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

Report to Creditors pursuant to Section 104A of the Insolvency Act 1986

19 December 2017

Ernst & Young LLP
## Abbreviations

The following abbreviations are used in this report:

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

R H Kelly and CGJ King ("Joint Liquidators" or "the Liquidators") 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.

This report covers the period from 21 October 2016 to 20 October 2017 and should be read in conjunction with the Joint Administrators’ Proposals dated 25 June 2014, the Joint Administrators’ previous progress reports dated 28 November 2014, 8 April 2015, 27 October 2015 and the Joint Liquidators’ previous annual report dated 13 December 2016.

In accordance with the provisions of the Insolvency Rules 1986 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 Assets to be realised

The majority of the Company’s assets were realised during the administration. The following assets remain to be realised and have been progressed during the period covered by this report.

2.3.1 Overage Clause

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.

The overage period ended on 27 November 2017 and there has been no development on the land nor planning permission gained. Therefore no further realisations will be received from the overage clause.

2.3.2 Minority Interest

The Company owned a minority shareholding in Phynova that had not been realised at the date of liquidation.

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 still in relatively early stages of product development with modest commercial sales, although in the last year sales have started to show some growth. Until recently Phynova only had one product approved for sale, “Phynova Joint and Muscle Relief Tablets”, which have been listed for sale in Boots. There are now two further products developed for sale: “Reducose”, a mulberry leaf extract designed to help with diabetes, which has been approved by the Chinese Ministry for Health and approved for sale in the USA; and “Phynova Cold and Flu” has been approved by the Medicines and Healthcare products Regulatory Agency in the UK.

Despite this Phynova remains loss making and has continued to raise further shareholder equity to allow it to keep trading. This has limited our ability to realise the Company’s holding.

The management of Phynova have been planning an Initial Purchase Offering (“IPO”) to float on the AIM market. This would make the Company’s shareholding far more tradable and should allow us to obtain fair value for them. We were advised earlier this year that the listing was planned for May 2017. The latest update recently received states that the listing will now be delayed until early 2018. The reasons given for this are that there have been some promising product approvals, which require the board’s focus prior to floating.

We continue to monitor the position and maintain discussions with Phynova’s management to conclude on the most appropriate strategy to achieve a sale of these shares at a value that would make a difference to creditors.

Once we realise the Phynova shares we will be in a position to conclude the Administration.
2.2 Realisations during the period of this report

2.2.1 Property refund

The Company’s lawyers were holding £3,646 in their client account relating to an undertaking they had given on a property transaction in 2003. They were released from this undertaking this year and have transferred the balance held to the liquidation.

2.2.2 Bank Interest

There has been bank interest received in the last year totalling £288.

2.3 Creditor Distribution

During the period of this report all unsecured creditor claims received have been agreed.

On 13 December 2016 an interim distribution of 3p in the £ was declared and subsequently paid on 10 February 2017. The total amount distributed was £297,987.
3. Receipts and payments

A receipts and payments account for the period from 21 October 2015 to 20 October 2017 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, 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.

There are no preferential claims expected in the Liquidation.

4.3 Non-preferential Creditors

Non-preferential unsecured creditor claims received to date total £10,088,177. There are further claims listed on the directors’ Statement of affairs totalling £35,000 for which no claim has been submitted.

Creditors have received a dividend of 3p in the £ during the period of this report.

We anticipate in paying a further final dividend on conclusion of the liquidation. The quantum of this dividend will be dependent on the realisations, if any, from the Phynova investment.

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 Remuneration

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 (“SIP9”).

To 20 October 2017, the Liquidators have incurred time costs of £66,845. The Liquidators have drawn fees of £40,000 to date.

Our time costs during the period covered by this report relate principally to the following matters:

- Realising the assets remaining at the date of Liquidation;
- Dealing with unsecured creditor enquiries and claims; and
- Dealing with statutory reporting and compliance obligations.

The statutory provisions relating to remuneration are set out in Rule 2.106 of the Insolvency Rules 1986. 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 website of the Insolvency Practitioners Association at http://www.insolvency-practitioners.org.uk (follow “Regulation and Guidance” then ‘Creditors’ Guides to Fees’ then ‘Liquidators Fees (November 2011)’), or is available in hard copy upon written request to the Joint Liquidators.

In accordance with Rule 4.63A of the Insolvency Rules 1986, the Joint Liquidators’ remuneration was approved by a resolution of the creditors of the Company on 6 April 2016, based on the sum of three separate elements:

1) Time cost fee

That the 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 B subject to a 20% discount and a limit of £60,000.

2) Realisation fee on Phynova shares

That the Liquidators’ remuneration for realising the Company’s shareholding in Phynova Limited be 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.

3) Realisation fee on Kirkbymoorside Property overage

That the Liquidators’ remuneration for realising income relating to the overage clause that was agreed by the former administrators when the Company’s property at Kirkbymoorside was sold to Sylatech Limited be 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 of £100,001 and above.

The estimate of remuneration is £60,000.00 plus VAT. Expenses expected to be incurred are £1,000.00 plus VAT.

A statement of the Joint Liquidators’ policy on charging remuneration is included at Appendix C.

5.2 Disbursements
The unsecured creditors also approved the Joint Liquidators drawing category 2 disbursements.

Appendix C provides a statement of the Joint Liquidators’ policy for charging category 2 disbursements and a breakdown of the category 1 and 2 disbursements incurred and paid to date.

5.3 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.

<table>
<thead>
<tr>
<th>Name of firm</th>
<th>Nature of service</th>
<th>How contracted to be paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pinsent Masons</td>
<td>Legal advice in relation to realising the Company’s minority interests and overage.</td>
<td>Time cost basis</td>
</tr>
</tbody>
</table>

The fees paid to each of these professionals to date are included in the receipts and payments account at Appendix A and are as follows by firm:

<table>
<thead>
<tr>
<th>Name of firm</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pinsent Masons</td>
<td>2,550</td>
</tr>
</tbody>
</table>

5.4 Right to request information
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 D.
6. Reporting

The next report will be delivered within two months from the next anniversary date being 21 October 2018, 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 Hitesh Mistry on 0113 298 2319.

Yours faithfully
for the Company

R H Kelly
Joint Liquidator

C G J King is licensed in the United Kingdom to act as an insolvency practitioner by The Institute of Chartered Accountants in England and Wales. R H Kelly is licensed in the United Kingdom to act as an insolvency practitioner by The Institute of Chartered Accountants of Scotland.

We may collect, use, transfer, store or otherwise process (collectively “Process”) information that can be linked to specific individuals (“Personal Data”). We may Process Personal Data in various jurisdictions in accordance with applicable law and professional regulations including (without limitation) the Data Protection Act 1998.
## Appendix A  
Joint Liquidators’ abstract of receipts and payments from 21 October 2015 to 20 October 2017

<table>
<thead>
<tr>
<th>Estimated to realise as per the Directors’ Statement of Affairs</th>
<th></th>
<th></th>
<th>Total £</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RECEIPTS</strong></td>
<td>As previously reported</td>
<td>From 21 October 2016 to 20 October 2017</td>
<td>£</td>
</tr>
<tr>
<td>n/a Administration surplus</td>
<td>504,632</td>
<td>-</td>
<td>504,632</td>
</tr>
<tr>
<td>n/a Rental income</td>
<td>20,314</td>
<td>-</td>
<td>20,314</td>
</tr>
<tr>
<td>n/a Deferred consideration</td>
<td>7,500</td>
<td>-</td>
<td>7,500</td>
</tr>
<tr>
<td>Property refund</td>
<td>-</td>
<td>3,646</td>
<td>3,646</td>
</tr>
<tr>
<td>Bank interest</td>
<td>447</td>
<td>288</td>
<td>735</td>
</tr>
<tr>
<td><strong>Total Receipts</strong></td>
<td>532,893</td>
<td>3,933</td>
<td>536,826</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PAYMENTS</th>
<th></th>
<th></th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporation tax</td>
<td>(12,101)</td>
<td>(3,079)</td>
<td>(15,180)</td>
</tr>
<tr>
<td>Legal fees</td>
<td>(545)</td>
<td>(2,005)</td>
<td>(2,550)</td>
</tr>
<tr>
<td>Public Notices</td>
<td>(85)</td>
<td>(85)</td>
<td>(169)</td>
</tr>
<tr>
<td>Liquidators Fees</td>
<td>-</td>
<td>(40,000)</td>
<td>(40,000)</td>
</tr>
<tr>
<td>Distribution to unsecured credit</td>
<td>-</td>
<td>(297,987)</td>
<td>(297,987)</td>
</tr>
<tr>
<td>Bank charges</td>
<td>(0)</td>
<td>(0)</td>
<td>(1)</td>
</tr>
<tr>
<td><strong>Total Payments</strong></td>
<td>(12,731)</td>
<td>(343,156)</td>
<td>(355,887)</td>
</tr>
</tbody>
</table>

Cash at Bank | 520,162 | (339,223) | 180,939 |

Balances in Hand | 520,162 | (339,223) | 180,939 |

Note: there was a period from 8 October 2015 to 20 October 2015 that was not covered in our final administrators’ Progress report, however there were no receipts and payments in this period.
Appendix B  Summary of Joint Liquidator’s Time Costs from 21 October 2015 to 20 October 2017

Micro Metalsmiths Limited - in Creditors' Voluntary Liquidation
Time costs incurred 21 October 2015 to 20 October 2017

<table>
<thead>
<tr>
<th>Category</th>
<th>Partner</th>
<th>Executive Director</th>
<th>Assistant Director</th>
<th>Manager</th>
<th>Executive</th>
<th>Assistants and Support</th>
<th>Total Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting and administration</td>
<td>2.0</td>
<td>-</td>
<td>2.0</td>
<td>-</td>
<td>72.0</td>
<td>1.3</td>
<td>77.3</td>
</tr>
<tr>
<td>Bank and statutory reporting</td>
<td>1.0</td>
<td>-</td>
<td>5.5</td>
<td>-</td>
<td>12.5</td>
<td>-</td>
<td>19.0</td>
</tr>
<tr>
<td>Creditors</td>
<td>2.0</td>
<td>-</td>
<td>11.0</td>
<td>-</td>
<td>23.6</td>
<td>-</td>
<td>36.6</td>
</tr>
<tr>
<td>Employee Matters</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Immediate tasks</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investigations</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2.1</td>
<td>-</td>
<td>2.1</td>
</tr>
<tr>
<td>Job acceptance and strategy</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Legal issues</td>
<td>-</td>
<td>-</td>
<td>0.5</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.5</td>
</tr>
<tr>
<td>Other assets</td>
<td>2.0</td>
<td>-</td>
<td>5.8</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7.8</td>
</tr>
<tr>
<td>Other matters</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Property</td>
<td>1.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1.0</td>
</tr>
<tr>
<td>Statutory duties</td>
<td>1.0</td>
<td>-</td>
<td>0.8</td>
<td>-</td>
<td>8.0</td>
<td>-</td>
<td>9.8</td>
</tr>
<tr>
<td>VAT and Taxation</td>
<td>-</td>
<td>-</td>
<td>1.8</td>
<td>5.5</td>
<td>8.1</td>
<td>38.2</td>
<td>53.6</td>
</tr>
<tr>
<td><strong>Total Hours</strong></td>
<td><strong>9.0</strong></td>
<td><strong>-</strong></td>
<td><strong>27.4</strong></td>
<td><strong>5.5</strong></td>
<td><strong>126.3</strong></td>
<td><strong>39.5</strong></td>
<td><strong>207.7</strong></td>
</tr>
<tr>
<td><strong>Total time cost EY rates</strong></td>
<td><strong>£6,040</strong></td>
<td><strong>£13,918</strong></td>
<td><strong>£3,250</strong></td>
<td><strong>£35,277</strong></td>
<td><strong>£8,360</strong></td>
<td><strong>£66,845</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Average rate per hour at EY rates</strong></td>
<td><strong>£671</strong></td>
<td><strong>-</strong></td>
<td><strong>£508</strong></td>
<td><strong>£591</strong></td>
<td><strong>£279</strong></td>
<td><strong>£212</strong></td>
<td><strong>£322</strong></td>
</tr>
</tbody>
</table>
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.

Chargeout rates

<table>
<thead>
<tr>
<th>Grade Description</th>
<th>From 1 July 2013</th>
<th>From 1 July 2014</th>
<th>From 1 July 2015</th>
<th>From 1 July 2016</th>
<th>From 1 July 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partner</td>
<td>£600</td>
<td>£630</td>
<td>£660</td>
<td>£710</td>
<td>£745</td>
</tr>
<tr>
<td>Executive Director</td>
<td>£570</td>
<td>£600</td>
<td>£630</td>
<td>£660</td>
<td>£695</td>
</tr>
<tr>
<td>Assistant Director</td>
<td>£430</td>
<td>£450</td>
<td>£475</td>
<td>£500</td>
<td>£595</td>
</tr>
<tr>
<td>Senior Executive</td>
<td>£335</td>
<td>£350</td>
<td>£370</td>
<td>£390</td>
<td>£410</td>
</tr>
<tr>
<td>Executive</td>
<td>£240</td>
<td>£250</td>
<td>£265</td>
<td>£280</td>
<td>£295</td>
</tr>
<tr>
<td>Analyst level 3</td>
<td>£195</td>
<td>£205</td>
<td>£215</td>
<td>£225</td>
<td>£235</td>
</tr>
<tr>
<td>Analyst level 2</td>
<td>£145</td>
<td>£150</td>
<td>£160</td>
<td>£170</td>
<td>£180</td>
</tr>
<tr>
<td>Analyst level 1</td>
<td>£135</td>
<td>£140</td>
<td>£145</td>
<td>£150</td>
<td>£160</td>
</tr>
<tr>
<td>Accounting and Treasury Staff</td>
<td>£120</td>
<td>£125</td>
<td>£130</td>
<td>£135</td>
<td>£140</td>
</tr>
</tbody>
</table>

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

To date, there have been no category 2 disbursements incurred or paid.
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 Liquidators and of their appointment

Administrators: R H Kelly and C G J King
Date of Appointment: 21 October 2015
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

<table>
<thead>
<tr>
<th>Class</th>
<th>Authorised Number</th>
<th>Authorised £</th>
<th>Issued and fully paid Number</th>
<th>Issued and fully paid £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary</td>
<td>81,606</td>
<td>81,606</td>
<td>81,606</td>
<td>81,606</td>
</tr>
</tbody>
</table>

Directors and secretary and their shareholdings

<table>
<thead>
<tr>
<th>Name</th>
<th>Director or Secretary</th>
<th>Date appointed</th>
<th>Date resigned</th>
<th>Current shareholding</th>
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<td>Mr G Gunn</td>
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<tr>
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<td>25/02/2013</td>
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<td>-</td>
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<tr>
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<td>Mr J McGreevy</td>
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<tr>
<td>Ms M J R Shaw</td>
<td>Director</td>
<td>14/05/1992</td>
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<td>14/05/1992</td>
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Appendix E  Creditor’s rights to request further information about remuneration or expenses or to challenge a liquidator’s remuneration – Rule 4.49E and 4.131 of the Insolvency Rules 1986 (as amended)

4.49E Creditors’ request for further information

(1)  If—

   (a) within the period mentioned in paragraph (2)—

      (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

      (iii)(b) with the permission of the court upon an application made within the period mentioned in paragraph

      (2)—

      (i) any unsecured creditor, or

      (ii) makes a request in writing to the liquidator for further information about remuneration or expenses set out in a progress report in accordance with Rule 4.49B(1)(e) or (f) (including by virtue of Rule 4.49C(5)) or in a draft report under Rule 4.49D, the liquidator must, within 14 days of receipt of the request, comply with paragraph (3) except to the extent that the request is in respect of matter in a draft report under Rule 4.49D or a progress report required by Rule 4.108 which (in either case) was previously included in a progress report not required by Rule 4.108.

(2)  The period referred to in paragraph (1)(a) and (b) is—

   (a) 7 business days of receipt of the progress report where it is required by Rule 4.108, and

   (b) 21 days of receipt of the report or draft report in any other case.

(3)  The liquidator complies with this paragraph by either—

   (a) providing all of the information asked for, or

   (b) so far as the liquidator 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 liquidation or might reasonably be expected to lead to violence against any person, or

      (iii) the liquidator is subject to an obligation of confidentiality in respect of the information,

      giving reasons for not providing all of the information.

(4)  Any creditor, who need not be the same as the creditors who asked for the information, may apply to the court within 21 days of—

   (a) the giving by the liquidator 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.
(5) Without prejudice to the generality of paragraph (4), the order of the court under that paragraph may extend the period of 8 weeks or, as the case may be, 4 weeks provided for in Rule 4.131(1B) or 4.148C(2) by such further period as the court thinks just.

(6) This Rule does not apply where the liquidator is the official receiver.

**4.131 Creditors' claim that remuneration is or other expenses are excessive**

(1) Any secured creditor, or any unsecured creditor with either the concurrence of at least 10%
in value of the 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 liquidator,
(b) the basis fixed for the liquidator's remuneration under Rule 4.127, or
(c) expenses incurred by the liquidator,
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 4.49E(5), be made no later
than 8 weeks (or, in a case falling within Rule 4.108, 4 weeks) after receipt by the applicant of the
progress report, or the draft report under Rule 4.49D, which first reports the charging of the
remuneration or the incurring of the expenses in question ("the relevant report").

(2) The court may, if it thinks that no sufficient cause is shown for a reduction, dismiss the
application; but it shall not do so unless the applicant has had an opportunity to attend the
court for
a hearing, of which he has been given at least 5 business days' notice but which is
without notice to any other party.

If the application is not dismissed under this paragraph, the court shall fix a venue for it to be heard,
and give notice to the applicant accordingly.

(3) The applicant shall, at least 14 days before the hearing, send to the liquidator a notice stating
the venue and accompanied by a copy of the application, and of any evidence which the applicant
intends to adduce in support of it.

(4) If the court considers the application to be well-founded, it must make one or more of the
following orders—
(a) an order reducing the amount of remuneration which the liquidator was entitled to
Creditor’s rights to request further information about remuneration or expenses or to challenge a liquidator’s remuneration – Rule 4.49E and 4.131 of the Insolvency Rules 1986 (as amended)

charge;

(b) an order fixing the basis of remuneration at a reduced rate or amount;
(c) an order changing the basis of remuneration;
(d) an order that some or all of the remuneration or expenses in question be treated as not being expenses of the liquidation;
(e) an order that the liquidator or the liquidator’s personal representative pay to the company the amount of the excess of remuneration or expenses or such part of the excess as the court may specify;

and may make any other order that it thinks just; but an order under sub-paragraph (b) or (c) may be made only in respect of periods after the period covered by the relevant report.

(5) Unless the court orders otherwise, the costs of the application shall be paid by the applicant, and are not payable as an expense of the liquidation.

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