

Micro-Metalsmiths Limited - in Creditors' Voluntary Liquidation (formerly in Administration)

Progress Report to Creditors pursuant to Section 104A of the
Insolvency Act 1986 and Rule 18.7 of the Insolvency Rules 2016

14 December 2021

Ernst & Young LLP



Abbreviations

The following abbreviations are used in this report:

Barclays	Barclays Bank plc
the Company or Metalsmiths	Micro-Metalsmiths Limited
Lloyds	Lloyds Banking Group
Phynova	Phynova Group Limited
PPF	Pension Protection Fund
RPS	Redundancy Payments Service
SIP	Statement of Insolvency Practice
The Act	The Insolvency Act 1986
The Joint Liquidators	R H Kelly & C G J King
The Rules	The Insolvency Rules 2016
TUPE	Transfer of Undertakings (Protection of Employment) Regulations 2006

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1. Introduction

R H Kelly and C G J King were appointed Joint Liquidators of the Company on 21 October 2015 following the end of the Administration. Our appointment was made by the creditors pursuant to Paragraph 83 of Schedule B1 to the Insolvency Act 1986 and Rule 2.117 of the Insolvency Rules 1986, in accordance with the Joint Administrators' Proposals dated 25 June 2014.

This report on the progress of the Liquidation is in accordance with Section 104A of the Insolvency Act 1986 and Rule 18.7 of the Insolvency Rules 2016.

This report covers the period from 21 October 2020 to 20 October 2021.

In accordance with the provisions of the Insolvency Rules 2016 we are required to provide certain information about the Company and the Liquidators. This information is attached at Appendix D.

2. Progress of the Liquidation

2.1 VAT refund

In September 2020, the Joint Liquidators submitted a final VAT refund claim to HMRC for the amount of £10,064 which would form part of balance available to creditors of the Company.

Unfortunately, due to the additional workload caused by the COVID-19 pandemic, processing times at HMRC were significantly longer than usual. As a result, receipt of the refund was delayed until October 2021. Following the receipt of the VAT refund, the Joint Liquidators are now in a position to make a second and final dividend to creditors of the Company.

3. Receipts and payments

A receipts and payments account for the 12 months to 20 October 2021 and the period from 21 October 2015 to 20 October 2021 is attached at Appendix A. This does not reflect estimated future realisations or costs.

4. Outcome for creditors

4.1 Secured Creditors

4.1.1 Barclays Bank plc

At 21 October 2015, Barclays have received a total distribution of c£0.9m under their fixed charges on the properties leaving a shortfall of c£0.05m. Barclays have claimed as an unsecured creditor for this balance.

4.1.2 Lloyds Banking Group

Lloyds provided a confidential invoice discounting facility to the Company prior to our appointment and held fixed charge security over the debts.

As previously reported, the Company's liability to Lloyds has been extinguished.

4.2 Preferential Creditors

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

There are no preferential claims in the Liquidation.

4.3 Non-preferential Creditors

Following the VAT refund, the Joint Liquidators are in a position to make a second and final dividend to creditors of the Company.

The deadline for non-preferential, unsecured creditors to submit claims is due to pass on 10 January 2022 and the Joint Liquidators intend to declare and pay a second and final dividend within 2 months of that date.

To date, the Joint Liquidators have admitted claims aggregating c.£9.9m to rank for dividend purposes. As such, the quantum of the dividend is expected to be just less than 3 pence in the £.

4.4 The Prescribed Part

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

5. Liquidators' remuneration and disbursements

5.1 Basis of the Joint Liquidators' remuneration

The Joint Liquidators' remuneration was approved by a resolution of the creditors of the Company on 6 April 2016.

5.1.1 Time cost fee

The Joint Liquidators' remuneration for statutory work, agreeing creditors' claims and distributing assets to creditors is based on the time properly spent by them and their staff at the rates set out in Appendix C subject to a 20% discount and a limit of £60,000.

During the period covered by this report, we have incurred time costs of £11,200.

Total time costs incurred in the liquidation to 20 October 2021 (excluding time related to the realisation of the Phynova shares categorised as 'Other assets') are £123,107.

The Joint Liquidators have drawn fees totalling £60,000 in accordance with the above limit.

5.1.2 Realisation fee on Phynova shares

The Joint Liquidators' remuneration for realising the Company's shareholding in Phynova Limited was set at the following percentage of the amount realised:

- 10% of realisations up to £50,000; plus
- 15% of realisations between £50,001 and £100,000; plus
- 20% of realisations between £100,001 and £150,000; plus
- 40% of realisations of £150,001 and above.

As a result of net proceeds of £166,106 for the Phynova shareholding, the Joint Liquidators have drawn fees of £28,943 in accordance with the above limit.

5.2 Update on Joint Liquidators' remuneration

The Joint Liquidators have written to the creditors of the Company requesting permission to draw an additional fixed fee of £1,300.

The proposed fee is to cover additional time that the Joint Liquidators have incurred due to the delays at HMRC which the Joint Liquidators were unable to recover under the previously agreed fee structure.

The deadline for creditors wishing to vote on the above matter is 10 January 2022.

Set out at Appendix B is an analysis of the time spent and charge out rates for each grade of staff for the various areas of work carried out as required by the Statement of Insolvency Practice No.9. A statement of the Joint Liquidators' policy on charging remuneration is included at Appendix C.

5.3 Disbursements

The creditors of the Company also approved the Joint Liquidators drawing of Category 2 disbursements.

To date, Category 1 or 2 disbursements aggregating £1,336 have been incurred of which £Nil has been drawn.

Appendix C provides a statement of the Joint Liquidators' policy for charging Category 1 and 2 disbursements and an analysis of the Category 1 and 2 disbursements incurred and paid to date.

5.4 Payment to other professionals

The Joint Liquidators have engaged the following professional firms to assist them. They were chosen on the basis of their experience in similar assignments.

Name of firm	Nature of service	How contracted to be paid
Pinsent Masons LLP	Legal advice in relation to realising the Company's minority interests and overage.	Time cost basis

The fees paid to the above are included in the receipts and payments account at Appendix A.

5.5 Creditors' right to request further information about, and challenge, remuneration and expenses

The statutory provisions relating to remuneration are set out in Chapter 4 of Part 18 of the Insolvency (England and Wales) Rules 2016. Further information is given in the Association of Business Recovery Professionals' publication 'A Creditors' Guide to Liquidators' Fees', a copy of which may be accessed from the web site of the Institute of Chartered Accountants in England and Wales at <https://www.icaew.com/en/technical/insolvency/creditors-guides> or is available in hard copy upon written request to the Joint Liquidators.

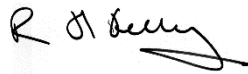
In certain circumstances, creditors are entitled to request further information about our remuneration or expenses, or to apply to court if they consider the costs to be excessive (Rules 18.9 and 18.34 of the Insolvency (England and Wales) Rules 2016). Further information is provided in 'A Creditors' Guide to Liquidators' Fees' referred to above.

6. Reporting

The next report will be delivered within two months from the next anniversary date being 20 October 2022, or at the conclusion of the Liquidation, whichever is sooner.

Should you wish to discuss any aspect of this report, please do not hesitate to contact John Louden on 0113 298 2315.

Yours faithfully
for the Company



R H Kelly
Joint Liquidator

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

The Joint Liquidators may act as data controllers of personal data as defined by the UK General Data Protection Regulation (as incorporated in the Data Protection Act 2018), depending upon the specific processing activities undertaken. Ernst & Young LLP and/or the Company may act as a data processor on the instructions of the Joint Liquidators. Personal data will be kept secure and processed only for matters relating to the Joint Liquidator's appointment. The Office Holder Data Privacy Notice can be found at www.ey.com/uk/officeholderprivacy.

Appendix A Joint Liquidators' abstract of receipts and payments from 21 October 2015 to 20 October 2021

Micro-Metalsmiths Limited - In Creditors' Voluntary Liquidation
Abstract of Receipts and Payments From 21 October 2015 to 20 October 2021

Statement of Affairs -

Estimated to realise values	From 21 October 2015 to 20 October 2020	From 21 October 2020 to 20 October 2021	Total
£	£	£	£
RECEIPTS			
n/a Administration surplus	504,632	-	504,632
n/a Share capital	166,106	-	166,106
n/a Rental income	20,314	-	20,314
n/a Deferred consideration	7,500	-	7,500
Property refund	3,646	-	3,646
Bank interest	1,972	-	1,972
Total Receipts	704,170	-	704,170
PAYMENTS			
Liquidators Fees	(88,943)	-	(88,943)
Corporation tax	(15,393)	-	(15,393)
Legal fees	(3,927)	-	(3,927)
Public Notices	(264)	-	(264)
Storage	(155)	-	(155)
Bank charges	(3)	-	(3)
Distribution to unsecured creditors	(297,987)	-	(297,987)
Total Payments	(406,671)	-	(406,671)
Net Receipts / (Payments)	297,499	-	297,499
Represented by:			
Cash at Bank	287,435	10,064	297,499
VAT recoverable	10,064	(10,064)	-
Balances in Hand	297,499	-	297,499

Notes:

- Balances are stated net of VAT
- The above does not reflect estimated future realisations or costs.

Appendix B Summary of Joint Liquidators' time-costs from 21 October 2015 to 20 October 2021

Micro Metalsmiths Limited - in Creditors' Voluntary Liquidation

Summary of Joint Liquidators' time-costs for the period from 21 October 2020 to 20 October 2021

(and cumulative to date)

	Partner	Assistant Director	Manager	Executive	Assistants and Support	Total hours for the period	Total time cost for the period (£)	Average hourly rate for the period (£)	Cumulative time cost to date (£)
Accounting and administration	-	-	4.0	-	-	4.0	2,130	533	36,187
Bank and statutory reporting	1.0	-	4.0	-	-	5.0	3,090	618	16,743
Creditors	-	-	3.0	-	-	3.0	1,560	520	24,215
Investigations	-	-	-	-	-	-	-	-	557
Legal issues	-	-	-	-	-	-	-	-	238
Other assets	-	-	-	-	-	-	-	-	39,669
Property	-	-	-	-	-	-	-	-	1,530
Statutory duties	-	-	3.5	-	-	3.5	1,820	520	8,196
VAT and Taxation	-	-	5.0	-	-	5.0	2,600	520	35,442
Total hours for the period	1.0	-	19.5	-	-	20.5			
Time costs for the period (£)	1,010	-	10,190	-	-		11,200		
Average hourly rate for the period (£)	1010	-	523	-	-			546	
Cumulative time cost to date (£)	11,177	25,551	51,137	58,136	16,775				162,776

Note: time is recorded in six minute intervals

Appendix C Statement of Joint Liquidators' charging policy on remuneration and disbursements

Office Holders' Charging Policy for Fees

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

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

Hourly rates

Grade	Hourly rate effective:									
	July 2013	July 2014	July 2015	July 2016	July 2017	March 2018	Nov 2018	July 2019	July 2020	July 2021
Partner	600	630	660	710	745	780	855	900	1010	1060
Assistant Director	430	450	475	500	525	550	580	610	680	715
Manager	335	350	370	390	410	430	450	480	520	545
Executive	240	250	265	280	295	310	325	340	385	405
Analyst and support	135 - 195	140 - 205	145 - 215	150 - 225	160 - 235	170 - 245	180 - 255	190 - 265	222 - 315	235 - 330

Office Holders' Charging Policy for Disbursements

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

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

The following Category 1 disbursements have been incurred to date:

Type and purpose	Incurred (£)	Paid (£)	Outstanding (£)
Post and printing	1,279.71	-	1,279.71
Total	1,279.71	-	1,279.71

Category 2 disbursements comprise payments made by the office holders' firm which include elements of shared or overhead costs. Such disbursements are subject to approval from the creditors as if they were remuneration. It is our policy, in line with SIP 9, to seek approval for this category of disbursement before they are drawn.

The following Category 2 disbursements have been incurred to date:

Type and purpose	Incurred (£)	Paid (£)	Outstanding (£)
Mileage	56.70	-	56.70
Total	56.70	-	56.70

Appendix D Summary of Statutory Information

Information about the Company and the Joint Liquidators

Company Name:	Micro- Metalsmiths Limited
Registered Office Address:	c/o Ernst & Young LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5QR
Registered Number:	00786649
Date of appointment of the Joint Liquidators	21 October 2015
Details of any changes of liquidator	None
Full names of the Liquidators	Robert Hunter Kelly and Charles Graham John King
Office holder numbers	8582 and 8985
Liquidators' address	Ernst & Young LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5QR
Telephone number	0113 298 2315
Name of alternative person to contact with enquiries about the case	John Loudon