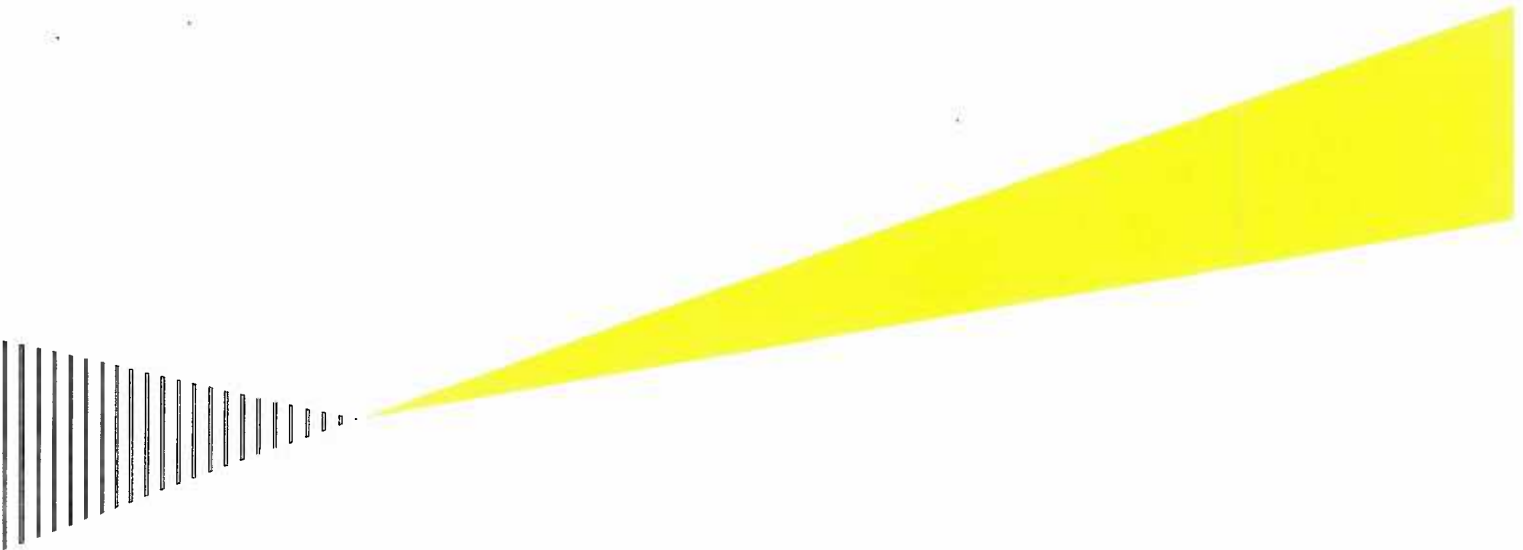


Micro-Metalsmiths Limited - formerly in Administration and now in Creditors' Voluntary Liquidation

Final 6 month Progress Report on the Administration

27 October 2015

Ernst & Young LLP



EY

Building a better
working world

Abbreviations

The following abbreviations are used in this report:

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

Contents

1. Introduction	1
2. Progress since the previous Progress Report dated 8 April 2015.....	2
3. Receipts and payments	4
4. Outcome for creditors	5
5. Administrators' remuneration and disbursements.....	6
6. Other matters	7
Appendix A Joint Administrators' abstract of receipts and payments from 2 May 2014 to 7 October 2015.....	8
Appendix B Summary of Joint Administrator's Time Costs from 2 May 2014 to 7 October 2015	9
Appendix C Statement of Administrators' charging policy for disbursements pursuant to Statement of Insolvency Practice No.9	10
Appendix D Summary of Statutory Information	12
Appendix E Creditor's request for further information regarding an Administrators' remuneration or expenses - Rule 2.48A Insolvency Rules 1986	13

1. Introduction

I write, in accordance with Rule 2.47 of the Insolvency Rules 1986, to provide creditors with a report on the progress of the Administration of Micro-Metalsmiths Limited. This report covers the period from 8 April 2015 to 7 October 2015 and should be read in conjunction with the Joint Administrators' Proposals dated 25 June 2014 and the Joint Administrators' previous progress reports dated 28 November 2014 and 8 April 2015.

1.1 Micro-Metalsmiths Limited - formerly in Administration and now in Creditors' Voluntary Liquidation

Registered number: 00786649

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

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

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

Under the terms of the appointment, any act required or authorised to be done by the Joint Administrators can be done by either of them.

1.2 Extensions to the initial period of Administration

A six month extension to the Administration was granted on 8 April 2015 by the secured and non-preferential unsecured creditors under paragraphs 76(2)(b) and 78(1) of Schedule B1 of the Insolvency Act 1986. The Administration was extended to 1 November 2015 to enable the Joint Administrators to continue to realise the Company's remaining assets.

In accordance with the Proposals, the Company moved from Administration to Creditors' Voluntary Liquidation on 15 October 2015 and R H Kelly and C G J King of Ernst & Young LLP were appointed as Joint Liquidators.

2. Progress since the previous Progress Report dated 8 April 2015

2.1 Sale of Business

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

There has been £67,500 collected in the period of this report, taking the total consideration received to £612,500.

There is an outstanding balance of £7,500 which is still to be received. The Liquidators will continue to pursue Sylatech for the deferred consideration and anticipate that this will be received by the end of November 2015.

2.2 Freehold Properties

The Company owned three freehold properties on appointment which were not included in the sale of business to Sylatech.

Kirkbymoorside properties

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

As previously reported, the Administrators concluded a sale of these two properties on 27 November 2014 to Sylatech for consideration of £550,000. An overage provision was also included for additional consideration in the event the two properties are developed for residential housing during a three year period from the date of sale.

We understand that Sylatech is pursuing a redevelopment of the sites. However, it is still unclear if any overage amounts will become payable as the prospects of future redevelopment is unknown at this stage. Any sums payable will be recovered in the Liquidation.

Prior to the sale, the above two properties were rented to Sylatech during the Administration period. Total rental income of £35,749 was received.

Pickering

The Company also owned 20,000 sq ft property in Pickering, North Yorkshire.

The Administrators concluded a sale of the Pickering property on 27 April 2015 for consideration of £460,000. This was significantly higher than LSH's (formerly ES) initial property valuation of £400,000.

The Pickering property was also rented to Sylatech prior to the sale. Total rental income of £22,500 has been received to date, and we anticipate that the remaining balance of £14,949 will be collected in the Liquidation by the end of November 2015.

2.3 Minority Interest

The Company owned minority shareholdings in two entities, Gasfrac and Phynova, on appointment.

Gasfrac

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

Phynova

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

The business is in its early stages of product development and has not yet commenced regular commercial sales. As a consequence, any offers we have received to date would have had a minimal effect on the dividend for the creditors of the Company. As a result we have declined (after consultation with the major creditor) to accept these offers.

We understand the prospects for Phynova have recently improved and we continue to monitor the position to conclude on the most appropriate strategy to achieve a sale of these shares.

3. Receipts and payments

A receipts and payments account for the period from 2 May 2014 to 7 October 2015 is attached at Appendix A. This does not reflect estimated future realisations or costs.

4. Outcome for creditors

4.1 Secured Creditors

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

Barclays have provided mortgages secured against the three freehold properties owned by the Company. Following a sale of the Pickering property, all realisations from the properties had been collected and the Administrators subsequently paid a final distribution to Barclays of c£0.43m.

As a result, Barclays received a total distribution of c£0.9m representing an overall shortfall of c£0.05m.

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

As previously reported, under the sale agreement with Sylatech, Lloyds transferred the outstanding debtor ledger at appointment to the Purchaser. The equity in these debts was purchased by Sylatech for £60,000 which was subsequently paid in full. As a consequence, the Company's liability to Lloyds has been extinguished.

4.2 Preferential Creditors

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

The Administrators received a claim from the Redundancy Payments Service of £3,780 representing unpaid employee pension contributions. A dividend of 100 pence in the pound was paid to the RPS on 5 May 2015.

4.3 Non-preferential Creditors

Non-preferential unsecured creditor claims received to date total c£10.0m and continue to be submitted. These claims will be kept on file and dealt with during the Liquidation of the Company.

There were no distributions to the Company's non-preferential unsecured creditors in the Administration.

4.4 The Prescribed Part

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

4.5 Distributions to Creditors

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

5. Administrators' remuneration and disbursements

The Administrators' remuneration was fixed on a time-cost basis which is subject to a cap agreed with the PPF. This was approved by a resolution of the creditors on 11 July 2014. The cap was agreed at £140,000.

An analysis of the time spent by the Joint Administrators is attached as Appendix B to this report. For a brief description of the work undertaken in relation to each category of time costs, please refer to my previous report dated 8 April 2015.

The Joint Administrators have drawn fees of £131,714 in the Administration, and a final balance of £8,286 relating to the Administrators' fees will be drawn in the Liquidation.

At Appendix C there is a statement of the Administrators' policy in relation to charging time and disbursements.

During the period covered by this report, the Administrators have incurred expenses totalling £2,349 plus VAT. The expenses can be summarised as follows:

Type of expense	Incurred (£)	Paid (£)	Outstanding (£)
Postage and printing	1,488	1,073	415
Statutory bonding	420	420	-
Travel	318	318	-
Category 2 disbursements	123	123	-
Total	2,349	1,934	415

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

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

5.1 Pre-administration costs

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

6. Other matters

6.1 Conduct of the Administration since 7 October 2015

Between 7 October 2015 and 21 October 2015 when the Company moved into Liquidation, the Joint Administrators continued to act in accordance with the Proposals. This work included, inter alia:

- ▶ Continuing to realise the remaining assets;
- ▶ Dealing with unsecured creditor queries;
- ▶ Dealing with statutory reporting and compliance issues; and
- ▶ Finalising the Administration.

6.2 Exit from Administration


In accordance with the Proposals, the Company moved from Administration to Creditors' Voluntary Liquidation on 15 October 2015 and RH Kelly and CGJ King of Ernst & Young LLP became the Joint Liquidators.

6.3 Future reports

We have enclosed with this report our final report on the Administration.

Should you have any remaining questions about the Administration, please do not hesitate to contact Matt Green at this office.

Yours faithfully
for the Company



R H Kelly
Former Joint Administrator

Enc: Joint Administrators' Receipts and Payments Account
Summary of Joint Administrators' Time-Costs and Category 2 Disbursements
Form 2.24B

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.

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

Appendix B Summary of Joint Administrator's Time Costs from 2 May 2014 to 7 October 2015

	Partner	Executive Director	Assistant Director	Manager	Executive	Assistants and Support	Total Hours	Total time cost EY rates
Accounting and administration	-	-	1.0	1.0	70.7	28.4	101.1	£23,319
Bank and statutory reporting	4.5	-	21.0	-	61.2	33.9	120.6	£34,035
Creditors	6.0	-	19.5	6.8	74.9	61.8	169.0	£44,972
Employee Matters	-	-	1.5	-	4.5	-	6.0	£1,800
Immediate tasks	-	-	11.5	-	23.5	-	35.0	£10,745
Investigations	2.0	-	1.0	-	-	14.0	17.0	£3,728
Job acceptance and strategy	8.0	-	-	-	-	-	8.0	£4,800
Legal issues	-	-	-	-	1.0	-	1.0	£240
Other assets	18.0	1.0	42.0	4.6	13.1	2.8	81.5	£36,044
Other matters	14.0	-	2.0	-	12.3	3.7	32.0	£13,531
Property	26.0	1.5	122.5	-	7.0	-	157.0	£73,596
Statutory duties	-	-	18.0	-	14.5	-	32.5	£11,355
VAT and Taxation	0.8	-	18.2	6.8	10.9	26.1	62.8	£22,775
Total Hours	79.3	2.5	258.2	19.2	293.6	170.7	823.5	£280,939
Total time cost EY rates	£49,801	£1,500	£117,161	£8,158	£73,419	£30,901		£280,939

Average rate per hour at EY rates

£341

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

Office Holders' Charging Policy for Fees

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

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

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

Chargeout rates

Grade Description	From 1 July 2015 (£)	From 1 July 2014 (£)	From 1 July 2013 (£)
Partner	660	630	600
Executive Director	630	600	570
Assistant Director	475	450	430
Senior Executive	370	350	335
Executive	265	250	240
Analyst level 3	215	205	195
Analyst level 2	160	150	145
Analyst level 1	145	140	135
Accounting & Treasury Staff	130	125	120

Office Holders' Charging Policy for Disbursements

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

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

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

Category 2 Disbursements

Of the disbursements of £2,349 incurred to date, £123 relates to Category 2 disbursements (as defined at Appendix D), which are analysed as follows:

Type and purpose	£
Mileage	123
Total	123

Appendix D Summary of Statutory Information

Company Information

Company Name: Micro- Metalsmiths Limited

Registered Office Address: c/o Ernst & Young LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5QR

Registered Number: 00786649

Trading Name(s): n/a

Trading Address(es): Kirkdale Road, Kirkbymoorside, North Yorkshire, YO62 6PX

Details of the Administrators and of their appointment

Administrators: R H Kelly and C G J King

Date of Appointment: 2 May 2014

By Whom Appointed: The appointment was made by the Company's Directors

Court Reference: High Court of Justice, Chancery Division, Leeds District Registry. Case 516 of 2014

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

Statement concerning the EC Regulation

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

Share capital

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

Directors and secretary and their shareholdings

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

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

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

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

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

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

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

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

(a) the remuneration charged by the administrator,

(b) the basis fixed for the administrator's remuneration under Rule 2.106, or

(c) expenses incurred by the administrator,

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

(1B) The application must, subject to any order of the court under Rule 2.48A(4), be made no later than 8 weeks after receipt by the applicant of the progress report which first reports the charging of the remuneration or the incurring of the expenses in question (“the relevant report”).”

