

The Insolvency Act 1986

Statement of administrator's proposals**2.17B**

Name of Company Avent Engineering Ltd	Company number 01895378
In the Manchester District Registry <small>[full name of court]</small>	Court case number 3599 of 2008

(a) Insert name(s) and address(es) of administrator(s) **1 I (a) Mark Peter George Roach and Dermot Power of BDO Stoy Hayward LLP Fourth Floor, 1 Victoria Street, Bristol, BS1 6AA**

*Delete as applicable attach a copy of ~~*my~~ / 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) 14 November 2008**

Signed

Dated

14/11/08**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.

BDO Stoy Hayward LLP, Fourth Floor, 1 Victoria Street,	
Bristol, BS1 6AA,	
Our Ref MR/PDW/Form 2/C15	Tel 0117 930 1500
DX Number	DX Exchange

When you have completed and signed this form please send it to the Registrar of Companies at
Companies House, Crown Way, Cardiff, CF14 3UZ **DX 33050 Cardiff**



A48 19/11/2008 285
COMPANIES HOUSE

WEDNESDAY

Avent Engineering Ltd
In Administration

Statement to Creditors pursuant to Rule
2.33 of the Insolvency Rules 1986 and
Statement of Proposals under Paragraph 49
of Schedule B1 of the Insolvency Act 1986

BDO Stoy Hayward LLP

TABLE OF CONTENTS

Section	Page
1 INTRODUCTION	1
2 EVENTS LEADING UP TO THE APPOINTMENT OF THE JOINT ADMINISTRATORS	1
3 MANAGEMENT OF THE COMPANY'S AFFAIRS SINCE THE JOINT ADMINISTRATORS' APPOINTMENT	4
4 CREDITOR CLAIMS	7
5 STATEMENT OF AFFAIRS AND STATUTORY INFORMATION	8
6 JOINT ADMINISTRATORS' RECEIPT AND PAYMENTS ACCOUNT	8
7 PRESCRIBED PART	8
8 ACHIEVING THE PURPOSE OF THE ADMINISTRATION	8
9 EC REGULATIONS ON INSOLVENCY PROCEEDINGS	9
10 JOINT ADMINISTRATORS' REMUNERATION	9
11 POSSIBLE OUTCOMES FOR THE COMPANY AND CREDITORS	11
12 STATEMENT OF PROPOSALS UNDER PARAGRAPH 49 OF SCHEDULE B1 OF THE INSOLVENCY ACT 1986	11

APPENDICES**APPENDIX 1 – STATUTORY INFORMATION****APPENDIX 2 – ESTIMATED OUTCOME STATEMENT****APPENDIX 3 – TIME COST ANALYSIS****APPENDIX 4 – A CREDITORS GUIDE TO ADMINISTRATORS' FEES**

AVENT ENGINEERING LIMITED - IN ADMINISTRATION

Registered No. 1895378

Registered office situated at One Victoria Street, Bristol, BS1 6AA

In the Manchester District Registry, Number 3599 of 2008

1 Introduction

- 1.1 This report is addressed to the creditors of Avent Engineering Limited ("the Company") and incorporates the Joint Administrators' proposals. These proposals are to be considered by the creditors' meeting called pursuant to Paragraph 51 of Schedule B1 of the Insolvency Act 1986 to be held at Armada House, Telephone Avenue, Bristol, BS1 4BQ on Wednesday 3 December 2008 at 11.00 hrs
- 1.2 Creditors may approve the proposals with or without modifications subject to the Joint Administrators' agreement to any such modifications. If the creditors reject the Joint Administrators' proposals a report will be sent to the Manchester District Registry confirming that the creditors have rejected the proposals. The Court may then discharge the Administration and make consequential directions. Alternatively, it may adjourn the hearing or make some other Order as it thinks fit
- 1.3 If the Joint Administrators' proposals are agreed at the meeting of creditors the Joint Administrators will continue to control the business of the Company to the extent that it has not been transferred. The Joint Administrators would at some later date arrange for the Company to exit from the Administration, as agreed by the creditors. Based on the information presently available and the current situation the Joint Administrators' proposal is that the Company will move from Administration to Creditors' Voluntary Liquidation should realisations be sufficient, or move to Dissolution should realisations be insufficient

2 Events leading up to the Appointment of the Joint Administrators

- 2.1 The Company was incorporated on 14 March 1985 by the Avent family and the Company's principal business activity was that of civil engineering. The Company had a long established reputation in the civil engineering industry and had traded from Bath Industrial Estate, Chippenham for several years.
- 2.2 The Company traded profitably until 2004. Audited accounts for the year ended 5 April 2004, reported a significant loss of £1.14 million. It was reported that the Company had continued to grow throughout the year, however additional work was taken on within the gas sector which was poorly controlled in the early stages of the contracts, leading to considerable losses being suffered. However, these problems were rectified by the management and in March 2004 the contracts had become commercially viable to continue
- 2.3 In August 2004, Peter Carolan ("the Director") purchased the business and assets of the Company from the Avent family for £750,000. The acquisition was funded personally through one of the Director's other companies, Vincenzo Limited, with a further £1.1 million of funding, used for the Company's initial working capital requirement

- 2.4 The Company formed part of a group of companies owned by the Director, with its immediate holding company being Avent Newco Limited (formerly Avent UK Limited), and ultimate holding company being Vincento Limited. Avent UK Limited was formerly known as HS 227 Limited, prior to its name change in May 2005.
- 2.5 The Company continued trading immediately following completion of the transaction in August 2005, from the premises at Bath Industrial Estate, Chippenham. The Director appointed a new management team, Kevin Monahan and Kieran Cronin to run the operational side of the business.
- 2.6 The business continued its principal business activity of civil engineering, and audited accounts for the period 5 April 2004 to 31 October 2004 reported a turnover of £15.3 million and a net profit of £361,000.
- 2.7 The Company continued to expand and in May 2005, the Director sought external funding of approximately £2.27 million, from Allied Irish Bank Plc ("the Bank"). This was in order to purchase the head office premises at Chippenham from the Avent family and to provide additional working capital.
- 2.8 With new funding in place, time was invested in seeking new customers, taking on new contracts and expanding the business. The Company's audited accounts for the year ended 31 October 2005 reported a turnover of £27.4 million and a net profit of £486,000.
- 2.9 The Company continued to expand its operations over the following twelve months, new contracts were awarded. However, the management team had failed to put in place appropriate control systems. Consequently, audited accounts for the year ended 31 October 2006, reported a turnover of £35.4 million and a net profit of £170,000, which was less than anticipated.
- 2.10 Despite those results, the Company continued to expand its operation. However it became clear to the Director that the award of new contracts were as a result of inappropriate pricing. Consequently, this coupled with the significant working capital required to expand the business, resulted in significant cashflow pressure.
- 2.11 In August 2007, the Director took the decision to appoint Mike Snee as Managing Director ("MD") of the Company, in replacement of the existing management team. The MD had experience in the utility contracts industry and on appointment, carried out a full review of the business. In his first 3 months of appointment, MD terminated all of the loss making contracts, achieving an annualised overhead saving of £1 million. Further steps were taken by the MD to implement new system controls.
- 2.12 Audited accounts for the year ending 31 October 2007 reported a significant loss of £747,000, on turnover of £34.2 million. Following these results, the Bank became concerned as to the viability of the business.

- 2.13 In order to relieve further cashflow pressures, the Company proposed a sale and leaseback of the head office Property in Chippenham, in order to release further cash into the business. This strategy was agreed by the Bank and the Director, and the Property was marketed for £800,000.
- 2.14 In June 2008, following eight months of marketing, the Company received two offers from separate parties for the Property of £625,000 and £725,000. The offer of £725,000 was accepted and lawyers were instructed to prepare the sale contract. In August 2008, contracts were exchanged.
- 2.15 The cost reductions achieved by the MD did not immediately materialise and the Company continued to experience cashflow difficulties. By August 2008, the Company had arrears of PAYE, VAT and CIS amounting to approximately £1.2 million. Repayment proposals were set up with HMRC to reduce this outstanding liability.
- 2.16 The Company's financial position significantly worsened following confirmation that one of the Company's largest contractors, Western Power Distribution ("WPD"), was not going to renew its contract with the Company, which was due to expire on 31 October 2008. This contract represented 50% of the Company's turnover.
- 2.17 With the loss of this substantial contract, on 12 August 2008, the Bank instructed BDO Stoy Hayward LLP to undertake an independent business review of the Company. Following our review, it was apparent that with the significant loss of income, the Company will incur further significant trading losses, and therefore we advised the Bank and the Director, that the Company must enter a formal insolvency procedure.
- 2.18 Following this advice, the MD expressed an interest in purchasing the business as a going concern. This would ensure that continuity of service would be provided on existing contracts leading to a better realisation of the contract debts, saving the jobs of 238 employees and in the long term, repayment of the debt outstanding to the Bank.
- 2.19 Despite concerted efforts by the Bank, Mike Snee and ourselves, the proposed purchase was unable to progress, given the lack of uncertainty in relation to the novation of two key contracts that represented significant income.
- 2.20 Given the failure of the proposed sale, on 23 September 2008 an application for appointment of Joint Administrators was made by the Bank, on the invite of the Board of Directors, pursuant to Paragraph 14 of Schedule B1 of the Insolvency Act 1986. On 25 September 2008, Dermot Justin Power and Mark Roach were appointed Joint Administrators.

- 3 Management of the Company's affairs since the Joint Administrators' appointment**
- 3.1 Initial Actions**
- 3.1.1 Upon our appointment as Joint Administrators, BDO staff attended the Company's head office premises on Bath Road Industrial Estate, Chippenham, together with the site office situated at Osprey House, Exeter and the main yard situated at Montague Street, Birmingham. All employees present were notified by our staff of our appointment and were advised of our objectives of the Administration.
- 3.1.2 We undertook an immediate review of the Company's affairs with particular regard to its financial position. This assessment was carried out in liaison with the remaining management of the Company having regard to the Company's ongoing business commitments and the anticipated cashflows. Following this review we were satisfied that there were insufficient funds to continue to trade the business and operations ceased.
- 3.1.3 A review of the staffing requirements was undertaken with the aid of the Company's management team, to identify the level of staff that would be required to enable a cost effective realisation of the Company's assets, being the freehold property at Bath Industrial Estate, Chippenham, the plant & machinery, chattel assets, debtors and Work in Progress.
- 3.1.4 In all, 27 key staff were retained in order to bring the Company's financial records up to date, and to complete and collate the necessary documentation required to pursue the outstanding contract debts.
- 3.1.5 In respect of the remaining employees, we were advised by our lawyers that 160 employees should immediately transfer to the new contractors under the Transfer of Undertakings legislation ("TUPE"), following them taking over the WPD contract from the Company. Consequently, the Administrators were unable to make them redundant or handle any arrears of wages and accrued holiday claims. The employees were instructed to seek any claims from their new contractors.
- 3.1.6 The remaining 51 employees were made redundant with immediate effect on 25 September 2008, by our staff present at the three sites. Those employees that were not present were advised by telephone on the same day and to meet with our staff at one of the sites, in order to process their claims for arrears of wages, accrued holiday pay, redundancy and notice pay correctly. These forms were submitted to the Redundancy Payments Office for processing shortly after our appointment and P45's were issued to the employees.
- 3.1.7 To fulfil our asset realisation strategy we required an immediate overdraft facility of £100,000. This was secured by the Administrators personally through the Allied Irish Bank ("AIB"). To secure this funding the Administrators had to provide AIB with personal guarantees.

- 3.2 We engaged the services of a Quantity Surveyor ("QS"), to review the existing contracts and to provide clarification on amounts that were due to the Company. In addition, he together with us, monitored the perfection of paperwork at each of the main sites in Exeter, Birmingham and Chippenham.
- 3.2.1 Agents were also instructed to prepare an inventory of the chattel assets of the Company and to provide valuations.
- 3.2.2 Lawyers were instructed to offer surrender of the lease to the landlords, of the thirteen premises that were leased to the Company. These leases related to ten yards which were located across the south of England, the office and yard in Exeter, and two houses that were rented by the Company for the use of two employees.
- 3.2.3 BDO staff contacted all suppliers with a potential retention of title ("ROT") claim and invited them to attend the premises for identification purposes. In addition lawyers were instructed to review all paperwork relevant to the ROT claims.
- 3.2.4 On 17 October 2008, all remaining employees were made redundant. Their claims for accrued holiday pay, redundancy pay and notice pay have been processed by our staff and forwarded to the Redundancy Payments Office, and P45's have been issued to the employees.
- 3.3 Freehold Property, situated at Bath Industrial Estate, Chippenham**
- 3.3.1 Prior to our appointment, a contract to sell the Property had been exchanged with the purchaser, for a consideration of £725,000. As part of that arrangement a sale and leaseback was granted in favour of the Company at a cost of £52,000 per annum.
- 3.3.2 Whilst the Property had been exchanged, completion had not taken place prior to our appointment. Completion would therefore require the consent of the Joint Administrators to proceed. We were unable to consent to completion, given the substantial level of fees that the present lawyers were requesting, in dealing with the transaction. Despite our attempts to significantly reduce these fees, the lawyers were not willing to meet a level that was satisfactory for such a transaction.
- 3.3.3 Therefore, we had no alternative but to re-issue contracts through our own lawyers to the purchaser, who agreed to proceed for a consideration of £725,000 and to reduce the rental charge under the leaseback to £1 per month. Given our course of action we have increased the net realisations available to the Secured Creditor by £60,000.
- 3.4 Book Debts and Work in Progress ("WIP")**
- 3.4.1 As advised above, we retained 27 employees to assist in the completion and collation of the necessary paperwork, in relation to the outstanding contract debts and WIP. This process was monitored by us, together with our Quantity Surveyor ("QS"), and was completed within three weeks from our appointment.
- 3.4.2 At the date of our appointment, the book value in relation to the contract debts and WIP amounted to £4.081 million. Following an initial review of the contracts by our QS, he has advised that due to the substantial time periods left remaining under

the contracts, it is expected that significant offset claims in relation to reinstatement costs will be submitted, which will substantially reduce any realisations due to the Company

- 3.4.3 We instructed the QS to review the contracts that had small amounts of WIP outstanding, in order to establish whether there would be any benefit in completing specific projects in order to reduce these potential claims and achieve a better realisation. However, following a review, it was apparent that due to the significant periods outstanding under the contracts, it was not cost beneficial to complete the contracts. We therefore terminated the contracts in order to crystallise the current debt due under the contract.
- 3.4.4 To date, debtor realisations total approximately £25,000. Our QS is continuing to pursue the remaining debtor balances, however, due to the uncertainty of any claims being made against the outstanding debts, it is difficult to provide an estimate, as to the level of realisations in this matter.

- 3.4.5 We hope to be able to provide a more detailed update in our next report to creditors in six months time.

3.5 Outstanding Claim brought by the Company

- 3.5.1 Upon our appointment we were advised by the Director that a potential action was being brought against a debtor of the Company. The Director confirmed that he had already instructed agents to commence preparing the necessary papers in respect of this action and that the matter was due to be adjudicated in mid October 2008.
- 3.5.2 Since our appointment, we have met with the agents, who have confirmed that the adjudication process had not yet been initiated. On this basis, the final claim has been revised and has recently been submitted for adjudication. We anticipate reporting the outcome of this action in our next report.

3.6 Plant and Machinery

- 3.6.1 At the date of our appointment, the plant and machinery had a net book value of £235,000, represented in the management accounts for the period to 25 September 2008.
- 3.6.2 Our agents were instructed to review the asset register of the Company, locate the items and provide a valuation of the same. Our agents advised that after an initial review of the asset register, they were advised by the Director that the larger items of plant and machinery, such as the excavators and trailers, were sold within the previous 2 years and should have been removed from the asset register and management accounts. The Joint Administrators will investigate the disposal of these assets.

3 7 Other Assets*Chattel Assets*

- 3 7 1 The Company's chattel assets at the date of our appointment had a net book value of £187,000, represented in the management accounts for the period to 25 September 2008.
- 3.7.2 Agents were instructed to review the chattel assets of the Company and to provide valuations of the same. Following a review of the Company's records, our agents advised that majority of the chattel assets comprised of small mobile surveying equipment and barrier boards which held a very small resale value. The majority of these assets were under the care of the engineers and would have been stored in the leased vans, and were in the process of being collected by the leasing companies. Furthermore, our agents confirmed that the Company did not keep a register of which employee held which of the Company assets.
- 3.7 3 A sale of a laptop was made to one of the former employees for £80 plus VAT. In respect of the remaining assets, based on the insufficient information available and the low resale value of these items, our agents advised that it would not be cost beneficial to attempt to recover these items. We therefore do not anticipate any further realisations from this source.

Office Furniture & Equipment

- 3 7 4 Our agents have advised that the office furniture and IT equipment at Bath Industrial Estate, Chippenham would realise little value.

Cash at Bank

- 3.7 5 An amount of approximately £11,700 has been received in relation to cash held at another bank.

4 Creditors' claims**4 1 Secured Creditors****4.2 Allied Irish Bank ("AIB")**

At the date of appointment AIB held a fixed and floating charge over the assets of the Company and were owed approximately £1 71 million. Following completion of the property sale and the receipt of some book debts, the Bank's indebtedness has been reduced to approximately £950,000.

4.3 Preferential Creditors

Employees' claims are estimated at approximately £132,000 in respect of pre-Administration arrears of wages and holiday pay. Given the current uncertainty on the Bank debt realisations, we are unable to confirm whether there will be a dividend to Preferential creditors.

4.4 Unsecured Creditors

The claims of the unsecured creditors total approximately £4,423,714

As mentioned above, given the uncertainty on realisations, we are unable to confirm whether there will be a dividend to unsecured creditors in this matter.

5 Statement of Affairs and Statutory Information

5 1 At Appendix 1 is a record of the Company's statutory information including details of the Director and Company Secretary.

5 2 At the date of this report we have not yet received the directors sworn statement of affairs. We therefore attach at Appendix 2 to this report a summary of the estimated statement of affairs of the Company at the date of our appointment. The summary Statement of Affairs has been prepared from the Company records and information available.

6 Joint Administrators' Receipts and Payments Account

6.1 For your information, I attach a copy of the Joint Administrators' receipts and payments account at Appendix 2. This shows that the Joint Administrators have a balance in hand amounting to £251. We trust that the contents of the account are self explanatory.

7 Prescribed Part

7 1 Under the provisions of Section 176A of the Insolvency Act 1986 the Joint Administrators must state the amount of funds available to unsecured creditors in respect of the prescribed part. This provision only applies where the Company has granted a floating charge to a creditor after 15 September 2003. The Company has granted a floating charge after this date and therefore the Prescribed Part applies in this matter.

7.2 Given the uncertainty on the book debt realisations, we are unable to confirm at this stage whether a payment under the Prescribed Part will be made in this matter.

8 Achieving the purpose of the Administration

8 1 The statutory purpose of an Administration consists of three objectives, and we now address the progress that has been made in this respect,

- 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 was wound up (without first being in Administration); or
- Realising property in order to make a dividend to one or more secured or preferential creditors.

- 8.2 It was not possible to achieve the first objective of rescuing the Company as a going concern given the previous attempts of the Directors to sell the business.
- 8.3 Therefore, the Administrators focused on achieving the second objective of maximising the asset realisations. We believe that continuing proceedings in respect of the property sale and retaining key staff to complete and collate necessary documentation to backup the contract debts, will enhance the asset realisations greater than would have been achieved in a Liquidation

9 EC Regulations on Insolvency Proceedings

- 9.1 We are required under the Insolvency Rules 1986 to state whether and if so the extent to which the above regulations apply to this Administration. In this particular case the EC Regulation will apply in respect of this Administration and these proceedings will be the main proceedings as provided by Article 3 of the aforesaid Regulation

10 Joint Administrators' Remuneration

- 10.1 Kindly note that under the terms of the Insolvency Rules 1986 the Joint Administrators are obliged to fix their remuneration in accordance with Rule 2.106(2) of the Insolvency Rules 1986. This permits remuneration to be fixed either as a percentage of the value of the property with which the Joint Administrators have to deal or alternatively by reference to the time the Joint Administrators and their staff have spent attending to matters in this Administration
- 10.2 In respect of this Administration we wish to ask creditors to approve our remuneration. Attached at appendix 3 is a schedule that summarises the time that has been spent in administering this administration up to the date of this report. This shows a total of 570 hours at an average charge out rate of £190.69. I also attach for your information at Appendix 4 a Creditors Guide to Administrators Fees together with a document that outlines the policy of BDO Stoy Hayward LLP in respect of fees and disbursements
- 10.3 The time costs to date have been incurred as a consequence of maximising asset realisations. A summary of the key activities is detailed below:
- 10.4 **Financial Review:** Upon our appointment we undertook a detailed assessment of the Company's financial performance having regard to the Company's ongoing business commitments and the anticipated cashflows. Following this review, it was clear that there were insufficient funds available to continue to trade the business and operations ceased.
- 10.4.1 **Attendance at the Company's Head Office:** Upon our appointment a number of our staff attended the Company's premises situated at Bath Road Industrial Estate, Chippenham, Osprey House, Exeter and Montague Street, Birmingham, to notify approximately 238 staff of our appointment and to secure the assets of the Company

- 10.4.2 **Controls:** Controls were implemented, in particular, security for the premises at Exeter and Chippenham. In addition, we engaged a Quantity Surveyor to assist in the collection and perfection of documentation supporting the debts.
- 10.4.3 **Employees:** A total of 78 redundancies have been affected since the date of our appointment. 51 employees were made redundant on the 25 September 2008 and a further 27 employees have been made redundant since this date. All members of staff have been advised of their claims under the Employment Rights Act 1996 and all claim forms have been processed.
- 10.4.4 **Property Sale:** Since our appointment the Company's old lawyers were dis-instructed and new layers appointed to conclude the property sale, achieving a saving of approximately £60,000 in respect of fees. On the 7 November 2008 the property sale was completed.
- 10.4.5 **Book Debt Collection:** Agents were instructed upon our appointment to pursue the contract debts and WIP. To date approximately £25,000 has been realised. They continue to pursue the outstanding ledger amounting to approximately £4 million.
- 10.4.6 **Action Brought by the Company:** Several meetings have been held with the agents appointed by the Company to continue the action against a debtor of the Company. The agents have now filed the papers in accordance with adjudication and the process is due to be concluded within 7-8 weeks.
- 10.4.7 **Surrender of the Leasehold Properties:** Lawyers were instructed to offer surrender to the landlords of the thirteen leasehold properties, occupied by the Company. To date, one property has been surrendered.
- 10.4.8 **Retention of Title:** A number of creditors have made retention of title claims over stationary stock held at head office, Chippenham. These claims have been agreed and the creditor has removed their stock.
- 10.5 **Reporting to Secured Creditors:** We have formerly reported to the Secured Creditors regularly throughout the Administration.
- 10.6 **Statutory Obligations:** We have processed and filed the necessary statutory documentation required as Administrators.
- 10.7 **Pension Scheme:** The Company has a stakeholder pension and a group pension scheme. We have appointed a specialised team within our investment management department to review both schemes and to file the necessary documentation to wind up these policies.

11 Possible outcomes for the company and Creditors

- 11.1 The Insolvency Act 1986 and Insolvency Rules 1986 provide a variety of options regarding the possible exit routes for the Company from the Administration, being

primarily a Company Voluntary Arrangement, Liquidation or dissolution of the Company.

- 11 2 It is the Joint Administrators' recommendation and proposal, as detailed below, that should realisations be sufficient the Company enters a Creditors Voluntary Liquidation. If realisations are insufficient, the Company will move to Dissolution.

12 Statement of proposals under Paragraph 49 of Schedule B1 of the Insolvency Act 1986

- 12 1 In accordance with Paragraph 49 of Schedule B1 of the Insolvency Act 1986 the Joint Administrators make the following proposals for achieving the purpose of the Administration. Approval of these proposals will be considered by the meeting of creditors to be held on 3 December 2008.

12.2 Formal Proposals - the Joint Administrators propose that

- (a) They continue to manage the Company's business and realise assets in accordance with objective 2 of the statutory purpose of the Administration, and
- (b) At this stage the Joint Administrators are uncertain of realisations in this matter. If realisations are sufficient to allow a dividend to non-preferential creditors, the Joint Administrators propose to exit the Administration by way of a Creditor's Voluntary Liquidation ("CVL"). Should the Company move into CVL it is proposed that the Joint Administrators be appointed Joint Liquidators.

Please note that under Paragraph 83(7) of Schedule B1 of the Insolvency Act 1986 and Rule 2.117(3), creditors may nominate different Liquidators provided that the nomination is made after receipt of the proposals, but before such proposals are approved, but in the absence of such nominations Dermot Justin Power and Mark Roach will be Joint Liquidators, and

If realisations are insufficient to enable a dividend to be paid to non-preferential creditors, the Joint Administrators propose to exit the Administration by way of dissolution of the Company under Paragraph 84 of Schedule B1.

- (c) Creditors are to consider, and if thought fit, appoint a creditors committee to assist the Joint Administrators who will be authorised to sanction any proposed act on behalf of the Joint Administrators without the need to report back to the creditors generally, to include making any decision about the most appropriate exit route from Administration. Such a committee must comprise of between 3 and 5 creditors.
- (d) Creditors approve the remuneration of the Joint Administrators (in the absence of a creditors committee) on the basis of time properly spent by their staff in attending to matters arising in the Administration based on time

costs to date of £110,000 and total estimated costs of the Administration of £200,000. (Please note that this is an indication based on recent experience of cases of this size and complexity)

- (e) The Joint Administrators will be discharged from liability in respect of any action of them as Administrators under Paragraph 98(3) of Schedule B1 of the Insolvency Act 1986, immediately upon the Joint Administrators filing their final report to creditors
- (f) The fees of BDO Stoy Hayward Investment Management Limited totalling up to £1,500 plus VAT in connection with dealing with the Company's pension scheme be approved.

Dated. 17 November 2008

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Mark Roach
Joint Administrator

**Avent Engineering Ltd
In Administration**

Statutory Information

Company Number: 01895378

Date of Incorporation: 14 March 1985

Address of Registered Office: Fourth Floor, One Victoria Street, Bristol, BS1 6AA
Formerly Osprey House, Osprey Road, Sowton,
Exeter, EX2 7JG

Directors: Peter Vincent Carolan

Company Secretary: None

Nominal Share Capital: £600,000 - divided into 600,000 ordinary shares of
£1 each

Registered Shareholders: No of £1 ordinary shares held

Avent Newco Limited	600,000
	<u>600,000</u>

Trading Results:

Y/E	Turnover £	Gross Profit £	Net Profit (after tax) £	Directors' remuneration £
31/10/2007	34,247,811	545,495	(747,237)	unknown
31/10/2006	35,475,176	2,890,981	169,699	unknown
31/10/2005	27,411,781	2,853,269	485,802	unknown

Registered Charges:

	Type of Charge	Date Registered	Status
Lloyds TSB Bank Plc	Deposit Agreement to secure own liabilities	24/09/2004	Outstanding
AIB Group (UK) Plc	Mortgage Debenture	03/06/2005	Outstanding
AIB Group (UK) Plc	Legal Mortgage	06/07/2006	Outstanding

Administrators functions: To be exercised by one or all of them

Court Appointed: Manchester District Registry

Court Ref: 3599 of 2008

Court Order date: 25 September 2008

Application by: The Qualifying Floating Charge Holder

Avent Engineering Limited - In Administration
Estimated Outcome Statement as at 14 November 2008

Appendix 2

	Receipts & Payments Account £	Future Receipts & Payments £	Estimated to Realise £
ASSETS SUBJECT TO A FIXED CHARGE			
Long Leasehold Property	725,000		725,000
Less Costs of Realisation			
Legal fees	(7,800)		(7,800)
Administrators fees		(2,000)	(2,000)
Other fees	(1,700)		(1,700)
Available to Fixed Chargeholder	715,500	(2,000)	713,500
Due to Fixed Chargeholder	(713,500)		(713,500)
	<u>2,000</u>	<u>(2,000)</u>	<u>0</u>
ASSETS SUBJECT TO A FLOATING CHARGE			
Book debts and WIP	25,000	Uncertain	Uncertain
Cash at bank	11,751		11,751
Claims brought by the Company		Uncertain	Uncertain
	<u>36,751</u>		<u>11,751</u>
Less Costs of Realisation			
Administrators fees & disbursements		(200,000)	(200,000)
Legal fees		(23,000)	(23,000)
Agents fees	(10,500)	(14,500)	(25,000)
Premises costs and Employee costs	(37,000)	(95,000)	(132,000)
Available to Preferential Creditors	Uncertain	Uncertain	Uncertain
Preferential Creditors		<u>(132,000)</u>	<u>(132,000)</u>
Estimated deficiency/surplus as regards Preferential Creditors		Uncertain	Uncertain
Estimated prescribed part of net property where applicable (to carry forward)		<u>Uncertain</u>	<u>Uncertain</u>
Estimated total assets available for floating charge holders		Uncertain	Uncertain
Debts secured by floating charges			<u>(950,000)</u>
Estimated deficiency/surplus of assets after floating charges		Uncertain	Uncertain
Estimated prescribed part of net property where applicable (brought down)		<u>Uncertain</u>	<u>Uncertain</u>
Trade Creditors		(4,423,714)	(4,423,714)
HM Revenue & Customs		(1,630,211)	(1,630,211)
Redundancy & Notice in Lieu Pay		(217,346)	(217,346)
Intercompany – Avent UK Limited		(1,018,499)	(1,018,499)
- Avent Newco Limited		(56,775)	(56,775)
Estimated deficiency after floating charge where applicable (brought down)			<u>Uncertain</u>
Estimated deficiency/surplus as regards creditors			Uncertain
Issued and called up capital			(600,000)
Estimated total deficiency/surplus as regards members			<u>Uncertain</u>

Summary of Time Charged and Rates Applicable for the Period From 25 September 2008 to 14 November 2008

Description	PARTNER		MANAGER		ASSISTANT MANAGER		ADMINISTRATOR		GRAND TOTAL		AVRT
	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	
Pre Appointment Matters			10 50	2,037 00			3 60	432 00	14 10	2,469 00	175 11
Steps on Appointment	7 50	2,430 00	62 00	16,923 00	24 00	4,714 00	72 80	10,581 80	166.30	34,648 80	208 35
Planning and Strategy	4 00	1,677 00							4.00	1,677 00	419.25
General Administration	1 15	372 60	2 75	533 50	39 00	7,653 00	71 20	7,692 45	114 10	16,251.55	142 43
Assets Realisation/Dealing	4 35	1,409 40	34 65	9,792 60	21 00	4,074 00	2 00	328 00	62.00	15,604 00	251 68
Trading Related Matters					25 00	4,850 00			25 00	4,850.00	194.00
Employee Matters	8 30	2,689 20	16 00	3,104 00	17 00	3,298 00	84 70	11,176 45	126 00	20,267 65	160 85
Creditor Claims	6 20	2,643 80	4 10	795 40			25 15	2,923 10	35.45	6,362.30	179.47
Reporting	1 50	676 50	19 50	5,518 50	2 00	388 00			23 00	6,583 00	286.22
Work							0 50	66 50	0 50	66.50	133 00
	33.00	11,898.50	149 50	38,704.00	128 00	24,977.00	259.95	33,200.30			
							Net Total		570 45	108,779 80	190.69
							Secretarial Expense				
							Other Disbursements			2,817.22	
							Billed				
							Grand Total			111,597 02	

1 Introduction

- 1.1** When a company goes into administration the costs of the proceedings are paid out of its assets. The creditors, who hope eventually to recover some of their debts out of the assets, therefore have a direct interest in the level of costs, and in particular the remuneration of the insolvency practitioner appointed to act as administrator. The insolvency legislation recognises this interest by providing mechanisms for creditors to determine the basis of the administrator's fees. This guide is intended to help creditors be aware of their rights under the legislation to approve and monitor fees and explains the basis on which fees are fixed.

2 The nature of administration

- 2.1** Administration is a procedure which places a company under the control of an insolvency practitioner and the protection of the court with the following objective

- rescuing the company as a going concern, or
- achieving a better result for the creditors as a whole than would be likely if the company were wound up without first being in administration,

or, if the administrator thinks neither of these objectives is reasonably practicable

- realising property in order to make a distribution to secured or preferential creditors

3 The creditors' committee

- 3.1** The creditors have the right to appoint a committee with a minimum of 3 and a maximum of 5 members. One of the functions of the committee is to determine the basis of the administrator's remuneration. The committee is normally established at the meeting of creditors which the administrator is required to hold within a maximum of 10 weeks from the beginning of the administration to consider his proposals. The administrator must call the first meeting of the committee within 6 weeks of its establishment, and subsequent meetings must be held either at specified dates agreed by the committee, or when a member of the committee asks for one, or when the administrator decides he needs to hold one. The committee has power to summon the administrator to attend before it and provide information about the exercise of his functions.

4 Fixing the administrator's fees

- 4.1** The basis for fixing the administrator's remuneration is set out in Rule 2.106 of the Insolvency Rules 1986, which states that it shall be fixed either

- as a percentage of the value of the property which the administrator has to deal with, or
- by reference to the time properly given by the administrator and his staff in attending to matters arising in the administration.

It is for the creditors' committee (if there is one) to determine on which of these bases the remuneration is to be fixed and, if it is fixed as a percentage fix the percentage to be applied. Rule 2.106 says that in arriving at its decision the committee shall have regard to the following matters:

- the complexity (or otherwise) of the case,
- any responsibility of an exceptional kind or degree which falls on the administrator;
- the effectiveness with which the administrator appears to be carrying out, or to have carried out, his duties,
- the value and nature of the property which the administrator has to deal with.

- 4.2** If there is no creditors' committee, or the committee does not make the requisite determination, the administrator's remuneration may be fixed by a resolution of a meeting of creditors having regard to the same matters as the committee would. If the remuneration is not fixed in any of these ways, it will be fixed by the court on application by the administrator.

A Creditors' Guide To Administrators' Fees

4.3 There are special rules about creditors' resolutions in cases where the administrator has stated in his proposals that the company has insufficient property to enable a distribution to be made to unsecured creditors except out of the reserved fund which may have to be set aside out of floating charge assets. In this case a resolution of the creditors shall be taken as passed if, and only if, passed with the approval of –

- each secured creditor of the company, or
- if the administrator has made or intends to make a distribution to preferential creditors – each secured creditor of the company, and
- preferential creditors whose debts amount to more than 50% of the preferential debts of the company, disregarding debts of any creditor who does not respond to an invitation to give or withhold approval

Note that there is no requirement to hold a creditors' meeting in such cases unless a meeting is requisitioned by creditors whose debts amount to at least 10 per cent of the total debts of the company

4.4 A resolution of creditors may be obtained by correspondence

5 What information should be provided by the administrator?

5.1 When seeking fee approval

5.1.1 When seeking agreement to his fees the administrator should provide sufficient supporting information to enable the committee or the creditors to form a judgement as to whether the proposed fee is reasonable having regard to all the circumstances of the case. The nature and extent of the supporting information, which should be provided, will depend on:

- the nature of the approval being sought,
- the stage during the administration of the case at which it is being sought, and
- the size and complexity of the case

5.1.2 Where, at any creditors' or committee meeting, the administrator seeks agreement to the terms on which he is to be remunerated, he should provide the meeting with details of the charge-out rates of all grades of staff, including principals, which are likely to be involved on the case

5.1.3 Where the administrator seeks agreement to his fees during the course of the administration, he should always provide an up to date receipts and payments account. Where the proposed fee is based on time costs the administrator should disclose to the committee or the creditors the time spent and the charge-out value in the particular case, together with, where appropriate, such additional information as may reasonably be required having regard to the size and complexity of the case. The additional information should comprise a sufficient explanation of what the administrator has achieved and how it was achieved to enable the value of the exercise to be assessed (whilst recognising that the administrator must fulfil certain statutory obligations that might be seen to bring no added value for creditors) and to establish that the time has been properly spent on the case. That assessment will need to be made having regard to the time spent and the rates at which that time was charged, bearing in mind the factors set out in paragraph 4.1 above. To enable this assessment to be carried out it may be necessary for the administrator to provide an analysis of the time spent on the case by type of activity and grade of staff. The degree of detail will depend on the circumstances of the case, and professional guidance has been provided setting out a minimum of 6 category headings under which the work done by the officeholder and his staff should be analysed. As a firm BDO Stoy Hayward LLP operates a computerised time recording system which analyses work done under the following categories –

- Pre Appointment Matters
- Steps upon Appointment
- Planning and Strategy
- General Administration
- Asset Realisation/Management

A Creditors' Guide To Administrators' Fees

- Trading Related Matters
- Employee Matters
- Creditor Claims
- Reporting
- Distribution and Closure
- Other Issues

Professional guidance suggests the following categories as a basis for analysis by grade of staff

- Partner
- Manager
- Other senior professionals
- Assistants and support staff

The explanation of what has been done can be expected to include an outline of the nature of the assignment and the administrator's own initial assessment, including the anticipated return to creditors. To the extent applicable it should also explain

- Any significant aspects of the case, particularly those that affect the amount of time spent
- The reasons for subsequent changes in strategy
- Any comments on any figures in the summary of time spent accompanying the request the administrator wishes to make
- The steps taken to establish the views of creditors, particularly in relation to agreeing the strategy for the assignment, budgeting, time recording, fee drawing or fee agreement
- Any existing agreement about fees
- Details of how other professionals, including sub-contractors, were chosen, how they were contracted to be paid, and what steps have been taken to review their fees

It should be borne in mind that the degree of analysis and form of presentation should be proportionate to the size and complexity of the case. In smaller cases not all categories of activity will always be relevant, whilst further analysis may be necessary in larger cases.

- 5.1.4 Where the fee is charged on a percentage basis the administrator should provide details of any work which has been or is intended to be sub-contracted out which would normally be undertaken directly by an administrator or his staff.

5.2 After fee approval

Where a resolution fixing the basis of fees is passed at any creditors' meeting held before he has substantially completed his functions, the administrator should notify the creditors of the details of the resolution in his next report or circular to them. In all subsequent reports to creditors the administrator should specify the amount of remuneration he has drawn in accordance with the resolution. Where the fee is based on time costs he should also provide details of the time spent and charge-out value to date and any material changes in the rates charged for the various grades since the resolution was first passed. He should also provide such additional information as may be required in accordance with the principles set out in paragraph 5.1.3. Where the fee is charged on a percentage basis the administrator should provide the details set out in paragraph 5.1.4 above regarding work which has been sub-contracted out.

5.3 Expenses and disbursements

There is no statutory requirement for the committee or the creditors to approve the drawing of expenses or disbursements. However, professional guidance issued to insolvency practitioners requires that, where the administrator proposes to recover costs which, whilst being in the nature of expenses or disbursements, may include an element of shared or allocated costs (such as room hire, document storage or communication facilities provided by the administrator's own firm), they must be disclosed and be authorised by those responsible for approving his remuneration. Such expenses must be directly incurred on the case and subject to a reasonable method of calculation and allocation.

6 What if a creditor is dissatisfied?

- 6.1** If a creditor believes that the administrator's remuneration is too high he may, if at least 25 per cent in value of the creditors (including himself) agree, apply to the court for an order that it be reduced. If the court does not dismiss the application (which it may if it considers that insufficient cause is shown) the applicant must give the administrator a copy of the application and supporting evidence at least 14 days before the hearing. Unless the court orders otherwise, the costs must be paid by the applicant and not as an expense of the administration.

7 What if the administrator is dissatisfied?

- 7.1** If the administrator considers that the remuneration fixed by the creditors' committee is insufficient he may request that it be increased by resolution of the creditors. If he considers that the remuneration fixed by the committee or the creditors is insufficient, he may apply to the court for it to be increased. If he decides to apply to the court he must give at least 14 days' notice to the members of the creditors' committee and the committee may nominate one or more of its members to appear or be represented on the application. If there is no committee, the administrator's notice of his application must be sent to such of the company's creditors as the court may direct, and they may nominate one or more of their number to appear or be represented. The court may order the costs to be paid as an expense of the administration.

8 Other matters relating to fees

- 8.1** Where there are joint administrators it is for them to agree between themselves how the remuneration payable should be apportioned. Any dispute arising between them may be referred to the court, the creditors' committee or a meeting of creditors.
- 8.2** If the administrator is a solicitor and employs his own firm to act on behalf of the company, profit costs may not be paid unless authorised by the creditors' committee, the creditors or the court.

9 Provision of information – additional requirements

In any case where the administrator is appointed on or after 1 April 2005 he must provide certain information about time spent on a case, free of charge, upon request by any creditor, director or shareholder of the company. The information which must be provided is –

- the total number of hours spent on the case by the administrator or staff assigned to the case,
- for each grade of staff, the average hourly rate at which they are charged out,
- the number of hours spent by each grade of staff in the relevant period.

The period for which the information must be provided is the period from appointment to the end of the most recent period of six months reckoned from the date of the administrator's appointment, or where he has vacated office, the date that he vacated office.

The information must be provided within 28 days of receipt of the request by the administrator, and requests must be made within two years from vacation of office.



BDO Stoy Hayward

Avent Engineering Ltd - In Administration

In accordance with best practice I provide below details of policies of BDO Stoy Hayward LLP in respect of fees and expenses for work in relation to the above insolvency.

The current charge out rates per hour of staff within my firm who may be involved in working on the insolvency, follows. This in no way implies that staff at all such grades will work on the case

GRADE	£
Partner1	439
Partner 2	364
Director	324
Senior Manager	261
Manager	223
Assistant Manager	194
Senior Executive	164
Executive	133
Junior Executive	120
Cashier	106
Trainee	73
Support staff/Secretary	60

The rates charged by BDO Stoy Hayward LLP, Fourth Floor, 1 Victoria Street, Bristol, BS1 6AA are reviewed in December and July each year and are adjusted to take account of inflation and the firm's overheads

Time spent on casework is recorded directly to the relevant case using a computerised time recording system and the nature of the work undertaken is recorded at that time. Units of time can be as small as 3 minutes. BDO Stoy Hayward LLP records work in respect of insolvency work under the following categories:-

Pre Appointment
Steps upon Appointment
Planning and Strategy
General Administration
Asset Realisation/Management
Trading Related Matters
Employee Matters
Creditor Claims
Reporting
Distribution and Closure
Other Issues.

Under each of the above categories the work is recorded in greater detail in sub categories. Please note that the 11 categories provide greater detail than the six categories

recommended by the Recognised Professional Bodies who are responsible for licensing and monitoring insolvency practitioners

Where an officeholder's remuneration is approved on a time cost basis the time invoiced to the case will be subject to VAT at the prevailing rate.

Where remuneration has been approved on a time costs basis a periodic report will be provided to any committee appointed by the creditors or in the absence of a committee to the creditors. The report will provide a breakdown of the remuneration drawn and will enable the recipients to see the average rates of such costs.

Other Costs

Where expenses are incurred in respect of the insolvent estate they will be recharged. Such expenses can be divided into two categories

Category 1

This heading covers expenses where BDO Stoy Hayward LLP has met a specific cost in respect of the insolvent estate where payment has been made to a third party. Such expenses may include items such as advertising, couriers, travel (by public transport), searches at Companies House, land registry searches, fees in respect of swearing legal documents, external printing costs etc. In each case the recharge will be reimbursement of a specific expense incurred.

A further disbursement under this heading is the cost of travel where staff use either their own vehicles or company cars in travelling connected with the insolvency. In these cases a charge of 40p per mile is raised which is in line with the Inland Revenue Approved Mileage Rates (median – less than 10,000 miles per annum) which is the amount the firm pays to staff.

Where applicable, disbursements will be subject to VAT at the prevailing rate.

Category 2

Additionally some firms recharge expenses for example postage, stationery, photocopying charges, telephone and fax costs, which cannot economically be recorded in respect of a each specific case. Such expenses, which are apportioned to cases, require the approval of the creditors, before they can be drawn, and these are known as category 2 disbursements. The policy of BDO Stoy Hayward LLP, effective from 1 July 2003, is not to recharge any expense which is not a specific cost to the case, therefore there will be no category 2 disbursements charged. Category 2 disbursements, because they are imprecise, require approval by the creditors before they can be drawn.