

The Insolvency Act 1986

Notice of result of meeting of creditors

Name of Company
MERETEC LIMITED (IN ADMINISTRATION)

Company number
03659285

In the **HIGH COURT OF JUSTICE**,

Court case number
9603 of 2008

(a) Insert full name(s) and
address(es) of the
administrator(s)

We (a) Simon Plant and Daniel Plant of SFP, 9 Ensign House, Admirals Way, Marsh Wall, London E14 9XQ

(b) Insert place of meeting

(b) n/a

(c) Insert date of meeting

on (c) given that no meeting of creditors was requisitioned by 10% in value of the creditors within the requisite timeframe, the

*Delete as applicable

*1. Proposals / ~~revised proposals~~ were deemed approved.

*2. Proposals / ~~revised proposals~~ were modified and approved.

The modifications made to the proposals are as follows:

(d) Give details of the
modifications (if any)

(d) N/A No Modifications

*3. ~~The proposals were rejected.~~

(e) Insert time and date of
adjourned meeting

*4. ~~The meeting was adjourned to (e)~~ _____

(f) Details of other resolutions
passed

*5. ~~Other resolutions: (f)~~

The revised date for automatic end to administration is N/A

A creditors' committee ~~was~~ / was not formed.

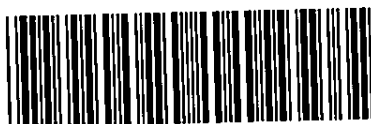
Signed _____
Joint / Administrator(s)

Dated 19 11 09

*Delete as applicable

A copy of the *original proposals / ~~modified proposals~~ / ~~revised proposals~~ is attached for those who did not receive such documents prior to the meeting.

TUESDAY


A39 *A125J6OC* 119
20/01/2009
COMPANIES HOUSE

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

Michael Quinn of SFP 9 Ensign House, Admirals Way, Marsh Wall, London E14 9XQ	
	Tel 020 7538 2222
DX Number	DX Exchange

Companies House receipt date barcode

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



Schedule of Agreed Proposals
Meretec Limited (in Administration) ("the Company")

- 1 the Administration of the Company continue in order to further investigate the circumstances leading to
the Company's failure and finalise any additional matters which require the assistance of the
moratorium;
- 2 the Joint Administrators' remuneration be fixed by the time properly spent by them and their staff in
attending to matters arising out of the Administration in accordance with Statement of Insolvency
Practice 9 and that the Joint Administrators be authorised to draw remuneration as and when funds
become available;
- 3 the Joint Administrators be authorised to recover all disbursements including category 2 disbursements
as defined by the Statement of Insolvency Practice 9;
- 4 in the event that the Joint Administrators think that the Company has no property which might permit a
distribution to its creditors, they shall be authorised to file a notice of dissolution of the Company
pursuant to paragraph 84 of Schedule B1 to the Act;
- 5 in the event of a potential distribution being available to unsecured creditors, the Joint Administrators
be appointed Joint Liquidators of the Company pursuant to paragraph 83 of Schedule B1 to the Act
without further recourse to the creditors with the purpose of making a distribution to unsecured creditors
and to continue investigation into the Company's affairs;
- 6 as an alternative to paragraphs 4 and 5 the Joint Administrators be able to seek to place the Company
into Compulsory Liquidation in order to pursue such actions and bring proceedings that only a
Liquidator is permitted to bring pursuant to the Act;
- 7 upon the placing of the Company into Liquidation under paragraph 5 or 6 or the necessary form being
filed for the Company to be dissolved, the Joint Administrators be discharged from liability in respect of
any action undertaken by them pursuant to Schedule B1, paragraph 98 of the Act; and
- 8 upon the placing of the Company into Liquidation, the Joint Liquidators' be authorised to act in a joint
and several capacity.

SFP



TO ALL KNOWN CREDITORS AND SHAREHOLDERS

Date: 19 December 2008
Contact: Chris Hilbert
Direct Dial: 020 7531 2382

Our Ref: MER0001/SFP/csh191208.P4

Dear Sirs

Meretec Limited (in Administration) ("MER")

I refer to my letter dated 20 November 2008 which was provided to you with, inter alia, a brief explanation of the effect/purpose of the Administration of MER and the next stage.

I have previously explained that, pursuant to Schedule B1, Paragraph 49 of the Insolvency Act 1986, the Administrator is required, within 8 weeks of their appointment to provide creditors with a statement of proposals for achieving the purpose or purposes specified.

To this end, I enclose a Report and Statement of Proposals, which provides an update as to general progress of AAL's Administration as at 18 December 2008, together with the Joint Administrators' proposals.

Should you have any further queries, please contact the Manager dealing with this matter, Chris Hilbert or me.

Yours faithfully



Simon Plant
Joint Administrator

In accordance with paragraph 45 of Schedule B1 of the Insolvency Act 1986, notice is hereby given that the affairs, business and property of Meretec Limited (in Administration) are being managed by Simon Franklin Plant and Daniel Plant of SFP, acting as Joint Administrators. Pursuant to paragraph 69 of Schedule B1 of the Insolvency Act 1986, the Joint Administrators act as agents of the company and without personal liability.

Strictly Private and Confidential

Meretec Limited (In Administration)

**Report to Creditors and
Statement of Proposals
Pursuant to Paragraph 49(1) of
Schedule B1 to the Insolvency Act 1986**

**Simon Franklin Plant
MIPA MABRP**

**Daniel Plant
MIPA MABRP**

**SFP
9 Ensign House
Admirals Way
Marsh Wall
London
E14 9XQ**

**Tel: +44 (207) 5382222
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Email: simonp@sfplant.co.uk
danielp@sfplant.co.uk**

This report has been written and presented for the sole purpose of complying with the relevant provisions of the Insolvency Act 1986 and the Enterprise Act 2002. It may not be disclosed, disseminated or copied without our prior written permission, other than to those entitled under statute or otherwise as ordered by the Court, and no liability will be accepted to any other person or party who acts or refrains from acting on its contents.

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1. Executive Summary

SECTION/APP. REFERENCE

- | | |
|--|---|
| <p>1.1 The Company was placed into Administration on 5 November 2008. The purpose of rescuing the Company as a going concern was not achievable. The primary purpose of the Administration was therefore to achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration).</p> | <p>Section 5</p> |
| <p>1.2 The Company traded as a steel recycling company and developed a unique process to remove zinc from galvanised steel. Its registered office was Grenville Court, Britwell Road, Burnham, Buckinghamshire, SL1 8DF. It did not occupy a physical trading address in the UK, but utilised services offices at 23 Berkeley Square, London.</p> | <p>Section 4
and Appendix I</p> |
| <p>1.3 The directors approached another firm of insolvency practitioners in order to appoint Administrators as a result of the global credit crisis and the share value in CMA Corporation plummeting. At the time of the Administration, it no longer had sufficient funds or assets to meet its debts and was therefore unable to meet its liabilities as they fell due.</p> | <p>Section 4
And Appendix II</p> |
| <p>1.4 The primary purpose of the Administration would be achieved by investigating the potential of realising the Company's shareholding in CMA Corporation for sufficient value. The Company had already sold its business and assets prior to the appointment of the Joint Administrators, therefore continued trading of the business was not an option. The Joint Administrators envisage implementing a strategic plan in which to ensure maximum value is acquired from the shares in CMA Corporation.</p> | <p>Section 6</p> |
| <p>1.5 The purpose of Administration is still in the process of being achieved and there is still a significant amount of work to be undertaken. This includes liaising with solicitors concerning a strategy to maximise realisations and continued investigations into the Company's affairs. The Joint Administrators consider that it may be advisable for the Company to continue in Administration for the time being. However, they require the option of placing it into Creditors' Voluntary Liquidation for distribution purposes in the unlikely event that there are sufficient realisations in the Administration for a dividend to unsecured creditors. Alternatively, the Joint Administrators will file notice of dissolution of the Company at Companies House should they take the view that the Company has no property which might permit a distribution to its creditors, unless they believe that they should present a winding up petition at court, so that a liquidator can be appointed to further investigate the Company's affairs. It is not proposed to convene a meeting of creditors.</p> | <p>Sections 7, 11 and 12</p> |
| <p>1.6 There has been a limited response to the questionnaire that was sent to creditors. Responses may assist the Administrators with their general investigation duties. Accordingly, those who have not replied are urged to do so.</p> | <p>Section 13</p> |

Meretec Limited (In Administration)
Report to Creditors and Statement of Proposals
Pursuant to Paragraph 49(1) of Schedule B1 of the Insolvency Act 1986

2. Introduction

- 2.1** This Report and Statement of Proposals ("the Report") is prepared pursuant to Schedule B1, Paragraph 49 of the Insolvency Act 1986, ("the Act") in relation to Meretec Limited (In Administration) ("the Company"), the purpose of which is to provide creditors with a full update as to the present position and seek creditors approval of the next stage of proceedings.
- 2.2** The Report also includes information required to be provided to creditors pursuant to Rule 2.33 of the Insolvency Rules 1986 ("the Rules"). All statutory information pertaining to the Company is set out in Appendix I.

3. The Joint Administrators' Appointment

- 3.1** On 5 November 2008 Notice of Appointment of an Administrator by Holder of a Qualifying Floating Charge ("Notice of Appointment") was filed in the High Court of Justice by the Company's security trustee pursuant to a security trust and inter-creditor deed, Zenith Trustees Limited ("Zenith").
- 3.2** On the same date, the Notice of Appointment was endorsed with the No. 9603 of 2008. Both Simon Franklin Plant and Daniel Plant of SFP, 9 Ensign House, Admirals Way, Marsh Wall, London E14 9XQ were appointed Joint Administrators ("the Joint Administrators"). Pursuant to Schedule B1, Paragraph 100(2) of the Act, the Joint Administrators act jointly and severally.

4. Company History and Events Leading to the Administration Order

- 4.1** Albeit that statutory information is contained in Appendix I, this report provides brief details in relation to the Company's history.
- 4.2** The Company was incorporated on 26 October 1998 in order to buy and develop specific technology from a US company known as Metals Investment Trust ("MIT"). MIT had entered into Chapter 11 insolvency proceedings in the US almost ten years previously. Its director, Craig Siddell ("Mr Siddell") had developed a unique process in which to remove Zinc from galvanized steel. It was the first type of technology of its kind.
- 4.3** At the time of incorporation the Company's directors were Mr Siddell, Andrew Barker ("Mr Barker"), Mark Evritt ("Mr Evritt"), Gunnar Skoog ("Mr Skoog") and Martin Young ("Mr Young"). The Company secretary was its bookkeeper, Eacotts Limited. Further details concerning previous directorships and company secretaries can be found at Appendix I.
- 4.4** It is understood that the Company operated its banking facilities at all times with HSBC and various other international banks. The Company operated various accounts and details concerning this have been provided by Mr Young. The Joint Administrators have contacted all the banks involved and the accounts have been frozen. A small credit balance of circa £4,000 has subsequently been received.
- 4.5** In 1998, the value of zinc was circa US\$3,000 per tonne and a significant income could be generated from removing this element and shipping it to foundries around the world. A significant amount of steel needed to be 'farmed' in order to cover the costs involved in the process.
- 4.6** The Company acquired the business and assets (including patents) from MIT circa 10 years ago. At that stage, it was clear that additional funding was required in order to develop the prototypes through to a workable plant. It is understood that the cost of this ran into circa US\$25m and was paid over a period of several years.

- 4.7 Prior to the purchase of MIT, the directors of the Company took advice as to how best deal with its acquisition. An existing Meretec company was already setup in the US called Meretec Corporation ("MERC"). The Company is 100% shareholder of MERC. It is understood for reasons that are yet to be ascertained, that the Company was set up in order to acquire the patents and assets from MIT. Whereas, MERC was utilised to employ the staff intended to work on the project, who effectively had the 'know how' in order to operate the procedure.
- 4.8 Following the purchase of MIT's business and assets, a formal agreement was entered into between the Company and MERC for the provision of services and the split of the assets between the two entities. This left a complex situation in terms of how to apportion any income stream. At that time, a firm of accountants advised the Company's directors that any income should be split 2/3 as licence income payable to the Company and 1/3 operating income payable to MERC.
- 4.9 As the technology was developed in the US, it was decided that MERC build and operate from a plant in America. The location decided upon was Chicago. In order to fund the operation and the development of the system, the Company made several considerable inter-company loans to MERC to the amount of circa US\$40m (these are reflected in the Company's accounts). The loans were provided from loan note holders (accounting for circa US\$10m) and a sale of shares in the Company (accounting for circa US\$30m).
- 4.10 The strategy decided upon was for the Company and MERC to license the technology to various other companies around the world who would build their own recycling plants. The terms of the licence fee was to be calculated upon the amount of tonnes of steel manufactured by each plant.
- 4.11 The development process took the best part of seven years and the funds injected via the loan note holders and shareholders was utilised to perfect the process and test its capabilities. The idea was to sell the technology on to large organisations that utilised significant quantities of galvanised steel, the primary purchasers being the automobile industry.

CMA Corporation (Australia) History and Involvement

- 4.12 In 2005, one of Australia's largest recycling companies, Southern Recycling was acquired by CMA Corporation ("CMA"). It is understood that CMA subsequently approached the Company in order to acquire a licence to operate the recycling technology in Australia and build its own plant.
- 4.13 Negotiations between the Company and CMA commenced in April 2005 and completed in July 2005. This provided for CMA to acquire a licence from the Company to operate the technology in Australia at an agreed price. In short, CMA would pay the Company US\$10 per tonne of steel manufactured. A guaranteed minimum of 100,000 tonnes was to be processed each year for a contract term of 10 years extendable to 20 years. This effectively meant that the Company had a guaranteed income stream of a minimum of between US\$10m with the potential of generating up to US\$20m.

Initial Public Offering and Intention to float the Company

- 4.14 Following completion of the agreement between the Company and CMA, the directors began looking for opportunities to float the Company on the UK Stock Exchange. The directors approached several finance houses for an Initial Public Offering ("IPO"). The Company was looking for US\$10m investment to assist with the Company's listing in late 2006 / early 2007.
- 4.15 In order to assist with the IPO and to support the Company's application, it sought confirmed interest from some of the largest car manufacturers in the world to gauge how many offers would be forthcoming for the purchase of licences to construct plants. It is believed that the Company secured signed letters for multi-plant deals from several blue chip car manufacturers.

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- 4.16 The Company approached solicitors in order to compile all the necessary documentation to proceed with the IPO and carried out all the relevant due diligence required. The position drastically altered in 2007 with a downward trend in market conditions and uncertainty in the steel industry. It was clear by April 2007 that the IPO would not be able to go ahead.
- 4.17 The downward trend had a dramatic impact upon the operation in Chicago and the directors of the Company realised that steps needed to be taken to avoid the plant in Chicago from haemorrhaging money. The plant presently had a burn rate of circa US\$600,000 per month, being the minimum funds required in order to keep it operational.

The Sale of the Company's and MERC's Business and Assets to CMA

- 4.18 Given that the IPO was not viable, the directors looked to maximise the value in the Company and MERC's business and assets. It appeared that the most viable way of achieving this would be to approach CMA to see if they would be interested in acquiring it outright. Given that the Company held the patents and MERC employed the staff with the knowledge to carry out the recycling procedure, it was necessary to deal with both entities in any sale agreement to CMA.
- 4.19 In January 2008, the Company conducted a sale of the plant in Chicago for US\$6.8m to CMA to avoid incurring ongoing overheads in its operation. The Company then looked to sell a licence to CMA to operate the plant and benefit from the technology. An agreement was reached along the similar lines of the previous arrangement with CMA in relation to its Australian operation. This completed in July 2008.
- 4.20 At this time, CMA started realising income from the Australian depot. The plant was not operating to full capacity as the supply of steel did not reach the required targets. It is believed that CMA was generating approximately US\$88,000 per month from this plant.
- 4.21 At the time CMA was looking to acquire the Company's and MERC's business and assets those companies combined approximate liabilities were as follows:
- circa US\$12m in bonds; and
 - circa US\$2m trade creditors (although this was significantly made up of professional costs in relation to the attempted IPO and due diligence)
- 4.22 An agreement was subsequently entered into on 25 July 2008 between the parties whereupon CMA purchased the Company's and MERC's business and assets in return for 37,500,000 of its shares. At the time, CMA was recorded as a company with AUS\$500m turnover, having a relatively strong share price. CMA's share price at this time meant that the value attributed to the share holding (which equated to 10% of CMA's entire stock) resulted in the Company being solvent on a balance sheet basis.
- 4.23 An asset sale agreement was drawn up incorporating the Company and MERC. The directors' took advice from their accountants as to the structure of the agreement given that there may be certain tax implications. It is understood by the Joint Administrators that MERC had large tax losses and advice was taken as to the best method to deal with this in respect of the sale.
- 4.24 CMA is substantially larger than the Company and it was likely at that time that CMA would be taken over by a competitor via the acquisition of a majority shareholding. Its share price at the time of sale of the Company and MERC to CMA was understood to be circa AUS\$0.80.

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- 4.25 The prospects of CMA's share price holding its value or increasing were considered by the Company's directors to be high. It was anticipated that CMA shares would increase to circa AUS\$1.50 per share making the Company's holding worth an estimated AUS\$56,250,000.
- 4.26 Following the sale of the Company's and MERC's business and assets to CMA the 37,500,000 shares that were issued to the Company and MERC are held in escrow for 12 months. The shares were allocated between the Company and MERC and the split of these was agreed at relevant board meetings on 7 August 2008. Following the expiry of the escrow period, the shares are also subject to a company lock out for a further 12 months, meaning that they cannot be realised until 2010.

Inter-company loan between the Company and MERC

- 4.27 According to the Company's and MERC's accounts for the year ended 31 December 2005, MERC owes it £24,759,018 by way of an inter-company loan. It is understood that a supplemental agreement was entered into between the parties (agreed by the board of directors on 7 August 2008) providing that the Company held MERC's entitlement to a proportion of the CMA shares as nominee.
- 4.28 It is understood that it was subsequently agreed at a further board meeting that in settlement of the inter-company loan, MERC allotted its share entitlement to the Company. This requires further investigation by the Joint Administrators.

The Onset of Insolvency Procedures

- 4.29 Following the sale to CMA, the directors were required to look at methods in which to deal with the affairs of the Company given that the bonds issued were due to expire on 31 October 2008. Accordingly, the Company approached finance brokers in order to put together a re-financing / re-structuring deal in order to meet its commitments.
- 4.30 In August 2008, heads of terms were drawn up for a re-financing deal. The idea was for the Company to raise funds off the back of the value of the shares in CMA to settle the Company's unsecured creditors. Some creditors advised the Company that they would be willing to accept a debt for equity swap.
- 4.31 However, in September 2008 it is understood that the value of CMA's shares fell to below AUS\$0.34 which effectively made a re-financing package untenable. As a result, the directors of the Company sought insolvency advice and approached another firm of insolvency practitioners to look to place the company into Administration.
- 4.32 In order to place the Company into Administration, the directors were required to serve Notice of Intention to Appoint an Administrator, Zenith. Upon receipt of this, Zenith approached insolvency practitioners SFP to review the position. The decision was taken to appoint the partners of SFP as Joint Administrators.
- 4.33 On 5 November 2008 a Notice of Appointment of Administrators was filed at the High Court of Justice and endorsed with number 9603 of 2008, appointing both Simon Franklin Plant and Daniel Plant as Joint Administrators.
- 4.34 At Appendix II is an Estimated Statement of Affairs as at the date that the Company was placed into Administration ("the Statement of Affairs"). The Statement of Affairs indicates that the Company was insolvent on a balance sheet basis with a deficiency to creditors of £12,023,636.

5. The Purpose of the Administration

- 5.1 The purposes of an Administration are set out in Schedule B1, Paragraph 3(1) of the Act. In short, this provides that an Administrator of a company must perform his functions with the objective of:

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- 5.1.1 rescuing the company as a going concern, or
 - 5.1.2 achieving a better result for the creditors as a whole than would be likely to be achieved if the company were wound up (without first being in Administration), or
 - 5.1.3 realising property in order to make a distribution to one or more secured or preferential creditors.
- 5.2 The purposes are therefore a hierarchy of objectives. The rescue of a company is the priority. Next is to instead achieve a better return to the creditors as a whole. In the event that this cannot be achieved then the Administrator is permitted to realise assets for the benefit of the preferential or secured creditors.
- 5.3 In the light of the insolvency of the Company, the initial purpose relating to its rescue could only be achieved through a company voluntary arrangement. This was not considered to be achievable, although it appeared that the second purpose was a viable option. Full details concerning progress in respect of this purpose are set out in **Section 7**.

6. Events Following the Joint Administrators' Appointment Leading to Initial Strategy

- 6.1 As a rescue of the Company was not possible, the primary purpose of the Administration was to obtain a better result for the creditors as a whole than would be achieved if the Company was simply wound up (without first being in Administration). This would potentially be achieved with the assistance of a statutory moratorium which protects a company when it is placed into Administration. The moratorium effectively prevents all creditors' actions being taken or progressed without leave of the Court or the Administrator's consent, thereby providing a company with a breathing space in which a strategy can be invoked to maximise realisations.
- 6.2 On the day of appointment, the Joint Administrators attempted to contact the Company's directors in order to advise them that Simon Franklin Plant and Daniel Plant of SFP had been appointed as Joint Administrators.
- 6.3 The Joint Administrators attempted to call Mr Young and Mr Evritt, the two UK based directors. It was understood that the other directors were spread between the US and United Arab Emirates. Mr Evritt returned the Joint Administrators call on the evening of 5 November 2008 and it was explained to him the events of the day and the present position concerning the Administration.
- 6.4 Mr Evritt was advised that it was imperative that the Joint Administrators meet with him and Mr Young in order to discuss the ramifications of the appointment together with obtaining a detailed history concerning the events leading to the sale of the Company's business and assets. Mr Evritt advised that he would contact Mr Young and revert back to the Joint Administrators with some proposed times.
- 6.5 It was subsequently understood that Mr Young was not in the UK and the earliest time he would be available for a meeting would be Monday, 17 November 2008. The Joint Administrators explained that this would cause potential issues given that the Joint Administrators have to discharge certain duties within a very strict timeframe and information would be needed before this time in order to carry these out.
- 6.6 It was agreed that Mr Young would provide details to the Joint Administrators via email of a brief history of the Company, its banking details, professional advisors and any other relevant information to assist. Additionally, a meeting was arranged for Mr Evritt and Mr Young to attend SFP's offices on Monday, 17 November 2008 at 11am in order raise any additional queries and to give the Joint Administrators forensic department, SFP Forensic Limited ("SFP Forensic") an opportunity to obtain some initial information. Further details concerning the outcome of the meeting can be found at **Section 7**.

7. General Progress In Relation to the Administration

The Meeting with Mr Young and Mr Evritt

- 7.1 On 17 November 2008, Mr Young and Mr Evritt attended the Joint Administrators offices. A full history of the Company and MERC was obtained. Further, Mr Young advised that the Company's accountants were holding books and records all relevant to the Company and that these could be collected at any time.
- 7.2 Mr Young further confirmed that there were two potential assets that could be realised in the next 7 to 10 days. One was a VAT refund from HM Revenue and Customs of circa £162,000. The other was a dividend declared by CMA to its shareholders, of which the Company was due to receive circa £80,000.
- 7.3 At the meeting Mr Young and Mr Evritt were also provided with the standard pack issued to directors setting out their duties and the ramifications of the appointment. Mr Young advised that given the other directors were not based in the UK, he would contact them to explain the importance of reviewing these and suggested that in the meantime they be sent to them in the post.

The Company's Shareholding in MERC

- 7.4 Mr Young advised that the Company is 100% shareholder in MERC. Andrew Barker, who is one of the Company's directors, is also the Chief Executive Officer of MERC and is based in the US. Further, Mr Young advised that MERC has no assets as these had all been sold to CMA. However, that it currently has liabilities of circa US\$150,000.
- 7.5 The Joint Administrators shall be taking advice in respect of their duties in relation to MERC from a US based firm of solicitors.

Pre-Appointment VAT refund

- 7.6 The VAT refund of £162,231.75 has now been received into the Joint Administrators estate account. There are no further realisations to be made from this source.

CMA Dividend

- 7.7 Mr Young has confirmed that the application for the payment of the CMA dividend was made prior to the Joint Administrators appointment and that it was expected imminently.
- 7.8 Mr Young however, advised that there may be a set off claim. Given that the dividend payment is yet to be received, it is uncertain as to whether or not payment of this has been withheld pending resolution of this.
- 7.9 The Joint Administrators have consulted with the solicitors instructed in this matter, Nabarro LLP ("Nabarro") to determine whether or not CMA is entitled to set off payment of the dividend to the Company. A decision as to how best to proceed will be made dependant upon Nabarro's advice

Realisation of the Company's shareholding in CMA

- 7.10 At this present time, the only other known significant asset in the Company's Administration is the 37,500,000 shares held in CMA.

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- 7.11 The Joint Administrators are presently investigating the sale agreement and the agreed lock out period in order to formulate a strategy concerning the realisation of these shares for the benefit of the Company's creditors.
- 7.12 The Joint Administrators shall formulate a strategy in which to ascertain the best course of action. This will undoubtedly involve the instruction of Australian solicitors to advise upon the best method of realising the shares.

The Company's Trading Premises

- 7.13 The Company did not occupy a trading premises. In order to deal with any UK operations it utilised a serviced office address at 23 Berkeley Square, London. There is no agreement in place in relation to this and they were ceased to be used some time prior to the Joint Administrators appointment. There is therefore no property to deal with.

Investigation into the Company's Affairs Prior to the Administration

- 7.14 Investigations into the Company's affairs prior to it being placed into Administration are being undertaken by SFP Forensic and are presently ongoing.
- 7.15 SFP Forensic has identified various areas of concern in relation to the Company's trading activities prior to it being placed into Administration. These are currently being investigated. However, the Joint Administrators do not wish to divulge any further information in relation to this at this stage since it may hamper enquiries / future recoveries.

Additional Issues and Realisations

- 7.16 The Company's books and records have been recovered from the Company's accountants by an entity associated with the Joint Administrators firm, SFP Datastore Limited ("SFP Datastore"). An inventory has been prepared and the books and records will continue to be stored by them.

8. The Statement of Affairs and the Outcome for Creditors / Joint Administrators Receipts and Payments

- 8.1 Based upon current information, it is presently unclear whether or not there will be a dividend to unsecured creditors. At Appendix II is an Estimated Statement of Affairs as at the date that the Company was placed into Administration, completed by the Joint Administrators. Further, attached is an Estimated Outcome Statement provided by the directors of the Company.
- 8.2 In addition to this is a list of creditors whose details have been obtained from the Company's records and whose claims have been lodged. Please note that the £0.00 balances denote claims that are yet to be lodged onto the Joint Administrators system and does not mean that the claim has been rejected or agreed.
- 8.3 Attached at Appendix III is the Joint Administrators Receipts and Payments Account for the period 5 November 2008 to 18 December 2008.

9. The Joint Administrators' Costs

- 9.1 Given it is presently uncertain as to whether or not there will be a surplus available to the unsecured creditors, it looks to be the case that the third purpose only of the Administration (at paragraph 5.1.3) will be achieved. From the outset the Joint Administrators arranged for members of their team to be present at the Company's trading premises in order to react to any immediate issues.

Meretec Limited (In Administration)
Report to Creditors and Statement of Proposals
Pursuant to Paragraph 49(1) of Schedule B1 of the Insolvency Act 1986

- 9.2** To date, the Joint Administrators have undertaken, inter alia, the following actions:
- 9.2.1** Initial review of the position and ascertaining the trading position of the Company;
 - 9.2.2** liaising with the directors in order to deal with immediate issues;
 - 9.2.3** liaising with the directors concerning the sale of the Company's assets prior to the Joint Administrators appointment;
 - 9.2.4** attending meetings with Mr Young and Mr Evritt concerning the Company's affairs;
 - 9.2.5** dealing with shareholders queries concerning their investments in the Company;
 - 9.2.6** reviewing the Company's books and records for creditor information and any employee details;
 - 9.2.7** liaising with SFP Datastore concerning retrieval of the Company's books and records;
 - 9.2.8** liaising with SFP Forensics regarding investigation into the affairs of the Company;
 - 9.2.9** ascertaining the position of MERC and the Joint Administrators obligations concerning this;
 - 9.2.10** liaising with solicitors concerning various aspects of the Administration and the Company's affairs; and
 - 9.2.11** undertaking all statutory measures including updating creditors, advertising and filing requisite documents and forms at Companies House.
- 9.3** At Appendix IV is a breakdown of the time that has been incurred by SFP to date. At Appendix IX is a Guide to Administrators and Liquidators Fees, being Statement of Insolvency Practice 9.
- 9.4** At Appendix V is a breakdown of the time that has been incurred by SFP Forensic to date.
- 9.7** At Appendix VI is a breakdown of the time that has been incurred by SFP Datastore to date.
- 9.8** At Appendix VII is a guide to SFP and its associated entities charge out rates and disbursement rates.
- 9.9** Section 12 sets out the Joint Administrators proposals. The Joint Administrators are presently uncertain as to whether or not there will be a distribution to unsecured creditors, although it is noted that this is dependent upon the value of the shares in CMA. On this basis, the Rules provide that the secured creditors (and preferential creditors if they receive a dividend) are to agree the Joint Administrators fees. Albeit unlikely that there will be a distribution to unsecured creditors, for the sake of good order, the Joint Administrators are seeking authorisation from them of their remuneration on a time cost basis, being the time properly given by the Joint Administrators and their staff in attending to matters arising in the Administration under rule 2.106(2) of the Rules.
- 9.10** Disbursements and specific expenditure relating to the administration of an insolvent estate and payable to an independent third party are recoverable without creditor approval. Such expenditure is made, if funds are available from the insolvent estate. If funds are not available the payment is made from this firm's office account and this firm is reimbursed from the insolvent estate if and when funds become available.
- 9.11** Payments made out of a firm's office account and re-charged to an insolvent estate are defined as 'Category 1 Disbursements'. This disbursement is explained further under the expenses and

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Disbursements heading in the Guide to Administrators and Liquidators fees at **Appendix IX**. The following Category 1 disbursements have been incurred to date:

Bordereau	£	125.00
Mail redirection	£	49.80

- 9.12** Expenditure incidental to the administration of the insolvent case, which by its nature includes an element of shared or allocated costs are recoverable with creditor approval. These payments are defined as 'Category 2 Disbursements' and, once again, this disbursement is explained further in the Guide to Administrators and Liquidators fees at **Appendix IX**. There have been the following Category 2 disbursements incurred to date:

Postage	£	68.15
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- 9.13** The fees incurred by Nabarro and SFP Forensic are on a time cost basis. SFP Datastore's fees are calculated on a fixed fee basis for storage and retrieval of books and records and an hourly rate for any further work carried out.

- 9.14** SFP Forensic and SFP Datastore are entities which are associated with the Joint Administrators firm, SFP ("the Associated Entities"). Pursuant to SIP 9 payments made to outside parties in which the office holder or his firm or any associate has an interest should be treated as a Category 2 Disbursement. In accordance with SIP 9 the following information is provided concerning the Associated Entities:

- 9.14.1** the Associated Entities have been established by SFP to perform functions to which either the office holder or outside agencies could undertake. It is considered that by virtue of their specialist nature and close proximity to SFP they will achieve better results than the office holder, his team or any outside agencies would be able to accomplish.

- 9.14.2** the Associated Entities remuneration is on an hourly time cost basis, divided into 6 minute units and calculated as follows:

Entity	Basis of Remuneration	Staff Charge Out Rates
SFP Forensic	Time Cost	£75 - £450*
SFP Datastore	Fixed Fee and Time Cost	£25-£75*

*The charge out rates detail the bands that will be applied dependent upon the grading of staff required to deal with any one specific assignment. Please note that these may fluctuate/alter during the course of the Administration or the placing of the Company into a subsequent insolvency regime.

- 9.14.3** the proposals to creditors seek the approval of the payment of SIP 9 Category 2 Disbursements. Approval will entitle the office holder to settle these as and when deemed necessary without the need for any further authorisation.

10. Additional Points Required to Be Made Pursuant to the Rules

- 10.1** For creditors' general information, the EC Regulations on insolvency proceedings do apply in this case, and these proceedings are the main proceedings.
- 10.2** Pursuant to Schedule B1, Paragraph 47(1) of the Act, the Joint Administrators may request one or more relevant persons to provide a Statement of Affairs of the Company. Certain of the Directors have provided a completed statement of affairs. A copy can be found at **Appendix II**.

- 10.3 The Joint Administrators do not consider that the prescribed part defined under section 176A of the Act will be payable and therefore do not intend to make an application to Court pursuant to section 176A(5) of the Act.

11. The Dispensing Of A Meeting of Creditors

- 11.1 Pursuant to Schedule B1, Paragraph 51(1) a copy of the Administrator's statement of proposals must be accompanied by an invitation to a creditors meeting. However, this requirement may be dispensed with in circumstances where there is likely to be nothing of substance that the creditors meeting could decide.
- 11.2 These circumstances are set out in Paragraph 52(1) which provides that the need to convene a meeting shall not apply where the statement of proposals states that the Administrator thinks that:
- 11.2.1 the company has sufficient property to enable each creditor of the company to be paid in full,
- 11.2.2 the company has insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of payment through the prescribed element of floating charge realisations, or
- 11.2.3 the only objective of the Administration which the Administrator thinks is capable of achievement is realising property in order to make a distribution to one or more secured or preferential creditors.
- 11.3 In this instance the Joint Administrators are of that the view that 11.2.3 will apply in relation to the Company.
- 11.4 Notwithstanding this, the Joint Administrators shall be required to summon a meeting of creditors if it is requested by the Company's creditors whose debts amount to at least 10% of the total debts of the Company, by way of service of a Form 2.21B, within 12 days from the date on which the proposals are sent out.
- 11.5 If such meeting is requested it must be held within 28 days of the request being received by the Joint Administrators. Security must be given for the expenses of summoning and holding the meeting. At Appendix X is a copy of the Form 2.21B should any creditor wish to request a meeting. If no meeting is requested the proposals will be deemed to be accepted pursuant to Rule 2.33(5) of the Rules.

12. The Joint Administrators' Proposal

- 12.1 The Administration has enabled the Company to have a breathing space in which to ascertain the present position concerning the sale of its business and assets to CMA and the circumstances leading to its insolvency.
- 12.2 Whilst investigations are ongoing, the protection of the Administration is still in order to finalise all outstanding matters. The prescribed time limit for an Administration is 12 months. In the event that an Administration lasts in excess of 12 months, the Joint Administrators have to obtain creditors approval or make an application to Court to extend its length.
- 12.3 It is a requirement, notwithstanding the fact that a company is left in Administration for the Joint Administrators to investigate the company's affairs and submit the appropriate D form to the Department of Business Enterprise and Regulatory Reform concerning the directors conduct.
- 12.4 In the event that there are or may be further realisations that result in a dividend to unsecured creditors the Joint Administrators shall seek to place the Company into Creditors Voluntary Liquidation in order to effect

Meretec Limited (In Administration)
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Pursuant to Paragraph 49(1) of Schedule B1 of the Insolvency Act 1986

a distribution. In such circumstances they will be looking to take the appointment as Liquidators. In accordance with Schedule B1, Paragraph 83(7) of the Act and Rule 2.117(3), creditors are able to nominate a different person or persons as proposed Liquidator or Liquidators, provided that the nomination is made after the receipt of the proposals and before they are approved. As an alternative, and should there be no likely funds to distribute to unsecured creditors, that the Joint Administrators may seek to place the Company into Compulsory Liquidation in order to bring proceedings that only a Liquidator may commence for the benefit of the estate.

12.5 It is proposed that the Creditors' Voluntary Liquidation would commence from the date of acknowledgement by the Registrar of Companies that the relevant notice has been filed at Companies House. This procedure, which is permitted by the Act would circumvent the need for an additional creditors meeting and keep costs to a minimum.

12.6 In light of the above, and in accordance with Schedule B1, Paragraph 49(1) of the Act, it is proposed by the Joint Administrators that:

12.6.1 the Administration of the Company continue in order to further investigate the circumstances leading to the Company's failure and finalise any additional matters which require the assistance of the moratorium;

12.6.2 the Joint Administrators' remuneration be fixed by the time properly spent by them and their staff in attending to matters arising out of the Administration in accordance with Statement of Insolvency Practice 9 and that the Joint Administrators be authorised to draw remuneration as and when funds become available;

12.6.3 the Joint Administrators be authorised to recover all disbursements including category 2 disbursements as defined by the Statement of Insolvency Practice 9;

12.6.4 in the event that the Joint Administrators think that the Company has no property which might permit a distribution to its creditors, they shall be authorised to file a notice of dissolution of the Company pursuant to paragraph 84 of Schedule B1 to the Act;

12.6.5 in the event of a potential distribution being available to unsecured creditors, the Joint Administrators be appointed Joint Liquidators of the Company pursuant to paragraph 83 of Schedule B1 to the Act without further recourse to the creditors with the purpose of making a distribution to unsecured creditors and to continue investigation into the Company's affairs;

12.6.6 as an alternative to paragraphs 12.6.4 and 12.6.5 the Joint Administrators be able to seek to place the Company into Compulsory Liquidation in order to pursue such actions and bring proceedings that only a Liquidator is permitted to bring pursuant to the Act;

12.6.7 upon the placing of the Company into Liquidation under paragraph 12.6.5 or 12.6.6 or the necessary form being filed for the Company to be dissolved, the Joint Administrators be discharged from liability in respect of any action undertaken by them pursuant to Schedule B1, paragraph 98 of the Act; and

12.6.8 upon the placing of the Company into Liquidation, the Joint Liquidators' be authorised to act in a joint and several capacity.

13. Ancillary

Creditors Questionnaires

- 13.1 The response that has been forthcoming from the questionnaire provided to creditors has proved to be helpful in relation to the events that transpired up to the date that the Company was placed into Administration.
- 13.2 As previously stated in the first circular to the Company's creditors, responses that are received may prove integral to assist with investigations into the Company's affairs. Accordingly, if you have not previously provided a completed questionnaire, please do so, at your earliest convenience.

Directors Conduct

- 13.3 Pursuant to the Company Directors Disqualification Act 1986, it is the Joint Administrators and any subsequently appointed Liquidator's duty to submit a requisite report/form to the Department of Business Enterprise and Regulatory Reform concerning the directors' conduct.
- 13.4 The report/form must address all persons holding the position as director during the three years up to the date of the onset of insolvency. Please note that this is a standard requirement. Responses to creditors' questionnaires may prove extremely helpful concerning this.

If any creditor has any queries in relation to the above, please do not hesitate to contact either the Joint Administrators or the Manager dealing with this matter, Chris Hilbert on 020 7538 2222.

Dated this 18th December 2008


Simon Plant
Joint Administrator

Meretec Limited (in Administration)

Report to Creditors & Statement of Proposals

APPENDIX I

- **Statutory Information**

Meretec Limited – In Administration

Statutory Information As Reflected At Companies House

Company Number: 03659285

Date of Incorporation: 26/10/1998

Previous Names: Metal Investment Trust Limited

Nature of Business: 2710 – Manufacture of basic iron and steel including ferro alloys

Issued Share Capital: 127,278,578 Ordinary A shares have been issued according to the last filed annual return as at 26 October 2007. An accurate share register is not yet available and the Joint Administrators shall compile this information as soon as it is readily available.

	Name	Appointed	Resigned
Director(s):	Mark Evritt	19/03/2008	-
	Andrew William Barker	22/11/2007	-
	Craig Steven Sidell	08/02/2006	-
	Martin Edward Young	27/02/2001	-
	Gunnar Skoog	26/10/1998	-
	Robert Bolier	01/02/2007	17/10/2007
	Robert Coxon	20/04/2006	01/09/2007
	David John Downes	01/10/2006	17/10/2007
	Andrew Henry Simon	20/04/2006	17/10/2007
	Timothy Peach	17/10/2002	28/02/2005
	Dr Milton Sanders	28/02/2005	31/12/2005
	William A Morgan	17/12/1999	15/11/2000
	Martin Edward Young	26/10/1998	23/06/1999
Company Secretary:	Eacotts Limited	02/07/2007	-
	Julian David Hillman	17/01/2003	04/11/2005
	Mark Gerald Paine	23/06/1999	17/01/2003
	Thames Valley Services	04/11/20005	02/07/2007
	Martin Edward Young	26/10/1998	09/04/1999
Current Registered Office:	9 Ensign House Admirals Way Marsh Wall Docklands London E14 9XQ		
Previous Registered Office:	Grenville Court Britwell Road Burnham Bucks SL1 8DF		

Serviced Office Address: 23 Berkeley Square
London
W1

Accountants: Eacotts
Grenville Court
Britwell Road
Burnham
Bucks
SL1 8DF

Schedule of Outstanding Mortgages or Charges:

Please see attached

SFP



Meretec Limited (In Administration)

Name	Type	Registered	Satisfied
Zenith Trustees Limited	Debenture	19/08/2008	-
Zenith Trustees Limited	Mortgage over Securities	22/08/2008	-
Zenith Trustees Limited	Mortgage over Securities	03/03/2008	05/09/2008
Zenith Trustees Limited	Pledge Agreement	03/03/2008	05/09/2008
Zenith Trustees Limited	Assignment Agreement	03/03/2008	05/09/2008
Zenith Trustees Limited	Charge over bank account	03/03/2008	05/09/2008
Various	Collateral Assignment Agreement and Grant of Security Interest in Patents and License	03/07/2006	05/09/2008
Various	Security Agreement	03/07/2006	05/09/2008
Various	Mortgage, Security Agreement and Fixture Filing	03/07/2006	05/09/2008

Meretec Limited (in Administration)

Report to Creditors & Statement of Proposals

APPENDIX II

- **Estimated Statement of Affairs as at 5 November 2008 / Creditors Details**

MERETEC LIMITED (IN ADMINISTRATION)

ESTIMATED STATEMENT OF AFFAIRS AS AT 5 NOVEMBER 2008

	Notes	Book Value £	Estimated to realise £
Assets (specifically pledged)			
CMA shares	1	uncertain	uncertain
Less; Loan Note Holders	1	-10,000,000	-10,000,000
Surplus / deficit c/d		-10,000,000	-10,000,000
Assets (not specifically pledged)			
VAT Refund	2	162,232	162,232
Cash at Bank	3	4,000	4,216
<i>Estimated deficit to Floating Charge Creditor</i>		<u>-9,837,768</u>	<u>166,448</u>
LIABILITIES			
Floating Charge Creditor			
Loan Note Holders			-10,000,000
UNSECURED CREDITORS			
Trade & expense	4		<u>-2,023,636</u>
<i>Estimated deficiency as regards creditors</i>			<u><u>-12,023,636</u></u>

NB

Subject to the costs and expenses of the Administration

The Estimated Statement of affairs does not include amounts owed to shareholder. Based on present projections it is unlikely there will be any return to shareholders.

Meretec Limited (in Administration) ("the Company")
Notes To Estimated Statement of Affairs as at 5 November 2008

1. The value in the CMA shares is presently uncertain given that the share price continues to fluctuate and any realisation of the shares is subject to the shares being held in escrow for 12 months followed by an additional 12 month company lock out agreement. This effectively means the Joint Administrators are unable to place a value on the value of the shares.
2. The Company had submitted its pre-appointment VAT return prior to the appointment of the Joint Administrators. The return indicated a refund of circa £162,000. The Joint Administrators have since received the VAT refund in the amount of £162,232.
3. The Company banked with HSBC Bank plc in the UK. At the date of the Joint Administrators appointment the business current had a small credit balance of circa £4,000. The balance of funds on the account has now been received and the Joint Administrators estate account has been credited with the amount of £4,216.
4. This figure is reflected by the level of claims received to date by the Joint Administrators.

SFP
Merotec Limited (in Administration)
Company Creditors

Key	Name	Address	£
CA00	Altman Senterfit	PO Box 4906, Orlando, FLORIDA 32802-4906	119,661.82
CB00	Bingham McHale LLP	2700 Market Tower, 10 West Market Street, Indianapolis, INDIANA 46204-4900	0.00
CC00	Collins Stewart	9th Floor, 88 Wood Street, London, EC2V 7QR	0.00
CD00	Davenport Lyons	30 Old Buxington Street, London, W1S 3NL	105,692.98
CD01	Delegate	Delegata House, 30A Hart Street, Henley-on-Thames, Oxon, RG9 2AL	(1,049.72)
CD02	Domecq Skeldersd		666,351.02
CE00	Eacotts	Grenville Court, Ethwell Road, Burnham, Bucks, SL1 8DF	14,008.05
CE01	Evolution		100,889.98
CG00	Grant Thornton UK LLP	Churchill House, Chalvey Road East, Slough, Berkshire, SL1 2LS	0.00
CG01	Galapagos Trust		108,097.27
CH00	HM Revenue & Customs	Darrington Bridge House, Barington Road, Worthing, West Sussex, BN12 4RS	0.00
CH01	HM Revenue & Customs	Insolvency Operations, Queens Dock, Liverpool, L74 4AF	0.00
CH02	HM Revenue & Customs	Romn BP3202, Warkworth House, Benton Park View, Longbenton, Newcastle upon Tyne, NE98 1ZZ	0.00
CH03	Harrison Jnr		25,440.08
CJ00	Jones Day	21 Tudor Street, London, EC4A 3DJ	89,845.74
CJ01	Joseph Pearman	6639 Ban Buren Street, Merrillville, INDIANA 46419	0.00
CK00	Keasberry		0.00
CM00	Meyado International Limited		4,230.92
CM01	Marlin Young	2nd Floor, Berkeley Square House, Berkeley Square, London, W1J 6BD	0.00
CM02	MGH	Villa 1, Palm Court, Desert Palm, PO Box 88, Dubai	0.00
CM03	Moir		10,000.00
CM04	Mol		3,750.00
CN00	Northbridge Capital Partners	14 Buckingham Gate, London, SW1E 6LB	400,000.00
CP00	Palladia	23 Berkeley Square, Mayfair, London, W1J 6HE	853.14
CP01	Pen Umbra		0.00
CP02	Phinell		323,285.28
CR00	R Boller		0.00
CR01	Rosenblatt		0.00
CS00	Sukmanan		44,300.00
CV00	Vedder Price		7,219.00
CW00	Webber Shandwick Financial		0.00
FB00	Andrew William Barker	Thames Central, 8th Floor South, 90 Hatfield Road, Slough, Berkshire, SL1 1QE	0.00
RE00	Mark Everitt	Thames Central, 8th Floor South, 90 Hatfield Road, Slough, Berkshire, SL1 1QE	0.00
RS00	Craig Steven Stibel	125 Park Avenue, 4th Floor, New York, USA	0.00
RS01	Gunnar Skoog	415 East, 151 Street, East Chicago, UN 46312	0.00
RY00	Martin Edward Young	Number 1 Palm Terrace, Desert Palms, PO Box 88, Dubai	0.00
36 Entries Totalling			2,022,585.57

Rule 2.29

Form 2.14B

Statement of affairs

Name of Company MERETEC LIMITED (IN ADMINISTRATION)	Company number 03659285
In the HIGH COURT OF JUSTICE	Court case number 9603 of 2008

name and address of
company

Statement as to the affairs of (a) **MERETEC LIMITED of Greenville Court, Britwell Road, Burnham, Buckinghamshire, SL1 8DF**

on the (b) **5 November 2008**, the date that the company entered administration.

(b) Insert date

Statement of Truth

I believe that the facts stated in this statement of affairs are a full, true and complete statement of the affairs of the above named company as at (b) **5th November 2008** the date that the company entered administration.

Full name **MARTIN EDWARD YOUNG**

Signed 

Dated **16th of November 2008**

Statement of Affairs for Meretec Limited (In Administration)
Prepared by Martin Young, Director of Meretec Limited for the board of Directors of Meretec Limited (In administration)
Company Number 03659285

WITHOUT PREJUDICE

Please accept this Statement of Affairs for Meretec Limited (In Administration) as a full, true and complete statement of the above named company as at the 5th of November 2008

Full Name: Martin Edward Young

Signed: 

Dated: 16th of November 2008

INFORMATION ON THE COMPANY

Background

On the 12th of August the company sold the business of Meretec Corp and Meretec Limited including the name, intellectual property rights and employees "The Business" to CMA Corp an Australian Company in return for 37.5 million shares in CMA Corp which were subject to an irrevocable Escrow Agreement until August 2009 and a company Lock-Up agreement until August 2010. At the time that this transaction completed the company was solvent with the shares in CMA worth substantially more than the outstanding bonds and unsecured creditor positions.

In September and October 2008 the share price of CMA Corp moved down substantially in line with global markets effected by the credit crisis, additionally the Australian Dollar in which the company held assets moved down substantially against the USD in which the company held secured and unsecured debt. Although the company had tentatively agreed re-financing in Australia in August and September it was unable to complete this financing due to the decrease in the value of the available collateral in the CMA shares.

When it became clear that the share values in CMA and the currency movements which the company had experienced were not returning swiftly back to their previous positions the company took specialized insolvency advice from Davenport Lyons and Smith Williamson which led on to today's position.

The company is currently sitting on less than \$10,000 in cash. The company's only assets are 37,500,000 shares in CMA Corp which are held in Escrow plus accounts receivable of about \$500,000 in dividends and VAT returns from HMRC. We believe that since writing the above statement the Company has received in approximately £160,000 from HMRC in respect to the VAT claim but that the dividend payment from CMA Corporation has been requested but is still outstanding.

CORPORATE

- 1.1 The Company was incorporated under the Companies Act 1985 ("the Act") on 26 October 1998 as a private company limited by shares with the name of Metals Investment Trust Limited and registered in England and Wales with number 3659285. On 8 March 2006 the Company changed its name to Meretec Limited.
- 1.2 The Directors of the Company are Martin Young, Gunnar Skoog and Craig Sidell, Mark Everitt and Andrew Barker
- 1.3 The registered office of the Company is at Grenville Court, Britwell Road, Burnham, Buckinghamshire SL1 8DF.

- 1.4 The accounting reference date of the Company is 31 December. The accounts for the year ended 31 December 2006 are overdue for filing at Companies House although they have been completed by Grant Thornton but not signed off

1.5 Shareholders

The largest shareholder of the Company is Meyado Private Wealth Management (MPWM), a company incorporated in England and Wales. MPWM is a subsidiary of Meyado Group Holdings (MGH), a company incorporated in the Bahamas.

Meretec arranged a series of private placements for the Company via MPWM and MPWM holds shares both for its parent MGH and on behalf of various other persons (both natural and legal), including MGH. This is reflected in the latest financial statements for the Company which disclose that MPWM interest is a nominee holding and that the shares are held for the benefit of a number of private investors.

Private Placement risk factors were signed by all private investors in Meretec Limited which were provided to all placees.

The Directors of the company believe that the company has approximately 137,773,970 million shares outstanding but requires work with the company secretary in the coming days to establish the current up to date number. The board can report that the company has made no recent significant issuance of shares and that the last transaction was just prior to the sale of the company to CMA Corporation in August of this year.

Please see the attached:

Meretec Shares on Issue

Although Meyado Private Wealth Management has previously acted as nominee for many of the private investors it is understood that they are unwilling to continue this as its parent company is a significant shareholder, unsecured creditor and loan note holder and this may create conflicts of interest. MWPM will provide a list of all nominees to the Administrator within a number of days.

- 1.6 The Company has the following subsidiary undertakings:

Name:	Meretec Corporation, a "C" company incorporated in the State of Delaware
Issued Share Capital:	US\$1000 [divided into 1000 ordinary shares of US\$1 each]
Certificate of Incorporation:	The Company was incorporated on May 9, 2000.
Directors:	Gunnar Skoog,
Company Treasurer:	Mark Everitt
Accounting Reference Date:	December 31
Shareholders:	Meretec Limited

Meretec Shares on Issue	109,994,506
Meyado Group Holdings	
✦ MRTI	14,105,630
Alan Polivnick	93,750
Alkexander Grant	62,475
Alonso	62,500
Anthony Pralle	493,250
Antonio Harrison	93,750
B Morgan	287,500
Bulter Smith	12,500
Charles Pinnell	374,969
Chilline	62,481
Control Masters Inc	375,000
David Fuller	187,465
David Wall	74,950
Gonzalez De Diego Miller	62,448
Gouge & Schitter	31,250
H Watson	87,456
Ian Barber	27,998
Maw	62,454
Michael Curry	93,750
Milleran Marketing	200,013
N Way	62,466
Neil Dickson	61,250
P Coubrough	93,750
P Henshaw	156,225
P Radford	124,975
Peter Leuner	31,250
Prallel	902,315
Shaun Carroll	100,000
Sikich Coperation	5,580,000
Tedjini	328,154
V Lopes Rocha	156,250
William Flint Smith	125,000
M Young	3,206,241
total shares in issue:	<u>137,773,970</u>

Banking Relationships & Balances as of November 6th 2008

Meretec Limited

Bank: HSBC, NY

ABA: 021001088

Address: Park Avenue Office 250 Park Avenue New York, NY 10

Tel: 1 212 983 8859 Relationship Manager Margret Harvey:

margret.harvey@us.hsbc.com

Account No.: 006045359

Balance: \$6,154.94

Bank: HSBC, Slough

128 High Street, Slough, Berks, SL1 1JF Tel: 08457 606060

Sort Code: 404208

Account No.: 61866079

Relationship Manager Randeep Budyal:

randeep.budyal@hsbc.com

Balance: £225.97

Bank: HSBC, UK

Sort Code: 400515

Account No.: 68191682

Balance: \$292.10

Meretec Corporation

Bank: HSBC, NY

ABA: 021001088

Account No. 006053106

Balance: \$406.95

Bank: Harris NA

ABA: 071025661

Account No.: 4333120481

Balance: \$478

BANKING ARRANGEMENTS

Neither the Limited nor Corp has any banking facilities.

DIRECTORS, SECRETARY AND ADVISERS

Directors

Martin Young (Chairman)
Mark Everitt (Non-Executive)
Gunnar Skoog (Non-Executive)
Craig Siddell (Non-Executive)
Andrew Barker (Managing Director)

Company secretary

Thames Valley Business Services

Registered office

Grenville Court
Britwell Road
Burnham
Buckinghamshire
SL1 8DF

Company Bookkeepers UK

Company Bookkeepers USA

Eacotts

Grenville Court
Britwell Road
Burnham
Bucks
SL1 8DF

Sikich Corporation LLC
998 Corporate Blvd,
Aurora,
IL 60502-9102
United States

FTAO Montha Bunthon and Martin Gatehouse

FTAO of George Melina

Tel: 01628 665432

Legal advisers to us as to English law
Davenport Lyons
30 Burlington Street
London
W1S 3NL

Legal advisers to the Company
Akerman, Senterfitt & Eidson
Las Olas Centre II
350 East Las Olas Boulevard
Ft. Lauderdale
FL 33301-2229
USA

Auditors and reporting accountants

Grant Thornton UK LLP
Grant Thornton House
Melton Street
London
NW1 2EP
United Kingdom FTAO Sergio Cardosa

Creditors

The company entered into a loan-note instrument with different institutions Meditor, RAB Capital, Absolute Capital and Meyado Group Holdings as well as some private Clients of Meyado; Galapagos Trust, Lind Domecq, John Pinnell and Antonio Harrison in August 2006 in preparation for IPO funding. The funding was for \$10 million repayable by December 2007 and an admission was anticipated before this time.

In Spring 2007 the company was forced to abandon the planed IPO because of market conditions and decided to sell the physical plant in East Chicago to CMA Corporation as well as sell an additional license to CMA, this strategy was successful and the sale of the plant and land to CMA cooperation completed in January 2008. One of the Loan Note holders agreed to increase its lone note instrument by \$1.5 million at this time.

In February 08 the company was approached by CMA Corporation to buy "the business" of Meretec which consisted of primarily the two income producing licenses and the intellectual property rights to the Meretec process for a sum of \$30 million. The board of Directors consulted and agreed the sale; during the negotiations and drafting of the contracts the agreed sum modified to 37.5 million shares of CMA Corporation, the loan note holders of Meretec approved the deal and changed the security to the CMA shares from the IPR and the deal closed on August the 12th 2008. As part of the completion of the deal all of the note holders received early repayment on some of their loan-notes plus a 10% penalty for changing the security, this reduced the amount of capital owed by the company but re-iterated a maturity date of October 31st 2008.

The instrument is subject to a equitable charge.

The Amounts still owing to the note holder may require some further calculations due to interest but the following table was produced by Eacotts for the board in Early August breaking down the amounts owing and to which parties:

Please See the Note holders Schedule Attached

Meretec – Additional Creditors

Breakdown in original currency

MGH	US\$	GBP	I
Loan due to MGH - balance Carried Forward	\$136,395.00		
Add: Payments made by Meyado on behalf of Meretec			
8th Aug Loan to Meretec \$60,000	\$60,000.00		
22th Aug Loan to Meretec \$9,980*2	\$19,960.00		
Gunnar Skoog salary £20,693 wk36		£20,693.00	
Gunnar August salary £20,693 plus expenses claim £1,656 total £22,349 in week 37		£22,349.00	
Davenport Lyons Payment £25,000 wk40		£25,000.00	
Evolution Securities payment £10,000 wk 42		£10,000.00	
Pay down part of Chris Payandee loan Euro40,000 wk42			€.
Davenport Lyons payment £25,000 wk42		£25,000.00	
Davenport Lyons payment £25,000 wk43		£25,000.00	
Davenport Lyons payment £40,000 wk44		£40,000.00	
tion Securities payment £10,000 and Eacotts £20,000 wk44		£30,000.00	
Palladia payment £1224.23 wk45		£1,224.23	
CMA Overpayment of License fee in August 2008	\$120,000.00		
Meyado Private Wealth Management Invoice			
August Invoice £104,635.83 (£4,361.33 plus £100,274.5 Davenport Jul & Aug bills)		£4,361.33	
Sept Invoice £1252.56		£1,252.56	
Oct Invoice £1889.68		£1,889.68	
Davenport Lyons bills charge Meyado paid on behalf of Meretec		£100,274.50	
Less: Davenport £2,757.59 Balance of week 42 payment £25k		-£2,757.59	
Davenport £25k week43		-£25,000.00	
Davenport £40k week44		-£40,000.00	
Loan from Chris Payandee due August 2007			€ 2
Loan Interest			
Unpaid Salaries			
Gunnar Skoog from 2007		£41,386.00	
Andy Baker June and July 2007		£15,745.06	
Unpaid Expenses Claim			
Martin Young expenses claim - Invoice 77		£31,051.66	
Andrew Barker Expenses Claim		£23,759.96	
Other Creditors			
Akerman Senterfitt	\$135,937.06		
Evolution		£30,000.00	
Grant Thornton	\$2,477.51		
Henry Davis York	\$15,426.44		
Jones Day		£44,549.12	
North Bridge	\$400,000.00		
Sikich LLP	\$2,039.38		
Zenith Trust		£7,446.52	
Inland revenue (PAYE & NI) (approximate calculation no demands received)		£265,594.74	
UKIR (Withhold tax)		£924.00	
Meretec Corp.			
Advanced Waste Service	\$17,038.40		
Burke Costanza & Cuppy LLP	\$16,840.91		
Lake County Treasurer	\$10,841.32		
Meade Electric Company	\$14,218.25		

Praxair-95023241	\$9,726.09
Sikich LLP	\$146,176.01
Superior Engineering	\$12,079.17
Treasurer Lake County - Property tax	\$10,051.57

Grand total	\$1,129,207.11 £699,743.77 € 271,672.32
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Address List of Creditors

Supplier

Address

Meretec Limited	Post Office Box 4906 Oriando, FL32802
Akerman Senterfitt	
Andrew Barker	
Evolution Securities Limited	9th Floor, 100 Wood Street, London EC2V 7AN
Grant Thornton LLP	175 West Jackson Blvd., Chicago, IL 60604
Henry Davis York	44 Martin Place Sydney NSW 2000 Australia
Inland revenue (PAYE & NI)	Cumbernauld Glasgow G67 1YZ
Jones Day	21 Tudor Street London EC4T ODJ DX67 London/ Chancery
Martin Young	Martin Young's Private Office, PO Box 43659, Union House, 5th Floor, Port Sayeed Roac
North Bridge Capital Partners Limited	
Sikich LLP	14 Buckingham Gate, London SW1E 6LB
UKIR (Withhold tax)	998 Corporate Blvd. Aurora, IL 60502-9102
Zenith Trust Company Limited	Tax on CP loan interest 08Q2
Meretec Corp.	PO Box 460, Waterloo House, Don Street, St Helier Jersey JE4 5RS
Advanced Waste Service	
Burke Costanza & Cuppy LLP	1126 South 70th Street Suite N408B West Allis WI 53214
	9191 Broadway Merrillville, IN 46410
	Lake County Government Center 2293 North Main Street Crown Point, Indiana 46307-1896
Lake County Treasurer	
Meade Electric Company	Dept CH 10660 Palatine IL 60055-0660
Praxair Distribution Inc	998 Corporate Blvd. Aurora, IL 60502-9102
Sikich Corp LLP	
Superior Engineering	
Other Loan	
Meyado Group Holdings	50 Shirley Street, PO Box N-624, Nassau, Bahamas
Meyado Private Wealth Management	
CMA	c/o Meyado Group Holdings Limited as above
Chris Payandee	Melbourne, Australia
	Madrid, Spain

Capital Structure

The company currently has approximately 140 million shares on issue and Meyado Private Wealth Management Limited is currently the largest shareholder with approximately 90% of the shares being held in its nominee. I can confirm that Meyado Private Wealth Management Limited is only a nominee and has no beneficial interest in the company whatsoever. Meyado Private Wealth Management is required to resign as nominee for the beneficial shareholders due to administration.

There are approximately 380 nominee shareholders within the company with the largest nominee being Meyado Group Holdings with the majority of rest of the investors private investors who are resident in Europe, America and the Far East

Other details

The company has no Insurances, Pension schemes or landlords. The company has no other employees other than the Directors all of whom are unpaid. Andrew Barker was the Managing Director of Meretec Limited until the Asset Sale on August the 12th where he was also sold with the company and he was issued a new contract with CMA. He was never removed as a Director of Meretec prior to this administration order hence the aberration.

Summary

The Directors are aware that the assets in Meretec which are shares in CMA Corporation are potentially undervalued on a temporary basis and that the realization of these shares now or in the near future could be prejudicial to the interests of all of the creditors equally. Furthermore the Directors are aware that the company CMA corporation has within the last two weeks received an all share offer for the company which was rejected as well as receiving a substantial new strategic shareholder all of which point to there being substantiated interest within the primary assets that Meretec hold a strategic stake in CMA Corporation. The Directors are concerned that if realization of the assets is forced now that it would be prejudicial to the interests of the unsecured creditors and the company which could result in unfair economic advantage being attributed to the secured creditors for sums far in excess of the sums owing to them under contract. This concerns the Directors and they wish to officially bring this to the attention of the Administrators and the court.

Meretec Limited (In Administration)

Report to Creditors & Statement of Proposals

APPENDIX III

- **Joint Administrators Receipts and Payments Account to 18 December 2008**

Meretec Limited
(In Administration)

JOINT ADMINISTRATORS' INCOME AND EXPENDITURE ACCOUNT

	Statement of affairs £	From 05/11/2008 To 18/12/2008 £	From 05/11/2008 To 18/12/2008 £
RECEIPTS			
CMA Shares	Uncertain	0.00	0.00
VAT Refund	163,000.00	162,231.75	162,231.75
Bank Interest Gross		218.88	218.88
Cash at Bank	2,000.00	<u>4,215.97</u>	<u>4,215.97</u>
		166,666.60	166,666.60
PAYMENTS			
Statutory Advertising		169.92	169.92
Vat Receivable		<u>25.49</u>	<u>25.49</u>
		195.41	195.41
BALANCE - 18 December 2008			166,471.19

Meretec Limited (In Administration)

Report to Creditors & Statement of Proposals

APPENDIX IV

- **Breakdown of Administrators Fees / Activity Codes**

SFP



MERETEC LIMITED (IN ADMINISTRATION)

SUMMARY OF TIME AND CHARGE OUT RATES FOR THE PERIOD 5 NOVEMBER 2008 TO 18 DECEMBER 2008

CLASSIFICATION OF WORK FUNCTION	Managing Partner	Partner	Senior Manager	Manager	Senior Administrator	Administrator	Assistant	Total		
Administration and Planning	15.50	-	-	36.40	0.60	1.80	4.30	8.20	10.80	77.50
Investigation	-	-	-	2.00	-	-	-	-	-	2.00
Realisation of assets	3.50	-	-	0.40	-	-	-	1.80	-	5.70
Trading	-	-	-	-	-	-	-	-	-	0.00
Creditors	1.00	-	-	15.40	-	-	-	-	2.80	19.30
Total hours	20.00	-	-	54.20	0.60	1.80	4.30	10.00	13.70	104.60
Average rate £ per hour	450.00	-	-	250.00	225.00	200.00	150.00	100.00	75.00	245.87
Total costs £	9,000.00	-	-	13,550.00	135.00	360.00	645.00	1,000.00	1,027.50	25,717.50

Remuneration drawn on account

See Appendix for Summary Charge Out Rates for staff

NB: During the course of this current year the practice rates have increased which would account for variances in the charge out rates.

SIP 9 STANDARD ACTIVITY SUMMARIES

Standard Activity	Examples of Work
Administration and Planning	Case Planning Administrative set up Appointment and notification Maintenance of records Statutory reporting Estate accounting Schedule company books and records
Investigation	SIP 2 CDDA report Investigating antecedent transactions
Realisation of assets	Identifying, securing, insuring assets Retention of title Debt collection – pre and post appointment Property, business and asset sales Communication and negotiations with secured creditors
Trading	Planning Management of operation Communication/negotiation with suppliers Communication/negotiation with landlord Communication/negotiation with third parties Monitor goods outward/inwards Stock take On-going employee issues Travel
Creditors	Communication with creditors Creditor claims (including employees and other preferential creditors)

Meretec Limited (in Administration)

Report to Creditors & Statement of Proposals

APPENDIX V

- **Breakdown of SFP Forensic Limited Fees**

SFP



FORENSIC

MERETEC LIMITED (IN ADMINISTRATION)

SUMMARY OF TIME AND CHARGE OUT RATES FOR THE PERIOD 5 NOVEMBER 2008 TO 16 DECEMBER 2008

CLASSIFICATION OF WORK FUNCTION

	Managing Director	Senior Manager	Manager	Senior Administrator	Administrator	Assistant	Total
Investigation	3.20	-	-	9.90	-	1.70	3.8
							1.20
							19.80
Total hours	3.20	-	-	9.90	-	1.70	19.80
Average rate £ per hour	450.00	-	-	250.00	-	200.00	100.00
Total costs £	1,440.00	-	-	2,475.00	-	340.00	90.00
							4,725.00

Remuneration drawn on account

See Appendix for Summary Charge Out Rates for staff

NB: During the course of this current year the practice rates have increased which would account for variances in the charge out rates.

Meretec Limited (In Administration)

Report to Creditors & Statement of Proposals

APPENDIX VI

- **Breakdown of SFP Datastore Limited Fees**

SFP



DATASTORE

M.A.

HERETEC LIMITED (IN ADMINISTRATION)

SUMMARY OF TIME AND CHARGE OUT RATES FOR THE PERIOD 6 NOVEMBER 2008 TO 16 DECEMBER 2008

CLASSIFICATION OF WORK FUNCTION

	Storage Tasks Staff Costs	Inventorising Staff Costs	Total
Boxing Up / Collection / Inventorising of Records	3.4	-	3.40
Total hours	3.40		3.40
Average rate £ per hour	25.00	-	25.00
Total costs £	85	-	85.00

Remuneration drawn on account

See Appendix for Summary Charge Out Rates for staff

Disbursements Incurred	£
Mileage 125.1 miles @ £1.10 per mile	137.61
Total Disbursements	137.61

Meretec Limited (In Administration)

Report to Creditors & Statement of Proposals

APPENDIX VII

- **Charge out Rates for SFP main practice and associated entities**

SFP



Charge out Rates for SFP main practice and associated entities

Main Practice		SFP Forensic Limited		SFP Property Limited		SFP Recoveries Limited	
Grade	Rate p/hr	Grade	Rate p/hr	Grade	Rate p/hr	Grade	Rate p/hr
Managing Partner	450	Managing Director	450	Managing Director	275	Managing Director	450
Partner 2	400	Senior Manager 2	325	Senior Manager 2	250	Senior Manager 2	325
Partner 1	350	Senior Manager 1	300	Senior Manager 1	225	Senior Manager 1	300
Senior Manager 2	325	Manager 2	275	Manager 2	200	Manager 2	275
Senior Manager 1	300	Manager 1	250	Manager 1	175	Manager 1	250
Manager 2	275	Senior Administrator 2	225	Senior Administrator 2	150	Senior Administrator 2	225
Manager 1	250	Senior Administrator 1	200	Senior Administrator 1	130	Senior Administrator 1	200
Senior Administrator 2	225	Senior Administrator 2	150	Senior Administrator 2	110	Senior Administrator 2	150
Senior Administrator 1	200	Administrator 1	100	Administrator 1	90	Administrator 1	100
Administrator 2	150	Administrator 1	75	Administrator 1	75	Administrator 1	100
Administrator 1	100	Assistant		Assistant		Assistant	75
Assistant	75						

SFP Datastore Limited	
Grade	Rate p/hr
Storage Tasks (Retrieval and Collection)	
Staff Costs	25
Inventorising and Additional	
Staff Costs	75
Retrieval Rates Guide	
Box Storage	18p / box / week
A4	21p / box / week
A3	6p / box / week
Transit Cases	
Retrieval costs from site	£1.10 per mile
Same Day Delivery (up to 10 items)	£22.50
Next Day Delivery (up to 10 items)	£15.00
Delivery to third party offices (up to 10 items / £1.50 per item thereafter)	£25.00

Meretec Limited (In Administration)

Report to Creditors & Statement of Proposals

APPENDIX VIII

- **Proof of Debt form**

PROOF OF DEBT - GENERAL FORM

**In the matter of Meretec Limited (In Administration)
and In the matter of the Insolvency Act 1986**

1.	Name of Creditor	
2.	Address of Creditor	
3.	Total amount of claim, including any Value Added Tax and outstanding uncapitalised interest as at the date the company went into administration	£
4.	Details of any document by reference to which the debt can be substantiated. [Note the administrator may call for any document or evidence to substantiate the claim at his discretion]	
5.	If the total amount shown above includes Value Added Tax, please show:- (a) amount of Value Added Tax (b) amount of claim NET of Value Added Tax	£ £
6.	If total amount above includes outstanding uncapitalised interest please state amount	£
7.	If you have filled in both box 3 and box 5, please state whether you are claiming the amount shown in box 3 or the amount shown in box 5(b)	
8.	Give details of whether the whole or any part of the debt falls within any (and if so which) of the categories of preferential debts under section 386 of, and schedule 6 to, the Insolvency Act 1986 (as read with schedule 3 to the Social Security Pensions Act 1975)	<div style="text-align: center;">Category</div> <div style="text-align: center;">Amount(s) claimed as preferential £</div>
9.	Particulars of how and when debt incurred.	
10.	Particulars of any security held, the value of the security, and the date it was given	£
11.	Signature of creditor or person authorised to act on his behalf	
	Name in BLOCK LETTERS	
	Position with or relation to creditor	

Meretec Limited (in Administration)

Report to Creditors & Statement of Proposals

APPENDIX IX

- **Guide to Administrators and Liquidators Fees**

A CREDITORS' GUIDE TO ADMINISTRATORS' FEES

Where Petition Presented or Appointment Made On or After 15 September 2003

ENGLAND AND WALES

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 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;

administrator has achieved and how it was achieved to enable the value of the exercise to be assessed (whilst recognising that the administrator must still fulfil 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, having 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, but it will be helpful to be aware of the professional guidance which has been given to insolvency practitioners on this subject. The guidance suggests the following areas of activity as a basis for the analysis of time spent:

- Administration and planning
- Investigations
- Realisation of assets
- Trading
- Creditors
- Any other case-specific matters

The following categories are suggested 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 subcontractors, 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.

5.14 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 charges-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

- 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.

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, if there is no creditors' committee, or the committee does not make the requisite determination, the remuneration may be fixed by 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,

having regard to the same matters as the committee would.

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

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 each 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, fee 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.

A CREDITORS' GUIDE TO LIQUIDATORS' FEES

ENGLAND AND WALES

1 Introduction

1.1 When a company goes into liquidation the costs of the proceedings are paid out of its assets. The creditors, who hope 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 liquidator. The insolvency practitioner recognises this interest by providing explanations for creditors to fix the basis of the liquidator's fees. This guide is intended to help creditors be aware of their rights to approve and monitor fees and explains the basis on which fees are fixed.

2 Liquidation procedure

2.1 Liquidation (or 'winding up') is the most common type of corporate insolvency procedure. Liquidation is the formal winding up of a company's affairs entailing the realisation of its assets and the distribution of the proceeds in a prescribed order of priority. Liquidation may be either voluntary, when it is initiated by resolution of the shareholders, or compulsory, when it is initiated by order of the court.

2.2 Voluntary liquidation is the more common of the two. An insolvent voluntary liquidation is called a creditors' voluntary liquidation (often abbreviated to 'CVL'). In this type of liquidation an insolvency practitioner acts as liquidator throughout and the creditors can vote on the appointment of the liquidator at the first meeting of creditors.

2.3 In a compulsory liquidation on the other hand, the function of liquidator is, in most cases, initially performed not by an insolvency practitioner but by an official called the official receiver. The official receiver is an officer of the court and a member of The Insolvency Service, an executive agency within the Department of Trade and Industry. In most compulsory liquidations, the official receiver becomes liquidator immediately on the making of the winding-up order. Where there was significant assets an insolvency practitioner will usually be appointed to act as liquidator in place of the official receiver, either at a meeting of creditors convened for the purpose or directly by the Secretary of State for Trade and Industry. Where an insolvency practitioner is not appointed the official receiver remains liquidator.

2.4 Where a compulsory liquidation follows immediately on an administration the court may appoint the former administrator to act as liquidator. In such cases the official receiver does not become liquidator. An administrator may also subsequently act as liquidator in a CVL.

3 The liquidation committee

3.1 In a liquidation (whether voluntary or compulsory) the creditors have the right to appoint a committee called the liquidation committee, with a minimum of 3 and a maximum of 5 members, to monitor the conduct of the liquidation and approve the liquidator's fees. The committee is usually established at the creditors' meeting which appoints the liquidator, but in cases where a liquidation follows immediately on an administration any committee established for the purposes of the administration will continue in being as the liquidation committee.

3.2 The liquidator must call the first meeting of the committee within 3 months of its establishment (or his appointment if that is later), and subsequent meetings must be held either at specified dates agreed by the committee, or when requested by a member of the committee, or when the liquidator decides he needs to hold one. The liquidator is required to report to the committee at least every 6 months on the progress of the liquidation, unless the committee directs otherwise. This provides an opportunity for the committee to monitor and discuss the progress of the insolvency and the level of the liquidator's fees.

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, but it will be helpful to be aware of the professional guidance which has been given to insolvency practitioners on this subject. The guidance suggests the following areas of activity as a basis for the analysis of time spent:

- Administration and planning
- Investigation
- Realisation of assets
- Trading
- Creditors
- Any other case-specific matters

The following categories are suggested 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 assignments and the liquidator's own initial assessment, including the anticipated costs 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 liquidator 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 subcontractors, 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.

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

5.2 After the approval

Where a resolution fixing the basis of fees is passed at any creditors' meeting held before he has substantially completed his functions, the liquidator should notify the creditors of the details of the resolution in his next report or circular to them. When subsequently reporting to creditors on the progress of the liquidation, or submitting his final report, he 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 liquidator should provide the details set out in paragraph 3.1.4 above regarding work which has been sub-contracted out.

4 Fixing the liquidator's fees

4.1 The basis for fixing the liquidator's remuneration is set out in Rules 4.127 - 4.127B of the Insolvency Rules 1986. The Rules state that the remuneration shall be fixed either:

- as a percentage of the value of the assets which are realised or distributed or both, or
- by reference to the time properly given by the liquidator and his staff in attending to matters arising in the liquidation.

It is for the liquidation committee (if there is one) to determine on which of these bases the remuneration is to be fixed, and if it is to be fixed as a percentage, to fix the percentage to be applied. Rule 4.127 says that in arriving at his decision the committee shall have regard to the following factors:

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

4.2 If there is no liquidation committee, or the committee does not make the requisite determination, the liquidator's remuneration may be fixed by a resolution of a meeting of creditors. The creditors take account of the same matters as the committee would. A resolution specifying the terms on which the liquidator is to be remunerated may be taken at the meeting which appoints the liquidator. If the remuneration is not fixed in any of these ways, it will be in accordance with a scale set out in the Rules.

5 What information should be provided by the liquidator?

5.1 When seeking the approval

5.1.1 When seeking agreement to his fees the liquidator 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 liquidator 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 liquidator seeks agreement to his fees during the course of the liquidation, he should always provide an up to date receipt and payments account. Where the proposed fee is based on time costs the liquidator 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 liquidator has achieved and how it was achieved to enable the value of the exercise to be assessed (whilst recognising that the liquidator 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 liquidator to provide an

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 liquidator 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 liquidator'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.

5.4 Realisations for secured creditors

Where the liquidator realises an asset on behalf of a secured creditor and receives remuneration out of the proceeds (see paragraph 3.1 below), he should disclose the amount of that remuneration to the committee (if there is one), or any meeting of creditors convened for the purpose of determining his fees, and in any reports he sends to creditors.

5.5 Reporting in compulsory liquidations

It should be borne in mind that in compulsory liquidations there is no statutory requirement for the liquidator to report to creditors until the conclusion of the assignment. In most such cases, therefore, creditors will receive no information during the course of the liquidation unless they specifically request it.

6 What if a creditor is dissatisfied?

6.1 Except in cases where there is a liquidation committee it is the creditors as a body who have authority to approve the liquidator's fees. To enable them to carry out this function they may require the liquidator to call a creditors' meeting. In order to do this at least ten per cent in value of the creditors must concur with the request, which must be made to the liquidator in writing.

6.2 If a creditor believes that the liquidator'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 liquidator 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 out of the assets of the insolvent company.

7 What if the liquidator is dissatisfied?

If the liquidator considers that the remuneration fixed by the 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 or in accordance with the statutory scale 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 committee and the committee may nominate one or more of its members to appear at the hearing at the court hearing. If there is no committee, the liquidator's notice of his application must be sent to each of the creditors at 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 out of the assets.

8 Other matters relating to fees

8.1 Where the liquidator realises assets on behalf of a secured creditor he is entitled to be remunerated out of the proceeds of sale in accordance with a scale set out in the Rules. Usually, however, the liquidator will agree the basis of his fee for dealing with charged assets with the secured creditor concerned.

1.2 Where two (or more) joint liquidators are appointed it is for them to agree between themselves how the remuneration payable should be apportioned. Any dispute between them may be referred to the court, the committee or a meeting of creditors.

1.3 If the appointed liquidator is a solicitor and employs his own firm to act in the insolvency, profit costs may not be paid unless authorised by the committee, the creditors or the court.

1.4 There may also be occasions when creditors will agree to make funds available themselves to pay for the liquidator to carry out tasks which cannot be paid for out of the assets, either because they are deficient or because it is uncertain whether the work undertaken will result in any benefit to creditors. Arrangements of this kind are sometimes made to fund litigation or investigations into the affairs of the insolvent company. Any arrangements of this nature will be a matter for agreement between the liquidator and the creditors concerned and will not be subject to the statutory rules relating to remuneration.

9. **Provision of information – additional requirements**

In any case where the liquidator is appointed on or after 1 April 2005 he must provide certain information about the time spent on the case, fees of charges, 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 liquidator 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 liquidator's appointment, or where he has vacated office, the date that he vacated office.

The information must be provided within 15 days of receipt of the request by the liquidator, and requests must be made within two years from vacation of office.

Meretec Limited (In Administration)

Report to Creditors & Statement of Proposals

APPENDIX X

- **Form 2.21B**

Creditor's request for a meeting

Name of Company
MERETEC LIMITED (IN ADMINISTRATION)

Company number
03659285

In the **HIGH COURT OF JUSTICE**
CHANCERY DIVISION
COMPANIES COURT

Court case number
9603 of 2008

(a) Insert full name and
address of the creditor making
the request

I (a) _____

(b) Insert full name and
address of registered office of
the company

request a meeting of the creditors of (b) _____

(c) Insert amount of claim

My claim in the administration is (c) _____

(d) Insert full name(s) and
address(es) of creditors
concurring with the request (if
any) and their claims in the
administration if the
requesting creditor's claim is
below the required 10%

(d) _____

concur with the above request, and I attach copies of their written confirmation of concurrence.

(e) Insert details of the
purpose of the meeting

The purpose of the meeting is (e) _____

Signed _____

Dated _____
