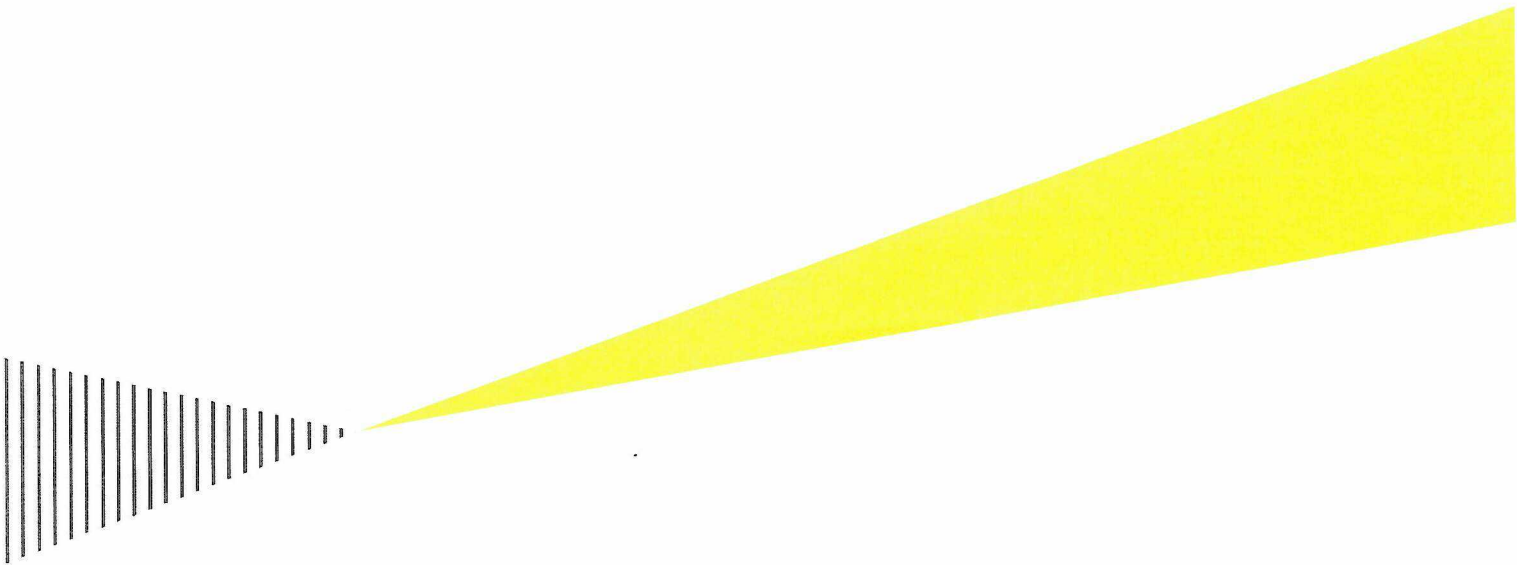


Ecotech London Limited – In Administration
Joint Administrators' progress report

4 July 2017

Ernst & Young LLP



Abbreviations

The following abbreviations are used in this report:

the Company/Ecotech London	Ecotech London Limited (In Administration)
Ecotech Corporation	Ecotech Corporation Limited
EY	Ernst & Young LLP
Hilton Baird	Hilton Baird Collection Services Limited
Hilco	Hilco Valuation Services Europe, a division of Hilco Global
NOI	Notice of Intention
Lombard	Lombard North Central plc
LWARB	London Waste and Recycling Board
PET	Polyethylene Terephthalate
MRF	Materials Recovery Facility
Premises	Unit 4, Marsh Way, Fairview Industrial Park, Rainham, Essex
Proposals	Joint Administrators' Proposals dated 29 July 2016
RBSIF	Royal Bank of Scotland Invoice Finance
STF	STF Maschinen und Anlagenbau GmbH

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1. Introduction

1.1 Ecotech London Limited (In Administration)

I write, in accordance with Rule 18.3 of the Insolvency (England and Wales) Rules 2016, to provide creditors with a report on the progress of the Administration. This report covers the period from 6 December 2016 to 5 June 2017 and should be read in conjunction with the Joint Administrators' statement of proposals dated 29 July 2016 and previous progress report dated 4 January 2017.

Ecotech London Limited entered Administration on 6 June 2016 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 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.

Further statutory information in relation to the Company can be found at Appendix D.

1.2 Extension to the Administration

The Administration was extended by consent of the secured and preferential creditors under Paragraph 78 (2) of Schedule B1 of the Insolvency Act 1986. The extension was for a period of 12 months up to 5 June 2018.

The purpose of the extension is to allow the Joint Administrators to realise the Company's remaining assets and to make distributions of net recoveries to the Company's secured and unsecured creditors.

2. Summary of progress since the progress report dated 4 January 2017

2.1 Realisation of Assets

As previously reported, due to numerous challenges (in particular the inability to trade the business and the significant holding costs associated with the trading location) it was evident that a sale of business would not be achieved following appointment. Accordingly the Administration strategy focussed on winding down the Company's affairs and maximising realisations from the Company's asset base (which was fairly limited due to the majority of assets being subject to third party finance).

2.1.1 Stock

Stock realisations of £23,647 were generated from the residual finished goods stock at the Company's premises.

2.1.2 Plant and machinery

As previously advised, the majority of the Company's chattel assets were subject to asset finance.

The small amount of owned plant and machinery was sold at auction and generated total recoveries (before costs of realisation) of £23,323.

2.1.3 Debtors

To date, a gross debtor surplus after repaying RBSIF of c.£214,000 has been realised to the benefit of the Administration.

At the date of our previous report we were pursuing outstanding debtor balances of £31,284 across three accounts.

The majority of this has been recovered other than a balance of £1,190.11 due in relation to the largest account. Should this balance remain unpaid then further action will be taken to ensure its recovery.

The costs paid to date to Hilton Baird for their assistance with the debtor collection process (including fees for issuing claims) are £13,538.

2.1.4 Cash bond held by Lombard

At the date of appointment Lombard held a cash bond of £250,000 which we understand was a condition of providing finance for the main recycling line.

As previously reported Lombard was party to a buyback agreement with STF which stipulated that in the event the buyback agreement was invoked, STF would pay the remaining balance due under the finance agreement for the main recycling line and thus, take ownership of the plant.

Following a period of protracted negotiations between Lombard and STF, a settlement was concluded under the buyback agreement. The overall settlement has resulted in a net cash surplus to the Company of c.£216,500 (after deductions for legal costs).

2.1.5 Rent deposit

As previously advised, it was not possible to generate any recoveries from the £135,000 cash deposit held by the Landlord as a result of clear up and remedial costs associated with the

site. In addition the Landlord also suffered lost rent as the property was unoccupied for a period following the Company's vacation of the site.

The lease to the property has been surrendered to the Landlord.

3. Receipts and Payments Account

We enclose a receipts and payments account for the Company at Appendix A, for the period 6 June 2016 to 5 June 2017.

Please note, these accounts do not reflect estimated future realisations or associated costs.

4. Outcome for Creditors

We provide below, for information, an indication of the current position with regard to creditors' claims. The figures have been compiled based on the Company's books and records and have not been subject to independent review.

These figures do not include any estimates for contingent claims. Predominantly we would expect these claims to occur from the Landlord, in respect of existing and future liabilities under the lease albeit this will be mitigated by the cash bond held.

4.1 Secured Creditors

4.1.1 Lombard

As previously discussed, Lombard provided funding for the majority of the Company's recycling line and had a balance due under the termination agreement of £1.1m.

Lombard have recovered their exposure in full under the buyback agreement and through utilisation of the cash bond. Written confirmation has subsequently been received from Lombard stating it has no further claims in the Administration.

4.1.2 LWARB

LWARB have a second ranking debenture containing a fixed and floating charge with total lending of c.£2.8m.

Sufficient realisations have been generated to enable a distribution to be made to LWARB. That said, the Company's floating charge asset base on appointment was limited and therefore LWARB will suffer a significant shortfall.

To date distributions totalling £135,000 have been made to LWARB.

4.2 Preferential creditors

Preferential creditor claims totalling £18,024 have been paid in full.

4.3 Non-preferential creditors

The directors' Statement of Affairs estimates that non-preferential creditors will amount to c.£5.5m. These are broken down as follows:

- ▶ Trade creditors - £1.4m;
- ▶ HMRC - £39,341;
- ▶ Unsecured shareholder loans – c.£4.0m; and
- ▶ Employees unsecured claims – c.£0.1m.

Creditor claims continue to be submitted and final claims in the Administration may be higher due to contingent claims and other non-preferential creditor amounts not included in the Statement of Affairs.

It is not anticipated that there will be sufficient realisations to enable a distribution to the non-preferential creditors other than by virtue of the Prescribed Part.

4.3.2 The Prescribed Part

Due to the anticipated shortfall to LWARB, the only distribution that will be available to unsecured creditors is the Prescribed Part. The Prescribed Part is a proportion of floating charge assets set aside for unsecured creditors pursuant to section 176A of the Insolvency Act 1986. The Prescribed Part applies to floating charges created on or after 15 September 2003.

Our latest estimates indicate that:

- ▶ The value of the Company's net property will amount to c.£75,000; and
- ▶ This is estimated to result in the value of the prescribed part being c.£58,000 (before the costs of dealing with the prescribed part).

Due to the quantum of amounts owed to unsecured creditors, we estimate that the dividend to non-preferential creditors under the prescribed part in the Administration will be c.1p in the pound.

5. Administrators remuneration and disbursements and payments to other professionals

5.1 Administrators' remuneration

The statutory provisions relating to remuneration are set out in Rule 18.16 of the Insolvency (England and Wales) Rules 2016. Further information is given in the Association of Business Recovery Professionals' publication 'A Creditors' Guide to Administrators' Fees', a copy of which may be accessed from the web site of Institute of Chartered Accountants at <https://www.icaew.com/en/technical/insolvency/creditors-guides>, or is available in hard copy upon written request to the Joint Administrators.

On 19 December 2016 secured and preferential creditors approved, in accordance with the provisions of Rule 2.106(5A) of the Insolvency Rules 1986 (as it was at the time, now Rule 18.18(4) of the Insolvency (England and Wales) Rules 2016), that the Joint Administrators' remuneration be fixed on the basis of time properly given by them and their staff in dealing with matters arising in the Administration.

An analysis of the time spent is attached at Appendix B for each grade of staff for the various areas of work carried out to 5 June 2017, as required by the Association of Business Recovery Professionals' Statement of Insolvency Practice No. 9.

The Administrators' remuneration is not expected to exceed the amount provided for in the fee estimate sent to creditors on 29 July 2016.

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

5.2 Administrators' disbursements

To date, the Joint Administrators have incurred Category 1 disbursements totalling £3,398.12, which can be summarised as follows:

Expense type	Incurred (£)	Paid (£)	Outstanding (£)
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The secured and preferential creditors' approval has also been sought for drawing Category 2 disbursements. Category 2 disbursements totalling £1,135.80 have been incurred and can be summarised as follows:

Expense type	Incurred (£)	Paid (£)	Outstanding (£)
Mileage	550.80	550.80	-
Printing and photocopying	585.00	585.00	-
Total	1,135.80	1,135.80	-

Appendix C provides a statement of the Joint Administrators' policy for charging disbursements.

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 18.9 and 18.34 of the Insolvency (England and Wales Rules 2016). Further information is provided in Appendix E.

5.3 Payment to other professionals

The Joint Administrators have engaged the following other professionals 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
Hilco	Asset advice, including valuation and sale of chattel assets.	Time cost basis and percentage of realisations achieved
Addleshaw Goddard LLP	Legal advice	Time cost basis
Hilton Baird	Debt collection	Percentage of realisations achieved

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:

Name of firm	£
Addleshaw Goddard LLP	24,506
Hilco	4,850
Hilton Baird	13,538

5.4 Pre-administration costs

As previously advised, no unpaid pre-administration costs will be recovered.

6. Other Matters

6.1 Future Conduct of the Administrators

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

- ▶ Pursuing the remaining book debts;
- ▶ Dealing with tax and VAT matters;
- ▶ Distributing any surplus recoveries to the creditors of the Company; and
- ▶ Dealing with all statutory reporting compliance requirements.

6.2 Future Reports

We will report to all creditors again in six months' time or at the conclusion of the Administration, whichever is sooner.

Should you have any queries please do not hesitate to contact my colleague, Matt Dawson, on 0113 236 4356.

Yours faithfully
for the Company



C G J King
Joint Administrator

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

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

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

Appendix A Receipts and Payments account from 6 June 2016 to 5 June 2017

Statement of Affairs Amount £	From 06/06/2016 to 05/12/2016	From 06/12/2016 to 05/06/2017	Total
	£	£	£
Receipts			
3,000	23,647	-	23,647
210,949	180,833	33,389	214,222
50,000	23,323	-	23,323
-	500	-	500
-	1,925	-	1,925
11,319	6,079	-	6,079
-	3	10	12
-	-	216,489	216,489
	<u>236,310</u>	<u>249,887</u>	<u>486,197</u>
Payments			
	-	(130,000)	(130,000)
	-	(4,520)	(4,520)
	(15,646)	(8,860)	(24,506)
	(4,850)	-	(4,850)
	(9,949)	(3,589)	(13,538)

Appendix B Summary of Joint Administrators' Time Costs from 6 June 2016 to 5 June 2017

Ecotech London Limited (In Administration)								
Summary of Joint Administrators' time costs from 6 June 2016 to 5 June 2017								
Hours	Partner	Executive Director	Assistant Director	Senior Executive	Executive	Analyst	Support	Total
Accounting and Administration	-	-	-	17.5	2.3	38.8	89.5	148.1
Bank & Statutory Reporting	5.0	15.5	-	18.0	-	1.0	-	39.5
Creditors (Mandatory)	2.0	1.0	7.5	5.0	-	19.8	-	35.3
Debtors	-	2.5	-	15.0	-	-	-	17.5
Employee Matters	-	-	7.0	3.0	20.5	4.0	-	34.5
General	-	1.5	-	-	-	2.5	-	4.0
Immediate Tasks	-	3.0	-	7.5	-	22.5	-	33.0
Investigations	-	1.0	-	-	-	-	-	1.0
Job Acceptance & Strategy	-	1.0	-	-	-	-	-	1.0
Legal issues	-	1.5	-	-	-	-	-	1.5
Other Assets (Mandatory)	-	16.5	-	25.5	-	1.0	-	43.0
Other Matters	-	-	-	3.0	-	-	-	3.0
Property	-	5.0	-	34.0	-	-	-	39.0
Public Relations Issues	-	1.0	-	-	-	-	-	1.0
Retention of Title	-	-	-	3.5	-	14.0	-	17.5
Statutory Duties	-	2.0	-	65.5	-	43.5	-	111.0
STF Licence and Plant	-	6.0	-	17.0	-	-	-	23.0
Trading (Mandatory)	-	-	-	1.0	-	-	-	1.0
VAT & Taxation	-	-	15.8	12.3	2.9	26.7	-	57.7
Total Hours	7.0	57.5	30.3	227.8	25.7	173.8	89.5	611.6
Time Costs (£)	4,670.0	36,670.0	17,938.5	86,860.0	7,440.5	25,332.5	24,775.0	203,687
Average Hourly Rate (£)	667	641	592	381	290	146	277	335

Appendix C Statement of Administrators Charging Policy for Remuneration and Disbursements Pursuant to Statement of Insolvency Practice No.9

The secured and preferential creditors have determined that the Joint 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.

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 rate for each category of staff over the period is shown in Appendix B, and the current hourly rates are detailed below. The current hourly rates may be higher than the average rates, if hourly rates have increased over the period covered by this report

It is our firm's policy to review the charge out rates annually on 1 July. The current hourly rates are:

		Current	Current	Current
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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.

To date, the Joint Administrators have incurred Category 1 disbursements as follows:

Expense type	Incurred (£)	Paid (£)	Outstanding (£)
Travel	1,350.54	1,350.54	-
Accommodation	929.91	929.91	-
Meals/Subsistence	235.21	235.21	-
Postage/Courier	663.46	658.25	5.21
Bonding	210.00	210.00	-
Total	3,389.12	3,383.91	5.21

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 secured and preferential 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 Administrators are currently in the process of seeking the approval of the secured creditors for the Category 2 disbursements.

To date, the Joint Administrators have incurred Category 2 disbursements as follows:

Expense type	Incurred (£)	Paid (£)	Outstanding (£)
Mileage	550.80	550.80	-
Printing and photocopying	585.00	585.00	-
Total	1,135.80	1,135.80	-

Appendix D Summary of Statutory Information

Company Information

Company Name:	Ecotech London Limited (In Administration)
Registered Office Address:	c/o Ernst & Young LLP 1 Bridgewater Place Water Lane Leeds LS11 5QR
Registered Number:	02570001

Directors and secretary and their shareholdings

Name	Director or Secretary	Date appointed	Current shareholding
Javed Mawji	Director	18 June 2013	-
Lorna Mary Leonard	Director	18 November 2014	-
James Alexander Lanman	Director	1 March 2014	-
Fatehali Jaffer Mawji	Director	13 December 2013	-
David George Sargent	Director	13 December 2013	-
Ian Frederick Goodfellow	Director	13 December 2013	-
Markus Ingepass	Director	28 January 2014	-

Appendix E Creditors and members Request for Further Information in administration, winding up and bankruptcy - – Rule 18.9A, Insolvency Rules 2016

18.9.—(1) The following may make a written request to the office-holder for further information about remuneration or expenses (other than pre-administration costs in an administration) set out in a progress report under rule 18.4(1)(b), (c) or (d) or a final report under rule 18.14—

- (a) a secured creditor;
- (b) an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors (including the creditor in question);
- (c) members of the company in a members' voluntary winding up with at least 5% of the total voting rights of all the members having the right to vote at general meetings of the company;
- (d) any unsecured creditor with the permission of the court; or
- (e) any member of the company in a members' voluntary winding up with the permission of the court.

(2) A request, or an application to the court for permission, by such a person or persons must be made or filed with the court (as applicable) within 21 days of receipt of the report by the person, or by the last of them in the case of an application by more than one member or creditor.

(3) The office-holder must, within 14 days of receipt of such a request respond to the person, or persons who requested the information by—

- (a) providing all of the information requested;
- (b) providing some of the information requested; or
- (c) declining to provide the information requested.

(4) The office-holder may respond by providing only some of the information requested or decline to provide the information if—

- (a) the time or cost of preparation of the information would be excessive; or
- (b) disclosure of the information would be prejudicial to the conduct of the proceedings;
- (c) disclosure of the information might reasonably be expected to lead to violence against any person; or
- (d) the office-holder is subject to an obligation of confidentiality in relation to the information.

(5) An office-holder who does not provide all the information or declines to provide the information must inform the person or persons who requested the information of the reasons for so doing.

(6) A creditor, and a member of the company in a members' voluntary winding up, who need not be the same as the creditor or members who requested the information, may apply to the court within 21 days of—

- (a) the office-holder giving reasons for not providing all of the information requested; or
- (b) the expiry of the 14 days within which an office-holder must respond to a request.