

THE INSOLVENCY ACT 1986
NOTICE OF RESULT OF MEETING
OF CREDITORS

S.24(4)/25(6)

Pursuant to Section 24(4) / 25 (6) of the
Insolvency Act 1986

To the Registrar of Companies

For Official Use:

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Company Number

196908

Name of Company

SOLVERA PLC

We: R Robinson and P Stanley

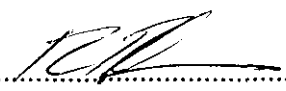
of: Begbies Traynor
Elliot House
151 Deansgate
Manchester
M3 3BP

Administrators of the company attach a copy of our report to the Court dated:

30 April 1999

detailing the resolutions passed at a meeting of creditors held on

29 April 1999

Signed: 
R Robinson

Dated: 3/5/99

From:

Begbies Traynor
Elliot House
151 Deansgate
Manchester
M3 3BP

For Official Use

Liquidation
Section

Post Room





B E G B I E S T R A Y N O R

C O R P O R A T E R E S C U E & R E C O V E R Y

Our Ref: RR/GNL/ADM64/kt

30 April 1999

TO ALL CREDITORS

Dear Sirs

SOLVERA PLC – IN ADMINISTRATION

As a result of a meeting of creditors of the above company held on 29 April 1999. I enclose a formal report in respect of the approval of the administrators proposals, a copy of which has been lodged at court.

The report is to be read in conjunction with the report to creditors presented at the meeting of creditors pursuant to Section 23 of the Insolvency Act 1986. The contents of the reports are self explanatory but should you have any queries regarding their content please do not hesitate to contact me or my colleague, Gary Lee.

If you have not already done so, will you please provide details of your formal claim in this administration on the enclosed proof of debt form in order for your claim to be scheduled.

Yours faithfully

R Robinson
Joint Administrator

encs

IN THE CHANCERY DISTRICT REGISTRY
and
IN THE MATTER OF SOLVERA PLC
and
IN THE MATTER OF THE INSOLVENCY ACT 1986

Report to the Meeting of Creditors

Held at the offices of:

Begbies Traynor
6 Raymond Buildings
Gray's Inn
Holborn
London

on: 29 April 1999

Approving Administrators Proposals

Pursuant to Section 25(6) Insolvency Act 1986
and in accordance with
Rule 2.29 Insolvency Rules 1986 (as amended)

The meeting of creditors of Solvera Plc pursuant to Section 23(1) Insolvency Act 1986 was held at the offices of Begbies Traynor, 6 Raymond Buildings, Grays Inn, Holborn, London at 11.30 a.m. on 29 April 1999.

The resolutions put forward at the meeting were as follows:

1. To approve the Administrators proposals issued to all creditors on 12 April 1999 which are repeated below:
 - i) The Administrators propose to sell the trading subsidiaries, either by way of trade sale or management buy out to achieve a better realisation of the Company's assets than could be effected by a winding up.
 - ii) The Administrators propose to take steps in the interim to preserve the value of the trading subsidiaries and the Company's other assets.
 - iii) Whilst it is the intention of the Administrators to sell the shares in the trading subsidiaries, if necessary they will be prepared to sell the assets and business of the trading subsidiaries where this will benefit the Company.
 - iv) After completion of the disposal of the assets of the Company, the Administrators propose to discuss with the Creditors' Committee the most appropriate route to effect a distribution to creditors. Following agreement on the most appropriate route the Administrators propose to apply to Court for the simultaneous discharge of the Administration Order.
 - v) In the event that the sale of the Group's assets, either in whole or in part, involves the disposal of assets that are subject to security and in the event that the Administrators cannot come to terms with the creditor concerned, the Administrators propose to make an application to Court in the prescribed manner under the provisions of Section 15 of the Insolvency Act 1986.
2. To appoint a Creditors' Committee to assist the Administrator in discharging his functions and act in relation to him in such manner as may be agreed from time to time.

A Creditors' Committee was formed and comprised the following members:

- i) Philip Smith, Downer & Co
 - ii) Colin Wiseman, Deloitte Touche
 - iii) Barry Hale, Ernst Young
 - iv) Michael Wykes, Moore Stephens Booth White
3. The Creditors resolved that the Joint Administrators be remunerated on a time costs basis.
4. Revisions/ modifications to the proposals considered by the meeting

None

5. Voting of creditors

£

Against proposals

None

Nil

For proposals

Chairman's proxies	1,998,939
Proxies in attendance	<u>263,242</u>
TOTAL	<u><u>2,262,181</u></u>

RULE 2.30

REPORT OF MEETING OF CREDITORS

IN THE MATTER OF SOLVERA PLC

and

IN THE MATTER OF THE INSOLVENCY ACT 1986

I, Ron Robinson Joint Administrator of the company hereby report that a meeting of creditors in the above matter was held at the offices of Begbies Traynor, 6 Raymond Buildings, Grays Inn, Holborn, London.

Time 11.30 on date 29 April 1999

(1) At which proposals in the form hereto annexed were approved.

(2) Philip Smith, Downer & Co

Colin Wiseman, Deloitte Touche

Barry Hale, Ernst & Young

Michael Wykes, Moore Stephens Booth White

were nominated to act as members of the committee of creditors

Date: 30 April 1999



.....
R Robinson
Joint Administrator

SOLVERA PLC

DETAILS OF CLAIM

1 NAME & ADDRESS
 OF CREDITOR

2 TOTAL AMOUNT OF DEBT,
 INCLUDING ANY VAT
 OUTSTANDING AND
 UNCAPITALISED INTEREST

3 PARTICULARS OF
 HOW AND WHEN THE
 DEBT WAS INCURRED

4 PARTICULARS OF ANY
 SECURITY HELD, THE
 VALUE OF THE SECURITY
 AND THE DATE IT WAS GIVEN

5 NATURE OF CREDITORS OR
 PERSON AUTHORISED TO ACT
 ON HIS BEHALF?

 NAME IN CAPITALS:

 POSITION:

For Joint Administrators Use Only:

Admitted to vote for:

 £

Date:

Chairman:

RULE 2.33

**CERTIFICATE OF CONSTITUTION
(AMENDED CERTIFICATE) OF
CREDITORS' COMMITTEE**

IN THE MATTER OF SOLVERA PLC

and

IN THE MATTER OF THE INSOLVENCY ACT 1986

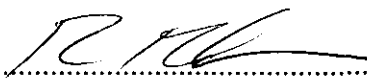
I, R Robinson the Joint Administrator of the above company certify that the creditors' committee has been duly constituted and that membership is as follows:

Philip J Smith
Downer & Company, 9 Rossmore Crescent, Dublin 6W, Ireland

Colin Wiseman
Deloitte & Touche, PO Box 810, Stonecutter Court, 1 Stonecutter Street, London, EC4A 4JR

Barry J Hale
Ernst & Young, Rolls House, 7 Rolls Buildings, Fetter Lane, London, EC4A 1NH.

Michael Wykes
Moore Stephens Booth White, 1 Snow Hill, London, EC1A 2EN.

Signed: 

R Robinson
Joint Administrator

Date: 29 April 1999

THE INSOLVENCY ACT 1986
REPORT TO THE MEETING OF CREDITORS OF

SOLVERA PLC
IN ADMINISTRATION

HELD PURSUANT TO SECTION 23
OF THE INSOLVENCY ACT 1986
AT 6 RAYMOND BUILDINGS,
GRAYS INN,
HOLBORN,
LONDON

ON THURSDAY 29 APRIL 1999
AT 11.30 A.M.

SOLVERA PLC IN ADMINISTRATION

MEETING OF CREDITORS HELD PURSUANT TO SECTION 23 OF THE INSOLVENCY ACT 1986

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2. Summary of Administrators' Proposals
3. Definitions and Administrators' Proposals
4. Administrators' Statement Pursuant to Rule 2.16

Appendix 1 - Business structure.

Appendix 2 - Statutory information

Appendix 3 - Summary of the estimated statement of affairs

SOLVERA PLC IN ADMINISTRATION ("the Company")

1 BACKGROUND

- 1.1 The Company has been trading under various names since April 1924. The Company was listed on the London Stock Exchange in 1981 as Optical Medical Instrumentation International PLC. It changed its name to OMI International PLC in 1991, and to Solvera PLC in 1997. It is a holding company providing a central treasury function and strategic management to its subsidiaries.
- 1.2 The Company and its subsidiaries ("the Group") had been undergoing considerable reorganisation since a new management team took control in 1995, rationalising its holdings to two core divisions, being Design and Documentation and Environmental. The Design and Documentation division consisted of Solvera Information Services and P & Z Engineering. Environmental comprised Solvera Particulate Controls and Forward Industries. A chart showing the structure of the business and holdings within the Group is attached at Appendix 1.
- 1.3 In all, the Company had an interest in eleven active trading subsidiaries at the date of appointment. In addition there are twenty two dormant or non trading companies for which the Company was the ultimate holding company.
- 1.4 A number of the trading subsidiaries had been loss making in recent years, and there were historical difficulties with leasehold properties which were no longer required but could not be sublet or surrendered. Funding these losses together with unproductive properties caused severe cashflow difficulty. The Directors took various measures to address this cash shortfall, such as refinancing, selling subsidiaries, taking on invoice discounting facilities and undertaking a sale and leaseback of computer equipment. The head office costs of operating as a public limited company were too large for a group of this size to sustain.
- 1.5 In October 1998 the Directors decided to explore the possibility of taking the Company from public ownership to being a private Company, with the shares being sold to a venture capitalist, Primary Capital ("Primary"). It was intended that Primary would introduce capital to reduce borrowing costs and stabilise the cashflow position.
- 1.6 The proposed public to private transaction fell through in late January 1999. Whilst Primary were interested in buying some elements of the Group they were not prepared to buy the share capital of the Company. At this stage it was clear that the Company was in serious financial difficulty, and unable to pay its debts as they fell due.

- 1.7 In these circumstances, the Directors were independently advised to enter into a formal insolvency procedure. After discussions with the Company's major lender, the Directors decided to make an application for an Administration Order for the purpose of achieving the survival of the Company, and the whole or part of its undertaking as a going concern, or, in the alternative, a more advantageous realisation of the assets than would be effected on a winding up.
- 1.8 A petition was issued by the Directors on behalf of the Company on 4 February 1999 and the Administration Order was duly granted on 5 February appointing R Robinson and P Stanley as Joint Administrators.

REASONS FOR ADMINISTRATION ORDER

- 1.9 At the date of appointment there were a number of critical issues which needed to be addressed. The Inland Revenue had been in negotiations with the Company regarding arrears of various Group companies in excess of £1 million. The file had been passed to the Enforcement Office, who had stated unequivocally that action would be taken to recover the arrears. Once the petition had been issued for the Administration Order it was not possible for the Inland Revenue to take any action against the Company without the leave of the Court.
- 1.10 Similarly, the Company was unable to pay instalments falling due for a significant quantity of computer equipment and software. The petition and subsequent granting of the Order prevented the finance companies which own these assets repossessing them without first negotiating with the Administrator regarding ongoing usage. This allows the Company to retain equipment which may be essential to trading on, without being forced to make ransom payments.
- 1.11 The Company was at a delicate stage of negotiating the sale of its German subsidiary, P & Z Engineering GmbH ("P & Z"), under a management buy out funded by Primary. The appointment allowed the Administrator to negotiate direct with Primary to progress the sale within the exclusivity agreement entered into by the Directors prior to the granting of the Administration Order.
- 1.12 It was important that the trading subsidiaries and their customers, suppliers and employees were reassured of the Company's commitment to achieving the best outcome for its customers, creditors, employees and shareholders. The Company's main funder, who held a full debenture over the assets of the Company, was not prepared to continue supporting the Company without a formal insolvency appointment to safeguard their position. The purposes of the Administration Order are the survival of the Company, and the whole or part of its undertaking, as a going concern or a more advantageous realisation of the Company's assets than would be effected on a winding up. To achieve these purposes the Administrator has taken into account the impact upon the value of the trading subsidiaries of any actions taken by him.

A number of the key employees throughout the Group have contracts with the Company, rather than the subsidiaries where they carry out their duties. The Insolvency Act 1986 expressly gives Administrators the power to dismiss and appoint Directors. In the course of dealing with the various assets it was probable that some changes would be needed in the executive structure of the Company or its subsidiaries. Without the statutory powers invested in the Administrator by section 14 of the Insolvency Act 1986 it would have been necessary to convene a General Meeting of the Company.

ADMINISTRATION STRATEGY AND IMPLEMENTATION

- 1.13 Immediately after appointment the Inland Revenue were notified and negotiations began concerning the Revenue's response to the position of the Company and its subsidiaries. This dialogue has continued and the Inland Revenue's support has been a key feature of the Administration to date.
- 1.14 The finance companies with whom the Company has its computer equipment were notified of the appointment. Discussions are ongoing concerning which equipment is required and what the terms of the agreements should be going forward.
- 1.15 As set out above the Company was already in negotiation with Primary for the sale of P & Z by way of a Management Buy Out. An offer of £8.25million had been made in return for an exclusivity agreement until 23 February 1999. An initial element of the global strategy for achieving the purposes of the Order was to review this offer, and consider whether other parties would be prepared to offer alternatives without breaching the exclusivity agreement, which contained a severe penalty clause.
- 1.16 Following extensive negotiations with Primary, P & Z was sold on 10 March 1999 for £8.5million. As the Company is in Administration, Primary argued that some doubt must attach to the value of indemnities of an insolvent company and a sum of £750,000 is to be held in escrow for nine months under the terms of the sale and purchase agreement.
- 1.17 Prior to the appointment the Company had taken measures to market Forward Industries Limited ("FIL"). A comprehensive prospectus had been prepared and issued to selected targets. Initial offers were tabled on 15 February 1999. Whilst some interest was shown, it became clear that the incumbent management were keen to pursue an MBO. In addition, the uncertainty of the parent company being in Administration had seriously impacted upon the order book, with customers placing orders for immediate requirements rather than placing long term orders. The nature of the business of Forward Industries Ltd requires a significant working capital outlay which would have increased the cash required to maintain trading operations whilst external interested parties were provided with information and a due diligence process undertaken. A detailed review of the business was carried out which concluded that an MBO would be more likely to achieve a better realisation of the assets. Heads of terms were agreed on 19 March and the management team were granted exclusivity until 30 April.

- 1.18 The Company has continued to manage the central treasury function, monitoring the rolling forecasts of each trading subsidiary and providing short term funding where necessary. In the case of Castlet Electronics Limited ("CEL") the forecasts indicated that £500,000 was needed over a 12 week period in excess of the financing that was already being provided by the Invoice Discounter. A longer term forecast showed that this position would not reverse for the foreseeable future. CEL owed the Company over £1million in intercompany balances, and achieving repayment of that balance became the main objective of the Administrators, as any value in the shares would be restricted by the level of liabilities, thereby effectively reducing them to a nil value.
- 1.19 A strategic review of the environmental division concluded that the trading companies within that division were effectively operating as standalone businesses. The issues were discussed at length with the management and Directors and it was decided to place CEL into Administration in order to preserve the operational capacity with a view to selling the business as a going concern. Accordingly CEL was placed into Administration on 8 April 1999, with Ron Robinson and David Sapte as Joint Administrators.
- 1.20 As part of the strategic review of the environmental division, meetings were held in the US with the divisional and operational management of SPC Inc and Redkoh Inc. These companies have been supported by the Company because local finance has yet to be agreed and they are presently free from debt. A further detailed review is to take place shortly when it will be possible to evaluate the options for disposing of these subsidiaries.
- 1.21 A meeting was also held with the local management of SIS Inc. A major contract was in the process of being finalised when the Company was placed into Administration. It was necessary to liaise with the customer and explain the position of the Company and SIS Inc and give assurance regarding the long term prospects for SIS Inc. That contract has now been placed which will enable SIS Inc to be self funding.
- 1.22 A new finance team has been installed at Solvera Information Services Ltd ("SIS") to produce detailed budgets and forecasts and to assist the management produce accurate accounting information. Once the details have been finalised, the various factors which impact upon future profitability can be identified and addressed.
- 1.23 OMI Malta Ltd ("Malta") has one employee who works as a consultant on major building projects. Malta was projected to make a small loss over the next six months, and the Directors of the Company were not aware of any future contracts thereafter. In these circumstances it was decided to transfer the shares to the employee for a nominal figure, to save the ongoing expenses and minimise future costs of dealing with an overseas jurisdiction.
- 1.24 OMI Design Technology Ltd ("DTG") is the tenant of Foster House at Borehamwood, which is sublet at an annual loss of some £80,000. The lease

has 38 years to run, and in 1997 the negative premium was valued at £500,000. In order to effect a redevelopment the Landlord has agreed to accept a surrender at £1. If and when this surrender is completed DTG will cease to trade and be struck off in due course.

ESTIMATED OUTCOME

- 1.25 The report to creditors generally provides information regarding the background to the appointment of the Administrators, the events since appointment and the projected outcome. In this case there remain a number of material factors which may impact upon the outcome and are detailed below:
- i) The value of remaining trading subsidiaries, and the level of intercompany debt which will be recovered.
 - ii) The level of claims made against the warranty held in escrow.
 - iii) The liabilities of the Company relating to the pension fund.
 - iv) The claims of landlords with guarantees from the Company.
 - v) The liabilities under indemnities given in respect of potential tax charges against P & Z.
 - vi) The liabilities under outstanding insured performance bonds guaranteed by the Company.
 - vii) The liability to finance companies in respect of assets and agreements which may be transferred.
 - viii) The validity and valuation of claims submitted by creditors in respect of conditional fee agreements.

2 SUMMARY OF THE ADMINISTRATORS' PROPOSALS

SOLVERA PLC

Proposals by the Joint Administrators for achieving the purposes of the
Administration Order made in the High Court of Justice on
5 February 1999
(Pursuant to the Insolvency Act 1986, Section 23)

Notices of the meeting of creditors to be held on 29 April 1999 have been sent out under the cover of a letter dated 13 April 1999.

Summary

Following the appointment by the High Court of Justice on 5th February 1999 of R Robinson and P Stanley of Messrs. Begbies Traynor, Elliot House, 151 Deansgate, Manchester, M3 3BP as Joint Administrators, we recommend these proposals to creditors.

- 1 To continue to manage the affairs of the Company whilst reviewing the value of its assets and ascertaining the most appropriate way of realising that value.
- 2 To effect a sale of the assets where appropriate.
- 3 To retain the assets and take steps to increase their value where appropriate.
- 4 The formation of a Creditors' Committee.

Dated this.....13th.....day of April 1999.



R Robinson
Joint Administrator

3 DEFINITIONS AND ADMINISTRATORS PROPOSALS IN DETAIL

SOLVERA PLC

Joint Administrators Proposals

(Pursuant to the Insolvency Act 1986, Section 23 and
the Insolvency Rules)

DEFINITIONS


The following definitions apply throughout this document unless the context otherwise requires :-

"the Administrators"	R Robinson and P Stanley of Messrs. Begbies Traynor Elliot House, 151 Deansgate Manchester M3 3BP
"the Administration Order"	The Administration Order made by the High Court of Justice, London on 5 February 1999 in relation to the Company.
"the Company"	Solvera PLC
"the trading subsidiaries"	Castlet Electronic Ltd Forward Industries Ltd P & Z GmbH Redkoh Inc Solvera Information Services Inc Solvera Information Services Ltd Solvera Particulate Controls Inc
"the Group"	Solvera PLC and all its subsidiaries.

PROPOSALS

1. The Administrators propose to sell the trading subsidiaries, either by way of trade sale or management buy out to achieve a better realisation of the Company's assets than could be effected by a winding up.
2. The Administrators propose to take steps in the interim to preserve the value of the trading subsidiaries and the Company's other assets.
3. Whilst it is the intention of the Administrators' to sell the shares in the trading subsidiaries, if necessary they will be prepared to sell the assets and business of the trading subsidiaries where this will benefit the Company.
4. After completion of the disposal of the assets of the Company, the Administrators propose to discuss with the Creditors' Committee the most appropriate route to effect a distribution to creditors. Following agreement on the most appropriate route the Administrators propose to apply to Court for the simultaneous discharge of the Administration Order
5. In the event that the sale of the Group's assets, either in whole or in part, involves the disposal of assets that are subject to security and in the event that the Administrators cannot come to terms with the creditor concerned, the Administrators propose to make an application to Court in the prescribed manner under the provisions of Section 15 of the Insolvency Act 1986.
6. These proposals shall be subject to such modifications as the Court may approve or impose.
7. The proposals are conditional upon the passing of the resolution set out in the notice convening the meeting of creditors and subject to such modifications as the Administrators may approve.

Dated this13th.....day of April 1999.


R Robinson
Joint Administrator

4 ADMINISTRATORS' STATEMENT PURSUANT TO RULE 2.16

a) The purpose of the Administration Order

The Order appointing R Robinson and P Stanley as Joint Administrators of the Company was made on 5 February 1999. The purpose for which the Administration Order was applied for in respect of the Company was as follows:-

- i) the survival of the Company and the whole or part of its undertaking as a going concern.
- ii) A more advantageous realisation of the Company's assets than would be effected in a Winding Up.

There have been no subsequent variations of the purpose for which the Order was made

b) Statutory Information

The names of the Directors, Company Secretary, and details of the Share Capital are attached at Appendix 2. A full list of the Shareholders is available upon request.

c) Circumstances giving rise to the application for the Administration Order

The Company has experienced severe cashflow difficulties, and was under increasing creditor pressure which could have jeopardised the value of its trading subsidiaries. The Administration Order was sought to give the Company protection from its creditors, and to maintain lines of credit with funders who had lost confidence in the management. This allows the Company time to implement a policy of strategic disposal of its investments.

d) Statement of Affairs

The Group Finance Director was requested on 9 February 1999 to prepare a Statement of Affairs for the Company as at 5 February 1999. A summary of the estimated statement of affairs is attached at Appendix 3.

e) Management and Financing of the Company

i) Post appointment events

The Company's primary function is to provide a treasury facility and strategic management for the trading subsidiaries. The value of the Company's assets, being the investment in its subsidiaries, is dependent upon the profitability of those subsidiaries.

The management of the Company involves assessing the cash requirement of the trading subsidiaries in the short term, reviewing their forecast performance, evaluating the funding implications in the medium term, considering the most appropriate option for maximising the value of the individual subsidiary, and implementing that option in conjunction with the incumbent management.

To allow the treasury function to continue to operate, we negotiated extended funding from the Company's main lender, BNY International Ltd, and also obtained additional credit from the lenders to the individual trading subsidiaries where necessary. The funds are available through a central, clearing account, and the daily transfer of monies to and from the various trading subsidiaries is carried out electronically from the Company's offices.

We have taken steps to improve the controls of this function, and increased the level of supervision of the forecasting procedures. We are reviewing the systems in those subsidiaries where the forecasting has been weak, and taken steps to strengthen the reporting capabilities of individual subsidiaries where necessary.

As a result of the analysis which has been carried out since appointment, we have been able to begin formulating a strategy in respect of each of the subsidiaries which will maximise their value to the Company, either as shareholder or creditor for intercompany balances.

In summary, in executing those strategies we have disposed of P & Z, entered into an exclusivity agreement with the management of one subsidiary, invited offers in respect of two others, and placed Castlet Electronic Ltd into Administration to allow us to seek a sale of the business as a going concern, because it was no longer viable as a standalone trading entity. Those subsidiaries where we have continued to trade are being restructured to strengthen their performance.

In addition to the above, we have instructed Messrs. Weatherall Green & Smith to undertake a comprehensive review of the outstanding property issues. Minimising the cost to the Company, and various subsidiaries, of disposing of non performing property is an important aspect of improving the outcome for creditors.

ii) Following approval of the Administrators' proposals

Should the proposals as set out in this document be approved the Joint Administrators will continue to implement the strategy detailed above. When the exercise of reviewing the options for each of the trading subsidiaries has been completed, we shall consider and discuss with the Creditors Committee what would be the most appropriate way to achieve the best outcome for creditors, including the timing thereof.

SOLVERA PLC in Administration

BUSINESS STRUCTURE

100% owned subsidiaries unless otherwise stated

DESIGN AND DOCUMENTATION

Solvera Information Services :-

Solvera Information Services Limited (formerly OMI Logistics Ltd)

Solvera Information Services Inc (formerly Omega (USA)) (85% owned)

P & Z :-

P & Z Engineering GmbH (formerly Peters & Zabansky (Germany) GmbH)

P & Z Engineering KFT (formerly Peters & Zabransky (Hungary) KFT)
(100% owned by P & Z Engineering GmbH)

ENVIRONMENTAL

Solvera Particulate Controls :-

Castlet Electronics Ltd (100% owned by Castlet Electronic Engineers Ltd)

Castlet (Australia) PTY

Redkoh Inc

Solvera Particulate Controls Inc (formed by a merger of Forry Inc and
Castlet Inc in January 1999)

Forward :-

Forward Industries Ltd

OTHER TRADING COMPANIES

OMI Malta Ltd

OMI Design Technology Ltd (100% owned by Deltic Automation Ltd)

SOLVERA PLC in Administration

BUSINESS STRUCTURE

100% owned subsidiaries unless otherwise stated

DORMANT OR NON TRADING COMPANIES

OMI Logistics BV (Holland) (100% owned by Solvera Information Services Ltd)

Castlet Group Ltd

Castlet Electronic Engineers Ltd (100% owned by Castlet Group Ltd)

Bonneyfield Ltd (100% owned by Castlet Electronic Engineers Ltd)

Deltic Automation Ltd

P + Z Engineering Ltd (formerly Madison Bureau Ltd) (100% owned by OMI Design Technology Ltd)

Industrial Design Services (B&D Hewitt) Ltd (100% owned by OMI Design Technology)

Omitec Circuits Ltd

Solvera (formerly OMI) Group Pension Trustee Ltd

Solvera (formerly OMI) Group Share Trust Ltd

H J Smart Ltd

Alan Freeman Engineering Co. Ltd in Liquidation

OMI Logistics Ltd (formerly BBK Designs Ltd)

Castlet Detection Ltd (formerly Cook & Perkins Ltd)

Castlet Engineering Ltd (formerly Viapon Ltd)

Dracard Ltd

Lonsdale Technical Ltd

Lonsdale Technical Services Ltd

Omitec Ltd

OMI Graphic Design Ltd (formerly LMA Ltd)

Solvera Shelf Co. Ltd (formerly Drayton Tech Serv Ltd and Lontec Ltd)

Watshams Ltd

SOLVERA PLC IN ADMINISTRATION

STATUTORY INFORMATION

Company name :	Solvera PLC
Incorporation date :	1 April 1924
Authorised share capital :	£5,000,000 made up of 100,000,000 ordinary shares of £0.05 each
Issued and paid up or credited as paid up :	£3,720,229.45 represented by 74,404,589 ordinary shares of £0.05 each
Directors :	Richard Whitman Duggan Geoffrey John Eades Derek Noel Ablett Anthony Richard Diment John Kenneth Ross Munro
Company Secretary :	Geoffrey John Eades
Registered office :	1 - 11 Hay Hill London W1X 7LF

SOLVERA PLC

SUMMARY OF THE ESTIMATED STATEMENT OF AFFAIRS AS AT 5 FEBRUARY 1999

	Notes	Book Value £000	Administration £000	Liquidation £000
ASSETS SUBJECT TO FIXED CHARGE				
Assets less fixed chargeholder	1 to 1.4	16,137	6,465	3,046
Assets subject to finance agreements	1.5	600	400	300
less balance outstanding under agreements		(500)	(500)	(500)
Surplus carried down to preferential creditors/ (shortfall) carried down to non preferential creditors		<u>100</u>	<u>(100)</u>	<u>(200)</u>
ASSETS SUBJECT TO FLOATING CHARGE				
Surplus from fixed charge		16,237	6,465	3,046
Office equipment	1.6	19	10	3
Cash at Bank		<u>0</u>	<u>0</u>	<u>0</u>
Funds available for preferential creditors		16,256	6,475	3,049
PREFERENTIAL CREDITORS				
VAT	1.7	(193)	(193)	(193)
PAYE	1.8	(77)	(77)	(77)
Employees	1.9	<u>(16)</u>	<u>(16)</u>	<u>(16)</u>
		(286)	(286)	(286)
Funds available for non preferential creditors		15,970	6,189	2,763
NON PREFERENTIAL CREDITORS				
Arbuthnot Latham Bank	1.10	(533)	(533)	(533)
Trade and expense	1.11	(213)	(213)	(213)
Accruals	1.12	(401)	(401)	(401)
Intercompany	1.13	(2,821)	(2,821)	(2,821)
Directors	1.14	0	(287)	(287)
Employees	1.15	0	(20)	(20)
Contingent liabilities - guarantees	1.16	0	0	(270)
- motor vehicles		0	0	(4)
- leases		<u>0</u>	<u>(1,428)</u>	<u>(3,003)</u>
		(3,968)	(5,703)	(7,552)
Surplus /(shortfall) for contributories		<u>12,002</u>	<u>486</u>	<u>(4,789)</u>

Notes

1. The value of specific assets is commercially sensitive and accordingly this information is being withheld at this stage.
2. No account has been taken of the costs of realisation.
3. The statement of affairs does not take account of the following contingent liabilities :-
 - a) Pension expenses
 - b) Pension fund shortfall
 - c) Indemnities on sale of subsidiaries

NOTES TO THE SUMMARY OF THE ESTIMATED STATEMENT OF AFFAIRS

- 1.1 A summary of the estimated statement of affairs as at 5 February 1999 submitted with the petition for the Administration Order is attached at Appendix 2. A detailed analysis of the figures is set out below with additional information reflecting post appointment events where applicable.
- 1.2 The Company is the ultimate holding company of 33 subsidiaries, of which 22 are dormant. It also holds 85% of a company trading in the US. The status of the trading subsidiaries has been set out in detail above. There is no value in the dormant companies and it is proposed to liquidate them or have them struck off in due course.
- 1.3 There is a small value in debtors arising from recharges for central payments in respect of employee benefits for employees of subsidiaries which were sold prior to the appointment, and rental due at appointment.
- 1.4 All of the Company's assets are subject to a fixed and floating charge in favour of BNY International Limited. Certain assets have specific prior charges with other lenders.
- 1.5 The Company transferred computer equipment and software with a book value of £600,000 from SIS Ltd in late 1998 for a sale and leaseback to generate funds. Whilst the assets in question have not been professionally valued, it appears likely that the finance companies will suffer a shortfall if the agreements are not novated.
- 1.6 There are sundry items of office furniture and equipment which it is estimated will realise £10,000 if sold in situ and £3,000 at auction.
- 1.7 The Company owes £193,000 to H M Customs and Excise for the period immediately prior to the appointment. This liability arose from management charges issued in the December quarter. If these charges cannot be recovered there will be a reduction in the liability for VAT under the Bad Debt Relief provisions.
- 1.8 The preferential claim for arrears of PAYE /NIC has reduced to £53,000 following allocation of payments made in January. An additional, unsecured claim of £40,000 has been submitted in respect of unpaid PAYE/NIC for bonus payments made in the previous tax year.
- 1.9 The employees estimated claims for holiday pay and arrears of wages include the Directors, who have unpaid holiday as at the date of appointment.
- 1.10 The Company had a mortgage with Arbuthnot Latham which is secured over assets in CEL and SIS rather than the Company. Although the balance is shown as unsecured, based on the legal position with the Company,

Arbuthnot Latham should be paid in full under its security, and the corresponding intercompany balances will reduce accordingly.

- 1.11 The Company's purchase ledger as at appointment indicates unsecured trade and expense creditors totalling £213,000.
- 1.12 The estimated statement of affairs takes into account costs which had not been invoiced as at the date of appointment, such as professional advice received in the period immediately prior to the appointment. In addition, there were a number of contracts where a fee may become payable on the achievement of some event, notably the sale of a subsidiary, which are included as an accrual.
- 1.13 As at the date of appointment there were intercompany credit balances as set out below :-

	£'000
FIL	1,924
Redkoh Inc	6
PAYE recharges	<u>891</u>
	<u>2821</u>

The estimated statement of affairs is stated before setting the PAYE payments received from various subsidiaries off against intercompany balances.

Since appointment further investigation has uncovered credit balances with two subsidiaries of OMI Design Technology ("DTG"), itself a 100% subsidiary of the Company. The total amount outstanding is approximately £380,000.

- 1.14 The Directors are entitled to twelve months severance pay under the terms of their service agreements.
- 1.15 Employees of the Company are entitled to notice pay and redundancy. Any claims will be offset by their duty to mitigate.
- 1.16 The Company is subject to various contingent liabilities which may crystallise under the Administration or any subsequent procedure:-
 - i. There are performance bonds outstanding in respect of CEL which had a gross value of £270,000 at appointment. One bond of £25,000 has since expired.
 - ii. The Company has guaranteed various finance agreements for motor vehicles at subsidiaries. All these agreements have now been novated to the relevant subsidiary.
 - iii. The Company has also guaranteed a number of the property leases entered into by SIS. The figure in the statement of affairs was an estimate

of the cost of surrendering these leases. The Company has twelve years to run on its lease at Hay Hill, London. The estimated value of the Landlord's claim under the terms of the Park Air ruling is £150,000. The Landlord has a duty to mitigate this loss.

1.17 In addition to the above further potential liabilities have come to light since appointment:-

- i. The Group pension fund was valued in October 1998. This valuation was carried out under the new Minimum Funding Requirement provisions introduced by the Pension Act 1996. Under the more stringent new funding rules there is a shortfall of approximately 10%, which equates to £1million. In addition to the funding shortfall there are unpaid contributions and expenses totalling £192,000. It is not clear at this stage to what extent these liabilities rest with the Company, and to what extent the liability rests with the participating employers, being several of the trading subsidiaries.
- ii. The Company has given indemnities on the sale of Optronics and the sale of P & Z. The Optronics indemnity is limited to £85,000 and relates to a breach of copywrite. The P & Z indemnity relates principally to a tax liability which may arise if the German Revenue authorities disallow various transactions which have been taken against profits in the past. If all the transactions are disallowed the estimated liability to tax would be £2million.