

The Insolvency Act 1986

Statement of administrator's proposals

Pursuant to paragraph 49 of Schedule B1 to the Insolvency Act 1986
and Rule 2.25 of the Insolvency (Scotland) Rules 1986

Name of Company	Company number
Architecture Limited	SC138029

(a) Insert full name(s) and address(es) of administrator(s) We (a) Alan D Fallows of Baines & Ernst Corporate Limited, Lloyds House, 18-22 Lloyd Street, Manchester M2 5BE and Maureen H Roxburgh of Buchanan Roxburgh Limited, Queen's House, 19 St Vincent Place, Glasgow, G1 2DT

attach a copy of our proposals in respect of the administration of the above company.

A copy of these proposals was sent to all known creditors on

(b) Insert date

(b) 7 May 2010

Signed


Joint Administrator

Dated

7/5/2010

Contact Details:

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record

Alan D Fallows Baines & Ernst Corporate Limited	
Lloyds House 18-22 Lloyd Street	
Manchester M2 5BE	Tel: 0845 3035 999
DX Number	DX Exchange

u have completed and signed this form please send it to the Registrar of Companies at:

ies House, 37 Castle Terrace, Edinburgh EH1 2EB
Edinburgh / LP 4 Edinburgh-2

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COMPANIES HOUSE

**Joint Administrators'
Report and Statement of
Proposals**

**Architecture Limited -
In Administration**

5 May 2010



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1 Statutory Information

- 1.1 The registered number of Architecture Limited ("the Company") is SC138029.
- 1.2 The trading address of the Company is 5 & 6 Turnpin Lane, Greenwich, London, SE10 9JA.
- 1.3 The registered office of the Company is Gladstone House, 3 Church Street, Stornoway, Isle of Lewis, Scotland, HS1 2DH. Notification to change the registered office of the Company has been sent to Companies House but has been delayed as the Company is registered for the Companies House proof scheme. The registered office of the Company will be changed to the offices of Buchanan Roxburgh Ltd, Queens House, 19-29 St. Vincent Place, Glasgow, G1 2DT upon registration of the change of name at Companies House.
- 1.4 Details of the Company's directors during the last three years and its secretary are as follows:

	Date appointed	Date resigned	Shares held
Directors			
Ian Gordon	14/12/1992	n/a	3,626
Devindar Makkar	18/11/2005	n/a	100
Robert Clunie	01/02/2008	01/03/2009	nil
Secretary			
Moir McCall	25/06/2004	n/a	nil

2 Background to the Administration

- 2.1 The Company was incorporated in April 1992 and commenced to trade immediately. The Company was set up to provide architectural and technical services to the construction trade. The principal director from incorporation was Ian Gordon ("the Director").
- 2.2 Having traded successfully for many years, the Company began to experience increasingly late payments from clients as the effects of the recession hit the construction industry in 2008. The Company sought to reduce the problems associated with these late payments through increased credit control and regular chasing of customers but ultimately began to suffer cashflow difficulties throughout 2009.
- 2.3 These cashflow difficulties led to the Company falling into arrears with a number of its creditors and particularly H M Revenue & Customs. The Director paid considerable sums of

money into the Company by way of director's loans in an effort to ensure its survival in the hope that matters would improve when the recession came to an end.

- 2.4 By the start of 2010 the Company was still experiencing the same difficulties and was now under considerable pressure from H M Revenue & Customs. The Director was no longer able to provide any more funding and as a result sought professional advice from Phoenix Company Consultants Ltd which in turn sought insolvency advice from Baines & Ernst Corporate Limited on behalf of the Company on 25 February 2010.
- 2.5 As a result, Alan D Fallows of Baines & Ernst Corporate Limited, Lloyds House, 18-22 Lloyd Street, Manchester, M2 5BE and Maureen H Roxburgh of Buchanan Roxburgh Ltd, Queens House, 19-29 St. Vincent Place, Glasgow, G1 2DT licensed insolvency practitioners, were appointed Joint Administrators of the Company by the directors of the Company on 15 March 2010.
- 2.6 The Administration is registered in Stornoway Sheriff Court under reference number 2 of 2010.
- 2.7 The EC Regulation on Insolvency Proceedings 2000 applies to the Administration. The proceedings are main proceedings as defined by Article 3 of the Regulation. The Company is based in the United Kingdom.

3 Administration Strategy and Objective

- 3.1 The Joint Administrators must perform their functions with the purpose of achieving one of the following objectives:
- rescuing the Company as a going concern;
 - 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.

Further information on the pursuance of the above objectives is detailed below.

- 3.2 The first objective "rescuing the Company as a going concern" could not be achieved as the Company's historical arrears were too high and support for a Company Voluntary Arrangement could not be obtained in a sufficiently timely fashion.

ARCHITECTURE LIMITED - IN ADMINISTRATION

- 3.3 A valuation of the Company's assets was carried out by Philip Davies & Sons Auctioneers & Valuers ('the Agent') on a going concern and forced sale basis on 9 March 2010. The assets valued comprised of office furniture and equipment, goodwill and intellectual property rights.
- 3.4 Based on the valuation of the goodwill and work in progress and the anticipated debtor realisations, it was concluded that the second objective "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)" could be achieved.
- 3.5 The Agent advised that should the Company cease trading, the net realisable value of the assets would be significantly reduced as the value of the goodwill and work in progress would rapidly dissipate. Additionally, any disruption of service to the Company's customers would have had a detrimental effect on the collectability of the debtor book.
- 3.6 In light of the valuation advice and the assessment of the debtor position it was apparent that an Administration and pre-packaged sale was the best way to maximise the value of the assets as the value of the goodwill and work in progress would be maintained. The continuity of the business provided by the pre-packaged sale also ensured that the 10 staff jobs were protected.
- 3.7 Following the completion of the pre-packaged sale of the Company's business and assets on 15 March 2010 to Architecture and Partners LLP, the Joint Administrators sent a letter to creditors on 26 March 2010 to provide further information on the sale pursuant to the requirements of Statement of Insolvency Practice No 16. If you wish to receive a further copy of this letter please contact Peter Anderson on 0845 303 5999.
- 3.1 A sale of the Company's assets was completed on 15 March 2010. Architecture and Partners LLP paid £15,000 on completion broken down as follows:
- £1,000 for the goodwill
 - £9,000 for the work in progress
 - £5,000 for the office furniture and equipment
- 3.2 A number of the directors of the Company are also partners of Architecture and Partners LLP. These individuals are Ian Gordon and Elizabeth Gordon.

4 Joint Administrators' Receipts and Payments

- 4.1 A summary of receipts and payments for the Administration period from the date of our appointment to 5 May 2010 is attached as Appendix A.
- 4.2 It is understood that additional debtors realisations have been paid directly to the Company's bank account. In light of this, a letter was sent to Lloyds TSB Bank plc ("the Bank") on 26 March 2010 as the Bank does not hold a fixed charge over book debts and therefore requesting the debtor receipts are due to be remitted to the Joint Administrators.

5 Financial Position

- 5.1 Attached at Appendix B is a summary of the Directors' Estimated Statement of Affairs of the Company as at the date of the appointment of the Joint Administrators.
- 5.2 The Joint Administrators have the following observations to make in relation to the Directors' Estimated Statement of Affairs:
- 5.3 The Company granted a bond and floating charge in favour of Lloyds TSB Bank plc on 22 March 2005 in respect of an overdraft facility of £50,000 provided to the Company. This charge was registered at Companies House on 31 March 2005.
- 5.4 A personal guarantee limited to £50,000 was provided to Lloyds TSB Bank plc by the Company's director, Ian Gordon.
- 5.5 The Directors' Estimated Statement of Affairs shows that, in the event that the Company was to cease to trade without first entering Administration there would be a deficiency to unsecured creditors of £268,071 and a total deficiency of £295,144.
- 5.6 The estimated to realise values for the Company's assets are considerably lower than their book values. The restricted realisable values reflect the likely impairment of the goodwill and work in progress in the event that continuity could not be provided to customers. The estimated to realise value for book debts similarly reflects anticipated difficulties in collection in the event that the Company were to cease to trade.

6 Proposals

- 6.1 It is proposed that the Joint Administrators will continue to manage the affairs of the Company in order to achieve the objective of the Administration. In the circumstances it is proposed that:
- 6.2 If having realised the assets of the Company, the Joint Administrators think that a distribution will be made to the unsecured creditors, they propose filing a notice with the Registrar of Companies which will have the effect of bringing the appointment of the Joint Administrators to an end and will move the Company automatically into Creditors' Voluntary Liquidation ("CVL") in order that the distribution can be made. In these circumstances, it is proposed that the Joint Administrators will become the Joint Liquidators of the CVL. See Section 7 below on Exit Routes for further information on this process.
- 6.3 If the Joint Administrators think that the Company has no property which might permit a distribution to its creditors, they will file a notice with the Court and the Registrar of Companies for the dissolution of the Company. See Section 7 below on Exit Routes for further information on this process.
- 6.4 The Joint Administrators shall do all such other things and generally exercise all of their powers as contained in Schedule 1 of the Insolvency Act 1986, as they consider desirable or expedient to achieve the statutory purpose of the Administration.
- 6.5 The creditors may consider establishing a Creditors' Committee and that if any such Committee is formed they be authorised to sanction the basis of the Joint Administrators' remuneration and any proposed act on the part of the Joint Administrators without the need to report back to a further meeting of creditors generally, to include any decision regarding the most appropriate exit route from the Administration.
- 6.6 Where no Creditors' Committee is appointed, the remuneration of the Joint Administrators shall be fixed by resolution of a meeting of creditors or where the Joint Administrators think that the company has insufficient property to enable a distribution to be made to the unsecured creditors (other than via the prescribed part), approval will be sought from the secured and (if necessary) the preferential creditors in accordance with R2.29(8) of the Insolvency (Scotland) Rules 1986.
- 6.7 In this case, the Joint Administrators are seeking to approve the basis of their remuneration by reference to the time properly spent by the Joint Administrators and their staff in attending to matters arising in the Administration.
- 6.8 The Joint Administrators be authorised to draw remuneration as and when funds are available on account of their time costs.

- 6.9 The Joint Administrators will be discharged from liability under Paragraph 98 of Schedule B1 to the Insolvency Act 1986 immediately upon their appointment as Joint Administrators ceasing to have effect.

7 Exit Routes

Creditors Voluntary Liquidation

- 7.1 Based on present information, the Joint Administrators think a dividend will be paid to the unsecured creditors. In this situation, the Joint Administrators will file a notice with the Registrar of Companies in order that the Administration will cease and the Company will move automatically into Creditors' Voluntary Liquidation ("CVL"). It is proposed that the Joint Administrators will also become the Joint Liquidators of the CVL.
- 7.2 Creditors have the right to nominate an alternative liquidator of their choice. To do this, creditors must make their nomination in writing to the Joint Administrators prior to these proposals being approved. Where this occurs, the Joint Administrators will advise creditors and provide the opportunity to vote. In the absence of a nomination, the Joint Administrators will automatically become the Joint Liquidators of the subsequent CVL.

Dissolution of the Company

- 7.3 If the Joint Administrators think that the Company has no property which might permit a distribution to its creditors, it is proposed that they file a notice together with their final progress report at Court and with the Registrar of Companies for the dissolution of the Company. They will send copies of these documents to the Company and its creditors. The Joint Administrators' appointment will end following the registration of the notice by the Registrar of Companies.

8 Joint Administrators' Remuneration

- 8.1 Baines & Ernst Corporate Limited's time costs at 5 May 2010 are £5,812.50. This represents 35.5 hours at an average rate of £163.73 per hour. Buchanan Roxburgh Limited's time costs at 5 May 2010 are £1,470.00. This represents 7.7 hours at an average rate of £190.91 per hour. As noted in the Proposals section above, the Joint Administrators are seeking to fix the basis of their remuneration by reference to the time properly spent by the Joint Administrators and their staff in attending to matters arising in the Administration. Appropriate approval will be sought as outlined in section 6 of this report.

ARCHITECTURE LIMITED - IN ADMINISTRATION

- 8.2 A copy of "A Creditors' Guide to Administrator's fees can be downloaded from the Insolvency Practitioners Association Website (www.insolvency-practitioners.org.uk – select "Technical" "Creditors Guides to Fees" and then the Administration Guide). If you would prefer this to be sent to you in hard copy please contact Peter Anderson of this office on 0845 303 5999.

Attached as Appendix C is a Time Analysis which provides details of the activity costs incurred by staff grade to the above date.

- 8.3 Attached as Appendix D is additional information in relation to Baines & Ernst Corporate Limited and Buchanan Roxburgh Limited's policy on staffing, the use of sub-contractors, disbursements and details of current charge-out rates by staff grade.

- 8.4 Since their appointment the majority of the Joint Administrators' time has been spent on statutory matters and on the drafting of these proposals.

9 Estimated Outcome

- 9.1 An estimate of the outcome of the Administration as at 5 May 2010 is attached as Appendix E.

- 9.2 Based on the estimated outcome statement attached to this report, no claims are expected in respect of preferential creditors. The unsecured creditor balance totals £236,796. It is expected that there will be insufficient funds to enable a dividend to be made available to unsecured creditors other than from the prescribed part.

- 9.3 The Company granted a bond and floating charge in favour of Lloyds TSB Bank plc on 22 March 2005. Accordingly, the Joint Administrators are required to create a fund out of the Company's net floating charge property for unsecured creditors.

- 9.4 Based on present information, the Joint Administrators estimate the value of the Company's net floating charge property to be £41,676. Arising from this, the value of the unsecured creditors' fund is estimated to be £11,335.

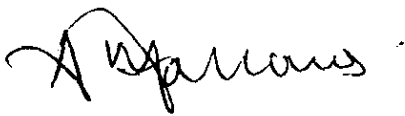
10 Next Report

- 10.1 The Joint Administrators are required to provide a progress report within one month of the end of the first six months of the Administration.

11 Meeting of Creditors

- 11.1 The Joint Administrators think that the Company has insufficient property to enable a distribution to be made to the unsecured creditors other than from the prescribed part. In accordance with Paragraph 52(1)(b) of Schedule B1 of The Insolvency Act 1986 an initial meeting of the Company's creditors is therefore not being convened. The Joint Administrators are however obliged to hold an initial creditors' meeting if 10% in value of the creditors request it. If you wish for a meeting to be held, you must notify them in writing in the prescribed form on or before 19 May 2010.

For and on behalf of
Architecture Limited



Alan D Fallows
JOINT ADMINISTRATOR

Enc

The affairs, business and property of the Company are being managed by the Joint Administrators. The Joint Administrators contract only as agents of the Company and without personal liability.

**Receipts and Payments Account for the Period from 15 March 2010 to
5 May 2010**

Appendix A

**Architecture Limited
(In Administration)**

**Joint Administrator's Abstract Of Receipts And Payments
To 05 May 2010**

RECEIPTS	Total (£)
Goodwill	1,000.00
Office Furniture & Equipment	5,000.00
Work In Progress	9,000.00
Book Debts	615.91
	<hr/>
	15,615.91
	<hr/>
PAYMENTS	
	<hr/>
	0.00
Balances in Hand	15,615.91
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	15,615.91
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**Summary of the Directors' Statement of Affairs of the Company as at
15 March 2010**

Appendix B

Insolvency Act 1986

Architecture Limited
Estimated Statement Of Affairs as at 15 March 2010

	Book Value £	Estimated to Realise £	£
ASSETS			
Lloyds TSB Bank plc	(38,592.29)	(38,592.29)	
Deficiency c/d		<u>(38,592.29)</u>	
Office Furniture & Equipment	4,157.00		2,300.00
Work In Progress	36,027.00		NIL
Book Debts	106,040.76		<u>28,088.26</u>
			30,388.26
LIABILITIES			
PREFERENTIAL CREDITORS:-			
Employees' Preferential Claims		3,581.60	
			<u>3,581.60</u>
			26,806.66
Estimated prescribed part of net property where applicable (to carry forward)			<u>8,361.33</u>
			18,445.33
DEBTS SECURED BY FLOATING CHARGE			
Deficiency b/d		38,592.29	
			<u>38,592.29</u>
			<u>(20,146.96)</u>
Estimated prescribed part of net property where applicable (brought down)			<u>8,361.33</u>
			8,361.33
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)			
Trade & Expense Creditors		24,906.82	
Employees' Non-Preferential Claims		39,635.00	
Directors' Loans		133,739.91	
H M Revenue & Customs (PAYE/NIC)		40,505.71	
H M Revenue & Customs (Corporation Tax)		12,197.55	
HM Revenue & Customs (VAT)		25,447.32	
			<u>276,432.31</u>
Estimated deficiency/surplus as regards non-preferential creditors (excluding any shortfall to floating charge holders)			(268,070.98)
Shortfall to floating charge holders (brought down)			<u>20,146.96</u>
			(288,217.94)
Issued and called up capital			
Ordinary Shareholders		6,926.00	
			<u>6,926.00</u>
TOTAL SURPLUS/(DEFICIENCY)			<u>(295,143.94)</u>

Time Entry - SIP9 Time & Cost Summary

ARCH01 - Architecture Limited

Project Code: POST.

Classification of Work Function	Partner	Manager	Other Senior Professionals	Assistants & Support Staff	Total Hours	Time Cost (£)	Average Hourly Rate (£)
Admin & Planning	0.00	13.00	0.00	0.00	13.00	1,950.00	150.00
Case Specific Matters	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cashiering	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Creditors	3.25	10.00	0.00	0.00	13.25	2,475.00	186.79
Investigations	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Marketing	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non Chargeable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Realisation of Assets	0.00	9.25	0.00	0.00	9.25	1,387.50	150.00
Trading	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Hours	3.25	32.25	0.00	0.00	35.50	5,812.50	163.73
Total Fees Claimed:						0.00	

SIP 9 - Time & Cost Summary

Period: 15/03/10..05/05/10

Time Summary

Hours						Time Cost (£)	Average hourly rate (£)
Classification of work function	Partner	Manager	Other Senior Professionals	Assistants & Support Staff	Total Hours		
Administration & planning	1.20	4.55	0.00	0.00	5.75	1,119.00	194.61
Investigations	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Realisations of assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Trading	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Creditors	0.00	0.15	0.00	0.00	0.15	27.00	180.00
Case specific matters	0.00	1.80	0.00	0.00	1.80	324.00	180.00
Total Hours	1.20	6.50	0.00	0.00	7.70	1,470.00	190.91
Total Fees Claimed						0.00	

Additional Information in Relation to Administrator's Fees Pursuant to Statement of Insolvency Practice 9

Appendix D

12 Policy

Detailed below is this firm's policy in relation to:

- staff allocation and the use of sub-contractors;
- professional advisors; and
- disbursements.

1.1 Staff Allocation and the use of Sub-contractors

The general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case.

The constitution of the case team will usually consist of a Director, a Manager, and an Administrator or Assistant. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment. Our charge out rate schedule below provides details of all grades of staff and their experience level.

We have not utilised the services of any sub-contractors in this case.

1.2 Professional Advisors

On this assignment we have used the professional advisors listed below. We have also indicated alongside, the basis our fee arrangement with them, which is subject to review on a regular basis.

Name of Professional Advisor	Basis of Fee Arrangement	
Irwin Mitchell LLP (legal advice)	Time and expenses	
Philip Davies & Sons (valuation and disposal advice)	Percentage of realisations	
Locktons (insurance)	Standard rate	

Our choice was based on our perception of their experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of our fee arrangement with them.

1.3 Disbursements

Category 1 disbursements do not require approval by creditors. The type of disbursements that may be charged as a Category 1 disbursement to a case generally comprise of external supplies of incidental services specifically identifiable to the case, such as postage, case advertising, invoiced travel and external printing, room hire and document storage. Also chargeable will be any properly reimbursed expenses incurred by personnel in connection with the case.

Baines & Ernst Corporate Limited and Buchanan Roxburgh Limited do not charge Category 2 disbursements.

13 Charge-out Rates

A schedule of Baines & Ernst Corporate Limited's charge-out rates for this assignment effective from 1 April 2009 is detailed below:

Title	(Per hour) £
Director/Insolvency Practitioner	300
Senior Manager	250
Manager	200
Assistant Manager	150
Senior Administrator	130
Administrator	110
Cashier/Secretary	100

A schedule of Buchanan Roxburgh Limited's charge-out rates for this assignment effective from 1 April 2009 is detailed below:

Title	(Per hour) £
Director/Insolvency Practitioner	250
Manager	180
Senior Administrator	100
Administrator	80
Cashier/Secretary	50

Estimated Outcome Statement as at 5 May 2010

Appendix E

ARCHITECTURE LIMITED - IN ADMINISTRATION

Estimated Outcome Statement at 5 May 2010	Notes	£	£
Assets subject to fixed charge			
Goodwill	1		1,000
Less: costs of Administration	3		(200)
Less: due to Lloyds TSB Bank plc	4		(38,592)
Deficit c/fwd to Floating Charge holders			<u>(37,792)</u>
Unencumbered assets			
Office furniture & equipment	1	5,000	
Work in progress	1	9,000	
Book debts	2	<u>56,176</u>	
			70,176
Less: Costs of Administration			
Administrator's Fees (provisional)	3	(20,000)	
Legal Fees (provisional)	3	(5,000)	
Administrator's disbursements (provisional)	3	(1,000)	
Agent's Fees (provisional)	3	<u>(2,500)</u>	
			(28,500)
Amount available to Preferential Creditors			41,676
Preferential creditors (provisional)			Nil
Estimated surplus as regards preferential creditors			<u>41,676</u>
Less: Estimated prescribed part			(11,335)
Amount available to Floating Charge Holders			<u>30,341</u>
Debts secured by floating Charge			
Deficiency to Lloyds TSB Bank plc b/fwd		<u>(37,792)</u>	
Estimated deficiency to floating charge holders c/fwd			<u>(7,451)</u>
Add: Estimated prescribed part			11,335

ARCHITECTURE LIMITED - IN ADMINISTRATION

Unsecured non-preferential creditors			
Trade & Expense Creditors		(24,907)	
Directors' loans	5	(133,740)	
H M Revenue & Customs (PAYE/NIC)	6	(40,506)	
H M Revenue & Customs (Corporation Tax)	7	(12,196)	
H M Revenue & Customs (VAT)	8	(25,447)	
			(236,796)
Estimated deficiency as regards unsecured creditors			(225,461)
Estimated deficiency to floating charge creditors b/fwd			(7,451)
Total estimated deficiency as regards creditors			(232,912)

Notes:

1. The estimated to realise values for the assets have been provided by Philip Davies & Sons Auctioneers & Valuers (the Agent), specialists in sale and valuation of distressed assets. For the purposes of this statement, these have been provided on a combined market value in-situ and reflect the terms of the pre-packaged sale agreement to Architecture and Partners LLP.
2. The estimated to realise figure for book debts includes a specific provision of £35,820 in respect of a disputed debt and a general provision of 20% on the balance of the book debt based on discussions with the directors of the Company concerning the collectability of the debtor book.
3. The fees associated with the Administration have been estimated for the purposes of this statement based on prior experience of cases of this nature.
4. The liability to Lloyds TSB Bank plc is in respect of the Company's overdrawn current account and is subject to a bond and floating charge created on 22 March 2005.
5. The directors' loan account is in respect of funds introduced to the Company by Ian and Elizabeth Gordon.
6. The liability to H M Revenue & Customs in respect of PAYE has accrued over the last 7 trading months.
7. The liability to H M Revenue & Customs in respect of Corporation tax is for the years ending 30 April 2008 and 30 April 2009.
8. The liability to H M Revenue & Customs in respect of VAT has accrued over the last three trading quarters.