would achieve a better result for the company's creditors as a whole.

The administrator may perform his functions with the objective specified in sub-paragraph (1)(c) only if—

(a)he thinks that it is not reasonably practicable to achieve either of the objectives specified in sub-paragraph (1)(a) and (b), and

(b)he does not unnecessarily harm the interests of the creditors of the company as a whole.

Although we find that the vast majority of cases identify one objective, there is a deficiency in company specific information and background that would make it clear why this objective has been chosen. Some reports did explain why they were pursuing a particular objective and linked this to the preceding discussion around the state of the company, background and events leading up to appointment and the intended strategy and proposed outcome. Explaining the relevance of the information to the particular case is likely to make the information more accessible to creditors concerned with that company, reducing the information gap between the office holder and creditors.

The second issue relates the idea of administration as ‘liquidation substitution’. The underlying data shows that in 134 cases out of 282 (48%), statutory objective c) is pursued. Further analysis shows 218 cases out of 282 (77%) are asset sales or dissolution with no or minimal assets (these would be statutory objectives b) and c)). As noted earlier, there is a requirement to explain why objective b) was chosen over objective a) and a) and b) over c), but in the vast majority of these cases, there is no discussion within the accompanying narrative or background company information provided as to why administration is deemed more appropriate than liquidation.

From a creditor’s perspective, understanding the course which is being pursued by the administrator and a straightforward explanation of why that course is being pursued (for example, given the state of the company at the date of administration or the nature/type of business or the state of the market) would help with tracking the progress of the case and enabling creditors to better understand the administrator’s subsequent actions. For example, it might help to explain and or justify why the administrator is continuing to trade the business (quite often at a loss as our results reveal). We identify 91 trading cases, and for 89 of these we were able to extract trading accounts in the R&Ps. 53 record a trading surplus and 36 a deficit. Particularly where a deficit is incurred on trading in administration, a creditor would want to know why trading was continued and what the incremental economic benefit has been to the general body of creditors from this trading activity.

Issue 6

The final issue considers the continuity and consistency of information in administration cases which subsequently enter CVL and covers ‘missing periods’ of account between administration and CVL and/ or where the closing balance from the administration R&P does not equal the opening liquidation figure (funds transferred in). In these cases, it can be difficult to build a complete financial

picture and there is no accompanying narrative attached to the administration or the liquidation accounts which might explain why these two figures differ.

In some cases where the date of the final administration R&P did not coincide with the opening date for the first set of liquidation accounts, there is no explanation included in the notes to the liquidation accounts which attempts to reconcile the closing administration account balance with the opening liquidation account balance (see Cases 16 and 17). In other cases where the date of the final administration R&P does coincide with the opening date on the first liquidation accounts, there is a significant difference in these two figures and again no corresponding explanation for this (see case 18). Reading the administrator's final progress report, there is often some narrative on office holder's fees still to be drawn but this requires the reader to comb the reports, identify figures and trace them through to a new procedure. Even at that, this would rarely account for the difference in closing and opening values. Given that in 31 out of these 34 cases it is the same IPs or IPs from the same firm that are appointed liquidators, this ought to be straightforward to explain or reconcile on the abstracts of R&Ps that the firm sends to creditors and files at Companies House or in Scotland, the AiB.

We now turn to our recommendations.

Recommendations

Practice quality controls

Although this may be stating the obvious, our findings suggest that many IP reports could be substantially improved in terms of quality through devoting more time, care and attention to the information that is published. A 'cold read' by an independent reviewer reading from a creditor perspective would go a long way to resolving many of the issues in the cases we reviewed.

Other practice controls that could be implemented include:

- Previous set of R&P to be attached to current draft so that reviewer can see carry forward figures match
- Attach relevant bank statement(s) with reconciliation, demonstrating funds in hand are matched by funds at bank
- Accounts reviewed in detail behind R&P for any obvious mis-postings
- Shortfalls due to secured creditors carried to next appropriate category of debt

- Group position clearly articulated in proposals, and then in R&P

SIP 14 - A receiver's responsibility to preferential creditors

Although this technical note is based on data derived from administration appointments, the findings indicate that SIP 14 is highly relevant to financial reporting in insolvency. SIP 14 summarises best practice to be adopted by receivers of assets of companies subject to a floating charge so that the receiver has legal obligations to creditors whose debts are preferential. The SIP has been in existence for a long time, and of course it was written at a time when there was no prescribed part, and administrations in their current form did not exist. Whilst the SIP “does not specifically address the treatment of preferential claims in liquidations, it requires members acting as liquidators (or in any other relevant capacity) [to] have due regard to the principles which it contains”. We therefore see no reason to restrict the principles in SIP 14 to just receiverships and would recommend and support SIP 14's revision to be made best practice across all corporate insolvency proceedings.

The purpose of SIP 14 is to address the concerns of preferential creditors specifically, regarding the categorisation of assets as between fixed (or standard secured) and floating charges and the manner in which costs incurred during a receivership are charged against the different categories of assets. The amount available to meet preferential debts is the funds realised from the disposal of assets subject to a floating charge net of the costs of realisation. It is dependent, therefore, not only on the correct categorisation of the assets but also on the appropriate allocation of costs incurred in effecting realisations. Our findings clearly point to ambiguities in this reporting dimension. The allocation of no costs to the fixed charge assets and the potential loading of all costs to the floating charge defeats the rights and entitlements not just to the preferential creditors, but nowadays to the prescribed part creditors who rank after the preferential creditors and before the floating charge holder. With the increased scope of the preferential creditors with the inclusion of many of HMRC's debts from 1 December 2020, the allocation of costs remains a critical issue.

In order to enable a receiver to allocate costs on an appropriate basis, SIP 14 advises that contemporaneous records of the dominant reasons for incurring costs should be maintained. These will also assist the IP in providing explanations as to how he/she arrived at what they consider to be an appropriate allocation and provide evidence should that allocation be challenged by any of the parties involved. In this regard, insolvency accounting software plays a critical role. We pick up on this theme in our final section which provides suggestions for further discussion and research.

Suggestions for further discussion

Technology undoubtedly plays a central role in the recording of transactions and their presentation in creditor reports. Technology may be an enabler for change for example by offering new styles of reports. In the context of financial reporting, FEE (2015) highlights that technology can not only help produce more information but can also enable the provision of information that is more relevant and accurate. Of course, the incremental costs and benefits of providing information must be considered. In this regard, the complexity of individual cases must be taken into account along with the ‘information’ and ‘competence’ gaps we referred to earlier.

Our findings support improving the content of proposals, for example, explaining and justifying the administrator’s choice of statutory objective and the preference for administration over liquidation. Further discussion and research on the content and format of reporting might involve focused discussions between a range of creditors, insolvency practitioners and software developers to better understand information needs, how the information is processed by recipients and what effects the insolvency process (and reports) have on creditors’ future transacting and business ventures. Insolvency reporting should keep pace with and benefit from efficiencies arising from changes in technology. For example, a summary reporting template may provide creditors with the core information they require, with more detailed reporting also provided for more sophisticated and interested parties.

If we consider the central function of insolvency processes being the redistribution of assets in the economy, corporate failure is of interest not only to the creditors but to a wider stakeholder audience, including employees, the public, the media, politicians and regulators. Arguably useful information is generated by the insolvency process and captured within various systems, including IP reporting systems such as IPS, and also through IP reporting to the Insolvency Service on directors conduct and information passed to the Redundancy Payments Service. We would therefore suggest that an open discussion might follow on the future of insolvency reporting and the potential of technology to generate more relevant, reliable and consistent information to creditors and other interested stakeholders.

Appendix 1 Case extracts

Issue 1

Case 1

(In Administration)			
Joint Administrators' Abstract of Receipts & Payments			
Statement of Affairs		From 06/06/2013 To 05/12/2013	From 06/06/2012 To 05/12/2013
	SECURED ASSETS		
Uncertain	Heritable Property	171,000.00	171,000.00
		171,000.00	171,000.00
	HERITABLE PROPERTY		
(320,000.00)	Royal Bank of Scotland Plc Fixed Char	135,000.00	135,000.00
	Property Expenses	NIL	864.00
		(135,000.00)	(135,864.00)
	ASSET REALISATIONS		
	Rent	NIL	9,677.81
	Bank Interest Gross	17.01	25.84
		17.01	9,703.65
	COST OF REALISATIONS		
	Agents/Valuers Fees	1,290.25	3,929.52
	Legal Fees	4,668.44	4,668.44
	Professional Fees	NIL	692.00
		(5,958.69)	(9,289.96)
	COST OF ADMINISTRATION		
	Specific Bond	NIL	80.00
	Insurance of Assets	(2,098.03)	7,590.79
	Registration Fee	NIL	15.00
	Public Notices	NIL	64.45
	Administrators' fees	14,065.00	14,065.00
		(11,966.97)	(21,815.24)
	UNSECURED CREDITORS		
(46,434.81)	Trade & Expense Creditors	NIL	NIL
(25,000.00)	Inland Revenue - Corporation Tax	NIL	NIL
(7,329.35)	H M Revenue & Customs - PAYE/NIC	NIL	NIL
(100,000.00)	Provision for Unknown Creditors	NIL	NIL
		NIL	NIL
	DISTRIBUTIONS		
(1.00)	Ordinary Shareholders	NIL	NIL
		NIL	NIL
(498,765.16)		18,091.35	13,734.45
	REPRESENTED BY		
	Bank 1 - Current		13,734.45
			13,734.45

Final R&P account balance of £13,734.45. The administrator's report makes no reference to this final balance and notes that "there will be no funds available for distribution to the unsecured creditors" and that "the administration has automatically come to an end".

Case 2

Joint Administrators' Abstract of Receipts & Payments

	Statement of Affairs	From 23/11/2012 To 10/03/2014	From 23/11/2012 To 10/03/2014
SECURED ASSETS			
Freehold Land & Property	975,000	-	890,000.00
Bank Interest		36.62	36.62
		<u>36.62</u>	<u>890,036.62</u>
COSTS OF REALISATION			
Administrators Fees		(6,000.00)	14,240.00
Legal Fees		-	1,263.27
Agents/Valuers Fees		(1,050.00)	15,869.00
Other Property Expenses		(400.06)	
		<u>7,450.06</u>	<u>(31,372.27)</u>
SECURED CREDITORS			
Chargeholder (1)	(1,064,734)	22,533.64	845,313.38
		<u>(22,533.64)</u>	<u>(845,313.38)</u>
ASSET REALISATIONS			
Cash at Bank	100	NIL	NIL
Bank/ISA InterestGross		4.67	25.05
Trading Surplus/(Deficit)		(1,200.06)	8,927.77
		<u>(1,195.39)</u>	<u>8,952.82</u>
COST OF REALISATIONS			
Specific Bond		-	25.00
Administrators Fees		6,000.00	6,000.00
Administrators Expenses		(25.00)	-
VAT irrecoverable		7,097.74	8,533.38
Agents/Valuers fees		(1,050.00)	-
Legal Fees		250.00	250.00
Statutory Advertising		-	64.45
Insurance of Assets		-	5,210.70
		<u>(12,272.74)</u>	<u>(20,083.53)</u>
	(89,634)	<u>(28,515.09)</u>	
REPRESENTED BY			
			<u>NIL</u>

There is a surplus left in this R&P account equal to £2220.26, although the R&P presented suggests "nil".

Issue 2

Case 3

(In Administration)				
Joint Administrators' Abstract Of Receipts And Payments				
RECEIPTS	Statement of Affairs (£)	From 21/02/2012 To 01/07/2017 (£)	From 02/07/2017 To 15/08/2017 (£)	Total (£)
Rent - [REDACTED]		66,447.69	0.00	66,447.69
Service Charge		28,735.65	0.00	28,735.65
Material Purchases		1,480.98	0.00	1,480.98
Freehold - [REDACTED]	635,000.00	400,000.00	0.00	400,000.00
Clydesdale Bank plc	(2,236,370.00)	11,896.00	0.00	11,896.00
[REDACTED]	NIL	0.00	0.00	0.00
[REDACTED]	5,885.00	0.00	0.00	0.00
Book debts	29,715.00	56,579.50	0.00	56,579.50
VAT Refund	40,455.00	0.00	0.00	0.00
Administrators' Fees		25,000.00	0.00	25,000.00
Administrators' Disbursements		252.50	0.00	252.50
Floating Charge - Clydesdale Bank plc		253.00	0.00	253.00
		590,645.32	0.00	590,645.32
PAYMENTS				
Insurance		11,461.57	0.00	11,461.57
Other Direct Costs		24,908.31	0.00	24,908.31
Sub Contractors		2,267.85	0.00	2,267.85
Electricity		710.12	0.00	710.12
Insurance		9,387.80	0.00	9,387.80
Landscaping		3,491.47	0.00	3,491.47
Travel & Accommodation		263.21	0.00	263.21
Administrators' Fees		25,000.00	0.00	25,000.00
Legal Fees & Disbs		18,943.37	0.00	18,943.37
Marketing fees		2,700.00	0.00	2,700.00
Clydesdale Bank plc	(2,236,370.00)	365,253.00	0.00	365,253.00
Scottish Enterprise	(113,250.00)	0.00	0.00	0.00
Book debts		27,392.50	0.00	27,392.50
Specific Bond		252.50	0.00	252.50
Reg of Inhibition		15.00	0.00	15.00
Preparation of S.of A.		750.00	0.00	750.00
Administrators' Fees		52,500.00	0.00	52,500.00
Administrators' Disbursements		252.50	0.00	252.50
Agents' Fees & Disbs		187.50	0.00	187.50
Legal Fees & Disbs		4,431.39	0.00	4,431.39
Administrators prescribed part fee		2,000.00	0.00	2,000.00
Statutory Advertising		205.83	0.00	205.83
Bank Charges		0.00	33.00	33.00
Floating Charge - Clydesdale Bank plc		11,896.00	17,149.40	29,045.40
Trade & Expense Creditors	(2,622.00)	9,193.00	0.00	9,193.00
Connected Companies	(576,731.00)	0.00	0.00	0.00
Accrued Creditors	(443,880.00)	0.00	0.00	0.00
Ordinary Shareholders	(100.00)	0.00	0.00	0.00
		573,462.92	17,182.40	590,645.32
Net Receipts/(Payments)		17,182.40	(17,182.40)	0.00

Single "Receipts" and "Payments" headings with no split of realisations and costs between types of security.

Within the narrative of the Administrator's Final report, the administrators advise that Clydesdale Bank held a standard security and a distribution of £353, 357 was made. According to the R&P, £365.253 is paid.

Joyce. Y. and Maclean, E. (2022)

Further, Clydesdale Bank held a floating charge and £28,792 was distributed under the floating charge. According to the R&P, £29.045.40 is paid.

Case 4

(In Administration)			
Joint Administrators' Summary of Receipts & Payments			
Statement of Affairs		From 28/09/2016 To 27/03/2017	From 28/03/2012 To 27/03/2017
£		£	£
	SECURED ASSETS		
Uncertain	Investment properties	NIL	NIL
	Rankine Building, East Kilbride	NIL	180,377.26
	Midlothian Innovation Centre, Roslin	NIL	750,101.00
	Stobo House, Roslin	NIL	510,000.00
		<u>NIL</u>	<u>1,440,478.26</u>
	COSTS OF REALISATION		
	Joint Administrators Fees	NIL	111,502.52
	Professional Fees	NIL	192,776.18
		<u>NIL</u>	<u>(304,278.70)</u>
	SECURED CREDITORS		
(6,097,837.00)	DBS Realisations - In BSSA	NIL	3,575.58
	DBS Realisations - In BSSA	NIL	1,565,761.02
		<u>NIL</u>	<u>(1,569,336.60)</u>
	ASSET REALISATIONS		
Uncertain	Related party and intercompany balance	NIL	NIL
	Cash at Bank	NIL	11,264.82
	Bank Interest Gross	NIL	137.50
	Trading Surplus/(Deficit)	(81,729.62)	567,889.82
	Other income	NIL	85,450.74
	Sundry Refunds	NIL	14.45
		<u>(81,729.62)</u>	<u>664,757.33</u>
	COST OF REALISATIONS		
	Joint Administrators Fees	12,500.00	12,500.00
	Specific penalty bond	NIL	1,285.00
	Professional Fees	NIL	1,500.00
	Legal Fees & Outlays	2,714.00	110,530.57
	Statutory advertising	NIL	64.45
	Registers of Scotland	NIL	15.00
	Insurance of Assets	NIL	3,256.64
	Bank Charges	NIL	140.00
		<u>(15,214.00)</u>	<u>(129,291.66)</u>
	FLOATING CHARGE CREDITORS		
	DBS Realisations - In BSSA	22,498.74	87,986.74
		<u>(22,498.74)</u>	<u>(87,986.74)</u>
	UNSECURED CREDITORS		
(661,806.00)	Trade & expense creditors	14,341.89	14,341.89
(150,000.00)	Other creditors	NIL	NIL
(944,975.00)	Related party and intercompany balance	NIL	NIL
(27,509.00)	HM Revenue & Customs	NIL	NIL
(75,194.00)	Rental deposits	NIL	NIL
(30,000.00)	Provision for unsecured creditors	NIL	NIL
		<u>(14,341.89)</u>	<u>(14,341.89)</u>

Secured assets less costs of realisation equal £1,136,199, which exceeds the amount paid to secured creditors (£1,569,336.60). There is a security over rental income and the trading surplus of £567,889.82 is from rental activities, hence we must deduce that the secured lender recovered this amount also.

Case 5

(In Administration)			
Administrators' Abstract of Receipts & Payments			
Statement of Affairs		From 16/11/2013 To 15/05/2014	From 16/11/2012 To 15/05/2014
170,000.00	FIXED CHARGE ASSETS		
		NIL	145,000.00
		NIL	145,000.00
	FIXED CHARGE COSTS		
	Legal fees	NIL	1,350.00
	Legal outlays	60.00	60.00
	Irrecoverable VAT	790.35	790.35
	Agents'/Valuers' fees	NIL	2,440.00
	Agents'/Valuers' outlays	NIL	29.56
	Heat & light	NIL	120.84
	Other property expenses	NIL	1,098.65
	Insurance of assets	(54.35)	408.60
		(796.00)	(6,298.00)
(369,000.00)	FIXED CHARGE CREDITORS		
	Fixed charge creditor	18,702.00	138,702.00
		(18,702.00)	(138,702.00)
27,500.00	ASSET REALISATIONS		
	Shares and investments	NIL	15,925.75
	Rent	NIL	3,000.00
		NIL	18,925.75
	OTHER REALISATIONS		
20,000.00	Bank interest gross, INCLUDING FINAL	13.51	26.12
		NIL	NIL
	Sundry refunds	154.25	154.25
		167.76	180.37
	COST OF REALISATIONS		
	Administrators' fees	16,661.00	16,661.00
	Administrators' expenses	43.50	43.50
	Agents'/Valuers' fees	NIL	2,070.00
	Agents'/Valuers' outlays	NIL	200.44
	Storage costs	14.77	66.73
	Statutory advertising	NIL	64.45
		(16,719.27)	(19,106.12)
(4,708.00)	UNSECURED CREDITORS		
	Trade & expense	NIL	NIL
		NIL	NIL
(50,000.00)	DISTRIBUTIONS		
	Ordinary shareholders	NIL	NIL
		NIL	NIL
(206,208.00)		(36,049.51)	NIL
	REPRESENTED BY		
			NIL

From the narrative, we know the administrator spent time liaising with surveyors, property management companies and the secured creditor regarding completion of the sales of properties.

Joyce. Y. and Maclean, E. (2022)

There are two appointments in this group. The other company (not reported here) had the significant fixed charge asset. The prescribed part was not applicable to this company but is applicable to the case study company.

No administrators' fees (£16,700) are allocated to standard secured assets. Nothing is available to preferential creditors or the prescribed part.

Case 6

(In Administration)			
Joint Administrators' Abstract of Receipts & Payments			
Statement of Affairs		From 30/11/2012 To 08/11/2013	From 30/11/2012 To 08/11/2013
	SECURED ASSETS		
560,000.00	Heritable Property	NIL	NIL
		210,000.00	210,000.00
		122,500.00	122,500.00
		57,000.00	57,000.00
		215,000.00	215,000.00
		604,500.00	604,500.00
	COSTS OF REALISATION		
	Legal Fees	2,230.00	2,230.00
	Marketing Costs	3,877.84	3,877.84
	Professional Fees	15,640.00	15,640.00
	Insurance	1,047.52	1,047.52
	Other Property Expenses	6,395.45	6,395.45
		(29,190.81)	(29,190.81)
	SECURED CREDITORS		
(1,045,969.61)	Chargeholder (1) - Clydesdale Bank pl	596,522.50	596,522.50
		(596,522.50)	(596,522.50)
	ASSET REALISATIONS		
1.00	Rent	800.00	800.00
	3rd Party funds	46,045.25	46,045.25
	Bank Interest Gross	2.95	2.95
		46,848.20	46,848.20
	COST OF REALISATIONS		
	Bordereau	25.00	25.00
	Administrator's Fees	20,000.00	20,000.00
	Office Holder's Expenses	15.00	15.00
	Company Search Fee	18.00	18.00
	Sheriff Officer's Fees	NIL	NIL
	Stationery & Postage	64.38	64.38
	Statutory Advertising	64.45	64.45
	Other Property Expenses	65.18	65.18
		(20,252.01)	(20,252.01)
	PREFERENTIAL CREDITORS		
(3,106.39)	DE Arrears & Holiday Pay	NIL	NIL
(710.32)	Employee Arrears/Hol Pay	NIL	NIL
		NIL	NIL
	UNSECURED CREDITORS		
(1,815.00)	Trade & Expense Creditors	NIL	NIL
(9,349.00)	Directors	NIL	NIL
(2,373.00)	H M Revenue & Customs - VAT	NIL	NIL
		NIL	NIL
	DISTRIBUTIONS		
(1,000.00)	Ordinary Shareholders	NIL	NIL
		NIL	NIL
(504,322.32)		5,382.88	5,382.88

Secured asset realisations (£604,500) less costs of realisation (£29,190.81) exceed the amount paid to the secured creditor (£596,522.50).

We know there are unsecured creditors in this case, no preferential creditors and a prescribed part is relevant.

Joyce. Y. and Maclean, E. (2022)

We are not provided with any detail on the nature of the “3rd Party funds” (£46,045.25). Therefore, in theory, and in the absence of any further information, a prescribed part could have been calculated if these 3rd Party funds are not to be applied to the secured creditor.

Case 7

(In Administration)			
Administrators' Abstract of Receipts & Payments			
Statement of Affairs		From 16/01/2014 To 09/07/2014	From 16/01/2013 To 09/07/2014
685,000.00	FIXED CHARGE ASSETS		
	Sale of assets - book debts	NIL	239,378.00
	Bank interest, gross	81.01	335.10
		81.01	239,713.10
	FIXED CHARGE CREDITORS		
	Fixed charge distribution	33,269.16	239,713.10
		(33,269.16)	(239,713.10)
	ASSET REALISATIONS		
	Petty Cash	NIL	50.02
	Sale of assets	NIL	802,494.65
7,000.00	Furniture & equipment	NIL	NIL
735,000.00	Stock	NIL	NIL
15,000.00	Tenancy Deposit Refund	NIL	4,200.00
	Terminal loss relief claim	1,256,530.90	1,256,530.90
2,000.00	Cash at bank	NIL	1,543.89
		1,256,530.90	2,064,819.46
	OTHER REALISATIONS		
	Bank interest, gross	1,062.24	2,987.11
	Contribution from the secured lender	NIL	100,000.00
	Sundry refunds	8,325.08	9,193.71
	Inter company loans	14,388.82	14,388.82
	Discount refund	NIL	42,030.04
		23,776.14	168,599.68
	COST OF REALISATIONS		
	Repayment of contribution fm sec lender	NIL	100,000.00
	Administrators' fees	187,382.07	490,898.07
	Administrators' expenses	NIL	2,067.00
	Software rental	NIL	5,000.00
	Agents'/Valuers' fees	4,000.00	4,630.00
	Legal fees	476.00	26,223.11
	Corporation tax	64.80	64.80
	Data room costs	NIL	500.00
	Telephone/Telex/Fax	NIL	2,925.00
	Heat & light	NIL	345.92
	Storage costs	933.56	952.81
	Re-direction of mail	NIL	60.00
	Statutory advertising	84.60	84.60
	Rates	NIL	4,941.11
	Other property expenses	NIL	259.80
	Insurance of assets	238.50	770.32
	Wages & salaries	NIL	27,261.00
	PAYE & NIC	NIL	11,142.03
	Bank charges	93.66	93.66
	Sub-contractors	NIL	19,878.78
		(193,273.19)	(698,098.01)
	PREFERENTIAL CREDITORS		
	Employees' holiday pay and wage arrears	36,831.23	36,831.23
		(36,831.23)	(36,831.23)

The administrators' fees of £490,898 are all allocated to floating charge assets.

The narrative tells us that the net floating charge property is £1,531,666, but the R&P account would suggest this figure is £1,535,321.

Case 8

(In Administration)			
Administrators' Abstract of Receipts & Payments			
Statement of Affairs		From 17/11/2013 To 16/05/2014	From 17/05/2013 To 16/05/2014
1,542,000.00	FIXED CHARGE ASSETS		
	Freehold property	912,000.00	912,000.00
	Freehold property- interest accrued	98.63	98.63
	Insurance refund	206.00	206.00
		<u>912,304.63</u>	<u>912,304.63</u>
	FIXED CHARGE COSTS		
	Joint Administrators' fees	24,750.00	24,750.00
	Joint Administrators' outlays	123.05	123.05
	Legal fees	6,500.00	6,500.00
	Legal outlays	2,200.46	2,200.46
	Agents'/Valuers' fees	9,120.00	10,770.00
	Agents'/Valuers' outlays	371.80	371.80
	Irrecoverable VAT	6,519.75	6,849.75
	Insurance	6,268.03	6,268.03
	Registers of Scotland property searches	352.00	352.00
	Rent apportionment	4,057.89	4,057.89
		<u>(60,262.98)</u>	<u>(62,242.98)</u>
(1,569,000.00)	FIXED CHARGE CREDITORS		
	Fixed charge creditor	760,412.99	854,119.99
		<u>(760,412.99)</u>	<u>(854,119.99)</u>
	ASSET REALISATIONS		
	Rent	14,194.71	50,387.32
		<u>14,194.71</u>	<u>50,387.32</u>
	OTHER REALISATIONS		
	Bank interest gross, INCLUDING FINAL	170.85	171.56
		<u>170.85</u>	<u>171.56</u>
(1,000.00)	COST OF REALISATIONS		
	Issued and called up capital	NIL	NIL
	Irrecoverable VAT	4,706.45	6,587.55
	Joint Administrators' fees	10,650.00	10,650.00
	Factoring charges	2,484.44	11,041.51
	Agents'/Valuers' fees	1,866.16	7,816.16
	Legal fees	25.00	25.00
	Other property expenses	5,020.52	10,380.32
	Countrywide Management Reserve Accou	(5,000.00)	NIL
		<u>(19,752.57)</u>	<u>(46,500.54)</u>
(7,000.00)	UNSECURED CREDITORS		
	Trade & expense	NIL	NIL
		<u>NIL</u>	<u>NIL</u>
<u>(35,000.00)</u>		<u>86,241.65</u>	<u>NIL</u>
	REPRESENTED BY		
	Floating charge current		NIL
			<u>NIL</u>

The secured creditor appears to be overpaid from the net standard secured asset realisations. (£912,304 less £62,243 = £850,061). £854,120 is paid to the secured creditor. Rent does not appear to have been assigned and a prescribed part is applicable in this case. Therefore, secured creditor appears to have received funds under the floating charge but this is not disclosed or explained in the administrators' report.

Case 9

(In Administration)			
Joint Administrators' Abstract of Receipts & Payments			
Statement of Affairs		From 11/03/2016 To 07/09/2016	From 11/09/2013 To 07/09/2016
	FIXED CHARGE ASSETS		
Uncertain		NIL	300,000.00
		NIL	81,000.00
	Leasehold Property	NIL	0.54
		NIL	381,000.54
	FIXED CHARGE COSTS		
	Legal Fees & Disbs	NIL	23,342.52
	Agents' Fees & Disbs	NIL	5,327.60
	Insurance & Service Chgs	NIL	12,875.76
	Bank Charges	NIL	20.00
		NIL	(41,565.88)
	FIXED CHARGE CREDITORS		
(626,621.36)	Clydesdale Bank PLC	NIL	319,434.00
		NIL	(319,434.00)
	HP ASSETS		
10,000.00	Ford Transit 125 T300 FWD 2 litre dies	NIL	NIL
(16,555.88)	Lombards	NIL	NIL
		NIL	NIL
	ASSET REALISATIONS		
Uncertain	Plant & Equipment, Patterns, Motor Ve	NIL	140,000.00
Uncertain	Motor Vehicles	NIL	NIL
Uncertain	Stock	NIL	NIL
200,000.00	Book debts	NIL	302,227.78
NIL	Investments	NIL	NIL
	Road Tax Refund	NIL	137.50
	Interest Gross	59.42	1,100.62
	Settlement of Insurance claim	NIL	17,500.00
	Trading Surplus/(Deficit)	(387.80)	(24,556.97)
		(328.38)	436,408.93
	COST OF REALISATIONS		
	Specific Bond	NIL	210.00
	Administrators' Fees	NIL	187,000.00
	Administrators' Disbursements	NIL	4,377.96
	Court Fees	32.00	32.00
	Professional Fees	NIL	3,729.80
	Agents' Fees & Disbs	NIL	4,178.00
	Legal Fees & Disbs	1,500.00	19,926.00
	Legal Fees & Disbs	228.00	228.00
	VAT Paid	NIL	906.62
	Administrators prescribed part fee	5,500.00	5,500.00
	Registers of Scotland	NIL	15.00
	Statutory Advertising	NIL	169.20
	Sundry Expenses	NIL	109.00
	Insurance	NIL	13,120.98
	Bank Charges	NIL	0.37
		(7,260.00)	(239,502.93)
	PREFERENTIAL CREDITORS		
	Preferential Income Tax	NIL	479.31

(In Administration)		
Joint Administrators' Abstract of Receipts & Payments		
Statement of Affairs	From 11/03/2016 To 07/09/2016	From 11/09/2013 To 07/09/2016
Preferential N.I.C.	NIL	287.58
Preferential Wages	NIL	36,982.80
Preferential Hol. Pay	NIL	33,526.19
	NIL	(71,275.88)
FLOATING CHARGE CREDITS		
Floating Charge (1)	7,341.28	117,907.28
	(7,341.28)	(117,907.28)
UNSECURED CREDITORS		
Trade & Expense Creditors	9,911.51	9,911.51
Unsecured Employees	3,279.67	3,279.67
Unsecured E.P.A.	14,532.32	14,532.32
	(27,723.50)	(27,723.50)
DISTRIBUTIONS		
(2.00) Ordinary Shareholders	NIL	NIL
	NIL	NIL
(433,179.24)	(42,653.16)	(0.00)
REPRESENTED BY		
		NIL

All of the administrators' fees are allocated to floating charge assets but the accompanying SIP 9 information suggests sufficient information that could have allowed a split of costs between secured and floating charge assets and hence an increased prescribed part.

Issue 4

Case 10

Prescribed Part - Unsecured Creditors

- 5.1 Under Section 176A of the Insolvency Act 1986 where after 15 September 2003 the Company has granted to a creditor a floating charge a proportion of the net property of the Company must be made available purely for the unsecured creditors. The prescribed part in this case being calculated and paid as follows:

Net Assets Available after Preferential Creditors	£ 40,967
Prescribed Part (50% first £10k, 20% thereafter to ceiling £600k)	£ 11,193
Costs borne by prescribed part to enable distribution	£ 2,000
Net distributed	£ 9,193

- 5.2 The prescribed part dividend was paid to unsecured creditors of £564,726.

6 JOINT ADMINISTRATORS' FEES

- 6.1 A summary of the Joint Administrators' time costs are attached at Appendix B. The proposals provided for the Administrators' fees to be based on a time cost basis.
- 6.2 As a declaration was made in terms of Para 52(1)(b), the fees of the Joint Administrators' have been approved by the secured and preferential creditors, (to the extent there were any), in terms of rule 2.39(8) of the Insolvency (Scotland) Rules 1986.
- 6.3 The approvals are summarised below:

Date	Fee (Excl VAT)(£)	Outlays (Exc VAT)(£)
28/09/2012	7,500.00	252.50
18/12/2012	7,500.00	-
24/01/2013	15,000.00	-
29/01/2014	12,000.00	-
18/05/2015	3,500.00	-
05/05/2017	9,000.00	-
Total	54,500.00	252.50

- 6.4 The fees drawn per the Receipts and Payments are £54,500, including a fee from the Prescribed Part of £2,000 (Exc. VAT).

We are provided with a prescribed part calculation, yet the accompanying narrative suggests a significantly higher prescribed part.

Case 11

Preferential Creditors

Our estimate of the claims of preferential creditors at the date of Administration amounted to approximately £7,500. These were represented by claims of former employees of the Company for arrears of wages and accrued holiday pay.

The former employees of the company submitted claims to the Redundancy Payments Office ("RPO") and we have received a claim from the RPO in the sum of £2,578.11.

Alexander Forbes Trustee Services Limited submitted a claim to the RPO for unpaid pension contributions on behalf of the employees. A final claim has not been received from the RPO, however there have been insufficient realisations to enable a dividend to be declared to preferential creditors.

Crown Creditors

The Estimated Financial Position of the company completed by us based on information provided by the company included £86,502.95 owed to HM Revenue & Customs ("HMRC") in respect of VAT and £70,412.62 in respect of PAYE/NIC.

HMRC's submitted a final claim of £117,517.95 in respect of VAT and £134,353.79 in respect of PAYE/NIC liabilities.

There is a suggestion that crown debts are preferential (which at the time of this case, they would not have been). Crown debts are correctly treated in the R&P accounts.

Case 12

[REDACTED] (In Administration)		
Joint Liquidators' Abstract Of Receipts And Payments To 17 January 2013		
RECEIPTS	Statement of Affairs (£)	Total (£)
Goodwill		15,000.00
Factored Book Debts	289,075.00	0.00
Goodwill	20,002.00	0.00
Office Furniture & Equipment	8,000.00	0.00
Stock/WIP	9,998.00	0.00
		<hr/> 15,000.00 <hr/>
PAYMENTS		
Allied Commercial Factors Limited	(340,037.00)	0.00
Accountants Fees		55.00
Agents/Valuers Fees		2,000.00
Statutory Advertising		182.00
Employee Arrears & Holiday Pay	(7,500.00)	0.00
Trade & Expense Creditors	(237,075.60)	0.00
Redundancy and Pay in Lieu of Notice	(68,816.00)	0.00
HMRC - PAYE/NIC	(70,412.62)	0.00
HMRC - VAT	(86,502.95)	0.00
Ordinary Shareholders	(2.00)	0.00
		<hr/> 2,237.00 <hr/>
Net Receipts/(Payments)		<hr/> 12,763.00 <hr/>
MADE UP AS FOLLOWS		
Vat Receivable		447.40
Bank 1 Current		12,315.60
		<hr/> 12,763.00 <hr/>

Administration R&P accounts are described as “Joint Liquidators’ Abstract of Receipts and Payments”.

Issue 5

Case 13

4 Achieving the purpose of the Administration

4.1 The statutory purpose of an administration consists of three objectives, and we now address the progress that has been made in this respect.

- a) The first objective is the rescuing of the Companies as going concerns (i.e. restructuring the Companies' business, resulting in the survival of the Companies). We would comment that it is highly unlikely that objective will be met, as the forecast financial projections for the Homes and anticipated realisable value of the Companies' assets do not suggest that the Companies will generate sufficient realisations to enable the Companies to settle all outstanding debts, thereby allowing them to continue trading in the long term.
- b) The second objective is to achieve a better result for the Companies creditors as a whole than would be likely if the Companies were wound up (without first being in administration). This objective should be achieved as the value of the Homes, which were built for the purpose of care homes, will be maximised when sold as a trading business.
- c) The final objective is realising property in order to make a distribution to one or more secured or preferential creditors. There should be funds available for the secured creditor following the sale of the Companies assets, therefore this objective should be achieved.

Proposals suggest that both objectives b) and c) are being pursued simultaneously.

Case 14

[REDACTED] in Administration

- 2.8 Pursuant to Paragraph 3(1) of the Schedule, the Administrators are required to perform their functions with the objective of:-
- (i) rescuing the Company as a going concern; or
 - (ii) achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration); or
 - (iii) realising property in order to make a distribution to one or more secured or preferential creditors.
- 2.9 The strategy formulated by the Administrators is to achieve a better result for the Company's Secured Creditor than would be likely if the route shown in Section 2.10 (iii) was not taken.
- 2.10 For the purposes of paragraph 100 of the Schedule the Administrators confirm that they are authorised to carry out all functions, duties and powers by all of them, joint or severally.

Variation to statutory wording.

There is no section 2.10(iii) in this Administrator report.

Case 15

5. OBJECTIVE OF THE ADMINISTRATION

The purpose of the Administration is to achieve one of the following hierarchical objectives:

- Rescuing the Company as a going concern; or
- Achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration); or
- Realising property in order to make a distribution to one or more secured or preferential creditors.

Based on the information currently available and having considered the financial position of the Company, the Administrator has concluded that it is possible to rescue the Company as a going concern.

9. EXTENSION OF THE ADMINISTRATION

An extension to the Administration was granted by the Court on 22nd February 2013 extending the Administration to 22nd February 2014 and a second extension was granted by the Court on 12th February 2014 extending the Administration to 22nd February 2015.

10. CLOSURE

Notice 2.26B(Scot) Notice of move from administration to dissolution was sent to the Registrar of Companies on 12th December 2014 with this report. My appointment as Administrator will cease upon registration of the aforementioned notice with the Registrar and I will be discharged from liability in respect of any actions taken as Administrator whilst in office.

The company will be formally dissolved on the date ending 3 months after the date of receipt by the Registrar of Form 2.26B(Scot). In terms of Paragraph 84 of Schedule B1 of the insolvency Act 1986 if an application is lodged with Kirkcaldy sheriff court in respect of the company by any interested party, the court may extend or suspend the 3 month period or dis-apply the dissolution of the company entirely.

The administrators' proposal advises that it is possible to rescue the company as a going concern.

The administrator's proposal and all subsequent progress reports describe progress on trying to sell the properties. The company is moved from administration to dissolution. Based on our reading of reports, this case appears to have been an objective c) administration from the start.

Issue 6

Case 16

(In Administration)		
Administrators' Abstract of Receipts & Payments		
Statement of Affairs	From 25/05/2012 To 15/02/2013	From 25/05/2012 To 15/02/2013
FIXED CHARGE COSTS		
Agents'/Valuers' fees	2,049.20	2,049.20
Insurance	<u>171.92</u>	<u>171.92</u>
	(2,221.12)	(2,221.12)
ASSET REALISATIONS		
Freehold property	<u>106,000.00</u>	<u>106,000.00</u>
	106,000.00	106,000.00
OTHER REALISATIONS		
Bank interest, gross	<u>11.62</u>	<u>11.62</u>
	11.62	11.62
COST OF REALISATIONS		
Agents'/Valuers' fees	2,618.52	2,618.52
Heat & light	<u>575.07</u>	<u>575.07</u>
	(3,193.59)	(3,193.59)
	<u>100,596.91</u>	<u>100,596.91</u>
REPRESENTED BY		
Floating ch. VAT rec'able		17.24
Floating charge current		100,169.83
Floating ch. VAT control		409.84
		<u>100,596.91</u>

Liquidator's statement of account: Creditors' voluntary winding up



From 17 April 2013 To 30 May 2015

S of A

ASSET REALISATIONS

Funds from administrators	96,298.80	
		96,298.80

OTHER REALISATIONS

Bank interest gross INCLUDING FINAL	8.06	
		8.06

COST OF REALISATIONS

Administrators' fees	42,559.59	
Administrators' expenses	130.00	
Irrecoverable VAT	7,561.70	
Agents'/Valuers' fees	400.00	
Statutory advertising	292.77	
		(50,944.06)

UNSECURED CREDITORS

Trade & expense	5,364.99	
Statutory interest on unsecured dividend	1,514.51	
		(6,879.50)

DISTRIBUTIONS

Ordinary shareholders	38,483.30	
		(38,483.30)
		0.00

Dividend information

Preferential debts	.. creditors ..p in£ on£..
Unsecured debts	.. creditors 100p in £ on £..
Returns to contributories	.. p per .. share

Fee information

Fees fixed by ...
 ..% on £.. realised and ..% on £.. distributed

The final R&P in administration covers the period to 15 Feb 2013. The final report notes that the administration will come to an end on 24 May 2013, so we do not have full set of accounts for the administration period.

Liquidators' accounts run from 17 April 2013 to 30 May 2015. Funds transferred from administrator are £96,299 which does not equal the final balance on the administrators' R&P.

Case 17

Liquidator's statement of account: Creditors' voluntary winding up

From 8 March 2014 To 30 October 2017

S of A

ASSET REALISATIONS

Cash at Bank	201.78	
Funds from Administration	7,472.79	
Bank Interest Gross	6.01	
		7,680.58

COST OF REALISATIONS

Specific Bond	80.00	
Office Holders Fees	7,489.18	
VAT Irrecoverable	16.00	
Statutory Advertising	95.40	
		(7,680.58)
		(0.00)

]

(In Administration) Joint Administrators' Abstract of Receipts & Payments

Statement of Affairs	From 08/09/2013 To 04/04/2014	From 08/03/2013 To 04/04/2014
ASSET REALISATIONS		
Furniture & Equipment	NIL	1,000.00
Insurance Refund	NIL	1,836.73
Bank Interest Gross	NIL	0.66
Sundry refunds	7,735.28	7,785.99
	7,735.28	10,623.38
COST OF ADMINISTRATION		
Specific Bond	NIL	320.00
Public Notices	NIL	84.60
Other professional	175.00	175.00
Administrators fees	4,881.10	4,881.10
	(5,056.10)	(5,460.70)
	2,679.18	5,162.68
REPRESENTED BY		
VAT Receivable		552.11
Bank 1 - Current		5,573.74
VAT Payable		(830.80)
Vat Control Account		(183.08)
		5,111.97

Joint Administrator

Final administrator report is dated 4 March 2014. The R&P runs to 4 April 2014. We can see that the funds transferred to liquidator do not match the closing balance on the final administrator report. 'Top half' of R&P does not equal 'bottom half'.

Case 18

(In Administration)

Summary of Receipts & Payments

RECEIPTS	Statement of Affairs (£)	From 02/08/2013 To 01/08/2014 (£)	From 02/08/2014 To 23/01/2015 (£)	Total (£)
Freehold Land & Property		0.00	120,000.00	120,000.00
Goodwill		5,000.00	0.00	5,000.00
Plant & Machinery		33,815.00	0.00	33,815.00
Book debts		332,794.50	40,682.60	373,477.10
Cash at Bank		1,499.95	0.00	1,499.95
Interest Gross		140.55	90.13	230.68
Sundry Refunds		2,444.81	0.00	2,444.81
		375,694.81	160,772.73	536,467.54
PAYMENTS				
Legal Fees & Disbs		3,500.00	5,211.70	8,711.70
Agents' Fees & Disbs		0.00	10,968.64	10,968.64
HP/Leasing Company (1)		3,679.98	0.00	3,679.98
Agents' Fees & Disbs		14,506.46	0.00	14,506.46
Debt Collection Agent		11,611.50	9,178.45	20,789.95
Stationery & Postage		1,112.57	495.13	1,607.70
Professional Fees		214.34	0.00	214.34
Re-direction of Mail		120.00	0.00	120.00
Statutory Advertising		198.38	0.00	198.38
Insurance		0.00	5,227.81	5,227.81
PAYE & NI		7,992.35	0.00	7,992.35
Preferential Wages		0.00	32,000.01	32,000.01
Preferential Hol. Pay		0.00	9,478.08	9,478.08
		42,935.58	72,559.82	115,495.40
Net Receipts/(Payments)		332,759.23	88,212.91	420,972.14
MADE UP AS FOLLOWS				
Input VAT		0.00	5,110.05	5,110.05
Fixed Current Account		1,810.90	100,609.65	102,420.55
Floating Current Account		328,968.72	(7,804.70)	321,164.02
Output VAT		0.00	(7,722.48)	(7,722.48)
		330,779.62	90,192.52	420,972.14

(In Liquidation)		
Joint Liquidators' Abstract of Receipts & Payments		
From 23 January 2015 To 8 September 2022		
Statement of Affairs	£	£
FIXED CHARGE CREDITORS		
Fixed Charge Creditor - CYB	2,953.11	(2,953.11)
ASSET REALISATIONS		
Book Debts	64,774.23	
Transfer from administration	77,339.00	
Bank Interest Gross	1,085.59	
		143,198.82
COST OF REALISATIONS		
Liquidator's Fees	9,864.68	
Liquidators Disbursements	50.00	
Agents/Valuers Fees (1)	12,097.97	
Legal Fees (1)	7,671.50	
Corporation Tax	218.26	
Agents Fees	1,196.28	
ERA fees	1,665.00	
Stationery & Postage	3,112.36	
Court Reporter fees	2,800.00	
Court Fees	168.00	
Statutory Advertising	82.09	
Bank Charges	36.50	
		(38,962.64)
PREFERENTIAL CREDITORS		
Preferential Hol. Pay	10,682.25	
		(10,682.25)
FLOATING CHARGE CREDITS		
Floating Charge - CYB	31,965.84	
		(31,965.84)
UNSECURED CREDITORS		
Trade & Expense Creditors	58,392.71	
Unsecured Income Tax	236.80	
Unsecured N.I.C.	5.47	
		(58,634.98)
		0.00
REPRESENTED BY		
Vat Input		3,226.46
Trade Creditors		(3,226.46)
		NIL

The end date of the administration reporting period is the opening date of the liquidation process. We see a significant difference between closing administration balance and funds transferred in to liquidation, which even after allowing for administrators' fees to be drawn remains significant and unexplained.

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