

The Insolvency Act 1986

**Administrator's progress report**

Name of Company

Micro-Metalsmiths Limited

Company number

00786649

In the High Court of Justice

Chancery Division

Leeds District Registry

[full name of court]

Court case number

516 of 2014

(a) Insert full name(s)  
and address(es) of  
administrator(s)I / We (a) RH Kelly and CGJ KingErnst & Young LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5QR

administrator(s) of the above company attach a progress report for the period

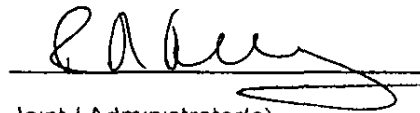
from

to

(b) Insert date

(b) 2 November 2014(b) 8 April 2015

Signed



Joint / Administrator(s)

Dated

27 April 2015**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.

Mr M Green

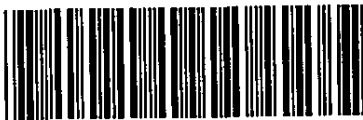
Ernst &amp; Young LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5QR

Tel 0113 298 2446

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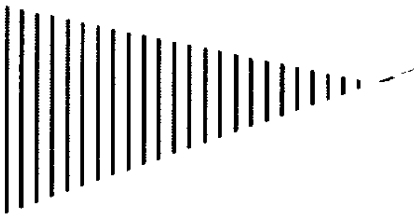
# **Micro-Metalsmiths Limited (in Administration)**

## **Progress Report**

In accordance with Rule 2.47 of The Insolvency Rule  
1986

8 April 2015

Ernst & Young LLP



**Building a better  
working world**

## Abbreviations

The following abbreviations are used in this report:

Barclays	Barclays Bank plc
the Company or Metalsmiths	Micro-Metalsmiths Limited
ES Group	Edward Symmons LLP
Gasfrac	Gasfrac Energy Services Limited
GVA	GVA Grimley Ltd
Lloyds	Lloyds Banking Group
Microwave	MM Microwave Limited
Phynova	Phynova Group Limited
Pinsents	Pinsent Masons LLP
PPF	Pension Protection Fund
the Purchaser or Sylatech	Sylatech Limited
SIP	Statement of Insolvency Practice
TUPE	Transfer of Undertakings (Protection of Employment) Regulations 2006

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## **1. Introduction**

I write, in accordance with Rule 2.112(2) of the Insolvency Rules 1986, to provide creditors with a report on the progress of the Administration and to request an extension of the Administration for a period of six months. This report covers the period from 2 May 2014 to 8 April 2015 and should be read in conjunction with the Proposals dated 25 June 2014 and our progress report dated 28 November 2014.

### **1.1 Micro-Metalsmiths Limited**

Chancery Division of the High Court, Leeds District Registry (No 516 of 2014)

Registered office address: c/o Ernst & Young LLP, Bridgewater Place, Water Lane, Leeds, LS11 5QR

Micro-Metalsmiths Limited entered Administration on 2 May 2014 and Robert Hunter Kelly and Charles Graham John King of Ernst & Young LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5QR were appointed to act as Joint Administrators. The appointment was made by the Company's Directors under the provisions of paragraph 22(2) of Schedule B1 to the Insolvency Act 1986. Under the terms of the appointment, any act required or authorised to be done by the Joint Administrators can be done by either of them.

### **1.2 Extensions to the initial period of Administration**

The Joint Administrators intend to seek the consent of the Company's secured creditor and its body of non-preferential unsecured creditors under paragraphs 76(2)(b) and 78(1) of Schedule B1 of the Insolvency Act 1986, to extend the Administration for a period of six months to 1 November 2015. This can be affected by correspondence with the Company's secured and non-preferential unsecured creditors.

The purpose of this extension is to enable the Joint Administrators to continue to realise the Company's remaining assets.

## **2. Progress since the previous Progress Report dated 28 November 2014**

### **2.1 Sale of Business**

On 2 May 2014 the business and certain assets of the Company were sold to Sylatech Limited for total consideration of £620,000. Consideration of £380,000 was paid on completion and the remaining balance of £240,000 was deferred and to be paid over a 15 month period.

Total consideration for a sale of shares Microwave was £250,000, of which £180,000 was deferred and secured by a charge over the shares. £105,000 of the deferred balance has been collected to date with a further £75,000 due by 2 July 2015.

The remaining deferred consideration (£60,000) relates to a sale of equity in the debtor book on appointment. This sale was agreed on six month deferred terms. Consideration has now been paid in full by the Purchaser, Sylatech.

Below is a summary of the remaining assets owned by the Company.

### **2.2 Freehold Properties**

Upon our appointment, the Company owned three freehold properties which were not included in the sale to Sylatech. The information below provides an update on the current status of these properties.

#### **Kirkbymoorside**

The Company owned two adjoining freehold properties comprising a 34,000 sq ft manufacturing facility and a seven bed freehold residential property in Kirkbymoorside.

Since our last report, the Administrators concluded a sale of these two properties on 27 November 2014 to Sylatech for consideration of £550,000. This sale was recommended by two independent property agents, ES Group and GVA.

The sale of the two properties to Sylatech also included an overage provision in the event that the sites occupied by the two properties are developed for residential housing during a three year period from the date of sale. At this stage it is unclear if any overage amounts will be payable as the prospects of future redevelopment of these two properties are unknown.

During the Company's ownership of these two properties in the administration period, rent of £35,749 was collected from the tenant, Sylatech.

#### **Pickering**

The Company owns a 20,000 sq ft property in Pickering, North Yorkshire. This property is being marketed for sale and has attracted interest.

The Pickering property had been leased to Sylatech prior to their vacation of the property on 31 March 2014. To date, we have collected rental income of £22,500.

## **2.3 Minority Interest**

On appointment, the Company owned minority shareholdings in two entities, Gasfrac and Phynova.

### **Gasfrac**

The Company owned 11,462 ordinary shares in Gasfrac, an energy business listed on the Canadian stock exchange. The administrators concluded a sale of these shares for the sum of £10,751 in July 2014.

### **Phynova**

Phynova is a private limited life sciences business based in the UK. The Company owns c 7% of Phynova's ordinary share capital.

As Phynova is a privately owned company, a sale of the shares is more complex than a sale of shares on a stock exchange. The Administrators have been exploring options to realise value from the shareholding in Phynova.

We have not yet been able to conclude the most appropriate strategy to achieve a sale of these shares. It is likely that a sale strategy could be linked to a future equity raising process by Phynova. We are continuing to liaise with Phynova's management to assess options to maximise realisations from these shares.

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### 3. Receipts and payments

A receipts and payments account for the period from 2 May 2014 to 8 April 2015 is attached at Appendix A. This does not reflect estimated future realisations or costs.



## **4. Outcome for creditors**

### **4.1 Secured Creditors**

The Directors estimated that at the date of our appointment, c £0.95m was due to Barclays and £0.43m was due to Lloyds.

Following a sale of the two properties at Kirkbymoorside, Barclays has one remaining mortgage secured against the freehold property at Pickering. Any realisations from a sale of this property, together with any overage in relation to the Kirkbymoorside site, will be due to Barclays after discharging the costs of disposal. Any surplus will then be available to the non-preferential unsecured creditors.

A distribution of £0.47m has been paid to Barclays following a sale of the two properties at Kirkbymoorside. Barclays indebtedness is now c £0.48m, subject to accruing interest and charges

Lloyds provided the Company with an invoice discounting facility prior to our appointment and held security over the debts.

Under the sale agreement with Sylatech, Lloyds transferred the outstanding debtors ledger at appointment to the Purchaser. The equity in these debts was purchased by Sylatech for £60,000 on deferred terms (which has now been paid in full)

Lloyds had arranged to recover their outstanding balance from Sylatech through collection of the outstanding debtor balances. As a consequence, Lloyds has no secured claim against the Company

### **4.2 Preferential Creditors**

As part of the sale of the business, all of Metalsmiths' employees and their associated liabilities transferred to the Purchaser under the TUPE regulations

Preferential creditor claims are estimated to be £3,829 representing unpaid employee pension contributions at the date of appointment. We anticipate that these claims will be paid in full

### **4.3 Non-preferential Creditors**

Non-preferential unsecured creditor claims of £10.7m have been estimated by the Company's directors, as shown in their Statement of the Company's Affairs. Claims received to date total £9.8m and continue to be received by the administrators. These claims will be kept on file and passed to any subsequently appointed Liquidator

### **4.4 The Prescribed Part**

No lender has a floating charge over the Company's assets. As a consequence, any uncharged assets after costs of the Administration will be available to the unsecured creditors. The Prescribed Part pursuant to section 176A of the Insolvency Act 1986 will therefore not apply.

## **4.5 Distributions to Creditors**

The Joint Administrators estimate that there will be a surplus to enable a distribution to non-preferential creditors. At this stage we are unable to confirm the quantum or timing of any eventual distribution as it is dependent upon the amounts realised from a sale of the Pickering property, any overage due in relation to the two Kirkbymoorside properties and a sale of the minority interest in Phynova shares together with the ultimate level of non-preferential creditor claims received.

Given the uncertain timescale associated with a sale of the remaining assets, the timing of a dividend distribution is not yet known

## 5. Administrator's remuneration and disbursements

The Administrators' remuneration was fixed on a time-cost basis which is subject to a cap agreed with the PPF. This was approved by a resolution of the creditors on 11 July 2014.

During the period covered by this report, the Administrators have incurred time costs of £215,672, of which no fees have been drawn to date.

A brief description of the work undertaken in relation to each category of time costs is given below:

- ▶ Accounting and Administration - Time in this category relates to general administrative duties and maintaining of the Administrators accounting records
- ▶ Bank & Statutory Reporting - includes statutory reporting to creditors including the Joint Administrators Proposals, progress reports and reports to the secured lender, Barclays.
- ▶ Creditors - Time incurred under this heading relates to correspondence with creditors and answering specific creditors queries.
- ▶ Employee matters - Relates to correspondence with former employees of the Company, including assistance with claims in relation to their preferential claim.
- ▶ Immediate tasks - This category relates to tasks performed in the first week of the Administration including statutory duties and sale of the business
- ▶ Investigations/CDDA - Time spent completing the Administrators investigations into the directors conduct and any issues which the Administrator is made aware by the creditors
- ▶ Job Acceptance - This time relates to time spent in performing background checks on the Company in order to accept the engagement.
- ▶ Legal Issues - Relates to meetings and conversations with our solicitors Pinsents regarding legal issues relating to the sale of properties and shares in Phynova
- ▶ Other assets - Time spent on the sale of other assets, which includes the minority shareholdings in Gasfrac and Phynova
- ▶ Other matters - Time under this category is incurred in dealing with other matters including arrangement of insurance cover
- ▶ Property - Time spent under this category includes marketing the properties for sale, liaising with property agents to progress sales and managing the properties during the period these properties were leased to Sylatech
- ▶ Statutory Duties - Tasks undertaken in this category are those required by statute including but not limited to advertising, case reviews, statutory insurance, and notifications upon appointment
- ▶ VAT & taxation - work undertaken to settle VAT liabilities and corporation tax liabilities during the Administration, professional time relates to time spent by our Tax team in relation to VAT and corporation tax issues

An analysis of the time spent is attached as Appendix B to this report. At Appendix C there is a statement of the Administrators' policy in relation to charging time and disbursements.

During the period covered by this report, the Administrators have incurred expenses totalling £1,934 plus VAT. The expenses can be summarised as follows:

Type of expense	Incurring (£)	Paid (£)	Outstanding (£)
Postage and printing	1,073	-	1,073
Statutory bonding	420	-	420
Travel	318	-	318
Category 2 disbursements	123	-	123
<b>Total</b>	<b>1,934</b>	<b>-</b>	<b>1,934</b>

There is an analysis of Category 2 disbursements (i.e. those disbursements paid to the Joint Administrators' firm) at Appendix C. In accordance with a resolution approved at the creditors' meeting to consider the Administrators' Proposals on 11 July 2014, the Joint Administrators are entitled to draw Category 2 disbursements at such time as they consider appropriate after those costs have been incurred.

In certain circumstances, creditors are entitled to request further information regarding the Administrators' remuneration or expenses, or to apply to court on the grounds that the costs are considered to be excessive (Rules 2.48A and 2.109 of the Insolvency Rules 1986). Further information is provided in Appendix E.

## 5.1 Pre-administration costs

At the creditors meeting on 11 July 2014, approval was provided for the payment of unpaid pre-administration costs of £86,113 (including legal fees). These have now been paid in full.

## 6. Other matters

### 6.1 Future conduct of the Administration

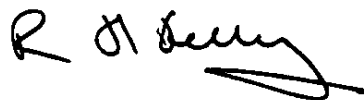
The Joint Administrators will continue to act in accordance with the Proposals. This work will include inter alia

- ▶ Progressing interest in the Pickering property with a view to concluding a sale,
- ▶ Exploring options for the sale of the minority shareholding in Phynova,
- ▶ Dealing with statutory compliance issues,
- ▶ Dealing with unsecured creditors queries, and
- ▶ Finalising the Administration and payment of all Administration liabilities

### 6.2 Future reports

I will report to you again at the conclusion of the Administration or in six months' time, whichever is the sooner

Yours faithfully  
for the Company



R H Kelly  
Joint Administrator

Enc: Joint Administrators' Receipts and Payments Account  
Summary of Joint Administrators' Time-Costs and Category 2 Disbursements  
Joint Administrators' Policy on Fees and Disbursements

Robert Hunter Kelly is licensed in the United Kingdom to act as an insolvency practitioner by The Institute of Chartered Accountants of Scotland and Charles Graham John King is licensed in the United Kingdom to act as an insolvency practitioner by The Institute of Chartered Accountants in England and Wales

The affairs, business and property of the Company are being managed by the Joint Administrators, R H Kelly and C G J King, who act as agents of the Company only and without personal liability

We may collect, use, transfer, store or otherwise process (collectively, "Process") information that can be linked to specific individuals ("Personal Data"). We may Process Personal Data in various jurisdictions in accordance with applicable law and professional regulations including (without limitation) the Data Protection Act 1998

## Appendix A      Administrators' receipts and payments from 2 May 2014 to 8 April 2015

<i>Estimated to realise as per Directors' Statement of Affairs</i>		From 02/05/14 to 01/11/14	From 02/11/14 to 07/04/15	Total
<b>RECEIPTS</b>				
£		£	£	£
	Freehold properties		550,000	550,000
288,000	Plant and Machinery	287,997		287 997
250,000	Shares in Mircowave	115,000	60,000	175 000
60,000	Equity in Trade Debtors		60,000	60,000
	Rental income	38,750	19,499	58,249
22,000	Stock	22,000	-	22,000
12,000	Minority shareholdings	10,751	-	10,751
	Insurance		5,364	5 364
	Bank Interest	677	940	1,617
	Sundry Income	449	300	749
	Cash on appointment	16		16
	Customer contracts	1		1
	Goodwill	1		1
	Intellectual property	1		1
	<b>Total Receipts</b>	<b>475,644</b>	<b>696,102</b>	<b>1,171,746</b>
	<b>PAYMENTS</b>			
	Secured creditors		470,000	470,000
	Pre-appointment professional fees	48,705	-	48,705
	Pre-appointment legal fees	37 408		37,408
	Agents fees	6,839	6,819	13 658
	Legal fees	360	9,761	10,121
	Irrecoverable VAT	72	3 074	3,146
	Professional fees	1,500	360	1,860
	Public Notices	169		169
	Insurance	159		159
	Storage costs	-	59	59
	Bank charges	8	37	45
	<b>Total Payments</b>	<b>95,221</b>	<b>490,110</b>	<b>585,331</b>
	VAT Receivable	-	311	311
	<b>Balances In Hand</b>	<b>380,424</b>	<b>205,681</b>	<b>586,104</b>

## Appendix B Summary of Joint Administrator's Time Costs from 2 May 2014 to 8 April 2015

	Partner	Executive Director	Assistant Director	Executive	Assistants and Support	Total Hours	Total time cost EY rates
Accounting and administration	-	-	10	300	239	549	£11,784
Bank and statutory reporting	45	-	155	290	339	829	£23,237
Creditors	60	-	195	310	618	1183	£31,521
Employee Matters	-	-	15	45	-	60	£1,800
Immediate tasks	-	-	115	235	-	350	£10,745
Investigations	20	-	10	-	140	170	£3,802
Job acceptance and strategy	80	-	-	-	-	80	£4,800
Legal issues	-	-	-	10	-	10	£240
Other assets	80	10	345	60	28	523	£22,834
Other matters	140	-	-	40	37	217	£10,211
Property	260	15	1115	70	-	1460	£68,613
Statutory duties	-	-	180	145	-	325	£11,355
VAT and Taxation	03	-	170	45	169	387	£14,731
<b>Total Hours</b>	<b>688</b>	<b>25</b>	<b>2310</b>	<b>1550</b>	<b>1570</b>	<b>6143</b>	<b>£215,672</b>
<b>Total time cost EY rates</b>	<b>£42,816</b>	<b>£1,500</b>	<b>£104,203</b>	<b>£38,305</b>	<b>£28,848</b>		<b>£215,672</b>
Average rate per hour at EY rates	£622	£600	£451	£247	£184		£351

## **Appendix C      Statement of Administrators' charging policy for disbursements pursuant to Statement of Insolvency Practice No.9**

### **Office Holders' Charging Policy for Fees**

The creditors have determined that the Administrators' remuneration should be fixed on the basis of time properly spent by the Administrators and their staff in attending to matters arising in the Administration. This is however, subject to a fee cap agreed by the PPF.

The Administrators have engaged a manager and other staff to work on the cases. The work required is delegated to the most appropriate level of staff taking account of the nature of the work and the individual's experience. Additional assistance is provided by accounting and treasury executives dealing with the company's bank accounts and statutory compliance diaries. Work carried out by all staff is subject to the overall supervision of the Administrators.

All time spent by staff working directly on case-related matters is charged to a separate time code established for each case. Each member of staff has a specific hourly rate, which is subject to change over time. The average hourly rates for each category of staff over the period are shown in the table below, as are the current hourly rates used. The current hourly rates may be higher than the average rates, if hourly rates have increased over the period covered by this report. Time is recorded in units of six minutes.

#### **Chargeout rates**

Grade Description	From 1 July 2014 (£)	From 1 July 2013 (£)
Partner	630	600
Executive Director	600	570
Assistant Director	450	430
Senior Executive	350	335
Executive	250	240
Analyst level 3	205	195
Analyst level 2	150	145
Analyst level 1	140	135
Accounting & Treasury Staff	125	120

### **Office Holders' Charging Policy for Disbursements**

Statement of Insolvency Practice No. 9 ("SIP 9") published by R3 (The Association of Business Recovery Professionals) divides disbursements into two categories.

Category 1 disbursements comprise payments made by the office holders' firm, which comprise specific expenditure relating to the administration of the insolvent's affairs and referable to payment to an independent third party. These disbursements can be paid from the insolvent's assets without approval from the Committee. In line with SIP 9, it is our policy to disclose such disbursements drawn but not to seek approval for their payment.

Category 2 disbursements comprise payments made by the office holders' firm which include elements of shared or overhead costs. Such disbursements are subject to approval.



from the creditors as if they were remuneration. It is our policy, in line with SIP 9, to seek approval for this category of disbursement before they are drawn.

#### **Category 2 Disbursements**

Of the disbursements of £123 recorded relates to Category 2 disbursements (as defined at Appendix D). The Category 2 disbursements are analysed as follows:

Type and purpose	£
Mileage	123
<b>Total</b>	<b>123</b>

## Appendix D Summary of Statutory Information

### Company Information

Company Name:	Micro- Metalsmiths Limited
Registered Office Address	c/o Ernst & Young LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5QR
Registered Number	00786649
Trading Name(s)	n/a
Trading Address(es)	Kirkdale Road, Kirkbymoorside, North Yorkshire, YO62 6PX

### Details of the Administrators and of their appointment

Administrators	R H Kelly and C G J King
Date of Appointment	2 May 2014
By Whom Appointed	The appointment was made by the Company's Directors
Court Reference	High Court of Justice, Chancery Division, Leeds District Registry. Case 516 of 2014

Any of the functions to be performed or powers exercisable by the Joint Administrators may be carried out/exercised by either of them acting alone or by them acting jointly.

### Statement concerning the EC Regulation

The EC Council Regulation on Insolvency Proceedings does apply to this administration and the proceedings are main proceedings. This means that this Administration is conducted according to UK insolvency legislation and is not governed by the insolvency law of any other European Union Member State.

### Share capital

Class	Authorised		Issued and fully paid	
	Number	£	Number	£
Ordinary	81,606	81,606	81,606	81,606

### Directors and secretary and their shareholdings

Name	Director or Secretary	Date appointed	Date resigned	Current shareholding
Mr G Gunn	Director	07/04/2011	-	-
Mr D Bradley	Director	25/02/2013	-	-
Mr W B Shaw	Director	07/04/2011	-	-
Mr M Chappel	Director	15/03/2013	-	-
Mr J McGreevy	Director	25/02/2013	-	-
Ms M J R Shaw	Director	14/05/1992	07/02/2013	24,471
Mr C W Shaw	Director	14/05/1992	-	20,175

## **Appendix E      Creditor's request for further information regarding an Administrators' remuneration or expenses – Rule 2.48A Insolvency Rules 1986**

**Creditors' request for further information regarding an administrators' remuneration or expenses – Rule 2.48A, Insolvency Rules 1986**

- 1) If-
  - (a) within 21 days of receipt of a progress report under Rule 2.47-
    - (i) a secured creditor, or
    - (ii) an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors (including the creditor in question), or
  - (b) with the permission of the court upon an application made within that period of 21 days, any unsecured creditor,  
makes a request in writing to the administrator for further information about remuneration or expenses (other than pre-administration costs) set out in a statement required by Rule 2.47(1)(db) or (dc), the administrator must, within 14 days of receipt of the request, comply with paragraph (2).
- (2) The administrator complies with this paragraph by either-
  - (a) providing all of the information asked for, or
  - (b) so far as the administrator considers that-
    - (i) the time or cost of preparation of the information would be excessive, or
    - (ii) disclosure of the information would be prejudicial to the conduct of the administration or might reasonably be expected to lead to violence against any person, or
    - (iii) the administrator is subject to an obligation of confidentiality in respect of the information,giving reasons for not providing all of the information
- (3) Any creditor, who need not be the same as the creditor who requested further information under paragraph (1), may apply to the court within 21 days of-
  - (a) the giving by the administrator of reasons for not providing all of the information asked for, or
  - (b) the expiry of the 14 days provided for in paragraph (1),and the court may make such order as it thinks just
- (4) Without prejudice to the generality of paragraph (3), the order of the court under that paragraph may extend the period of 8 weeks provided for in Rule 2.109(1B) by such further period as the court thinks just "

**Creditors' claim that remuneration is excessive – extract from Rule 2.109 of the Insolvency Rules 1986**

- "(1) Any secured creditor, or any unsecured creditor with either the concurrence of at least 10% in value of the unsecured creditors (including that creditor) or the

permission of the court, may apply to the court for one or more of the orders in paragraph (4).

(1A) Application may be made on the grounds that—

(a) the remuneration charged by the administrator,

(b) the basis fixed for the administrator's remuneration under Rule 2 106, or

(c) expenses incurred by the administrator,

is or are, in all the circumstances, excessive or, in the case of an application under sub-paragraph (b), inappropriate

(1B) The application must, subject to any order of the court under Rule 2 48A(4), be made no later than 8 weeks after receipt by the applicant of the progress report which first reports the charging of the remuneration or the incurring of the expenses in question ("the relevant report")."