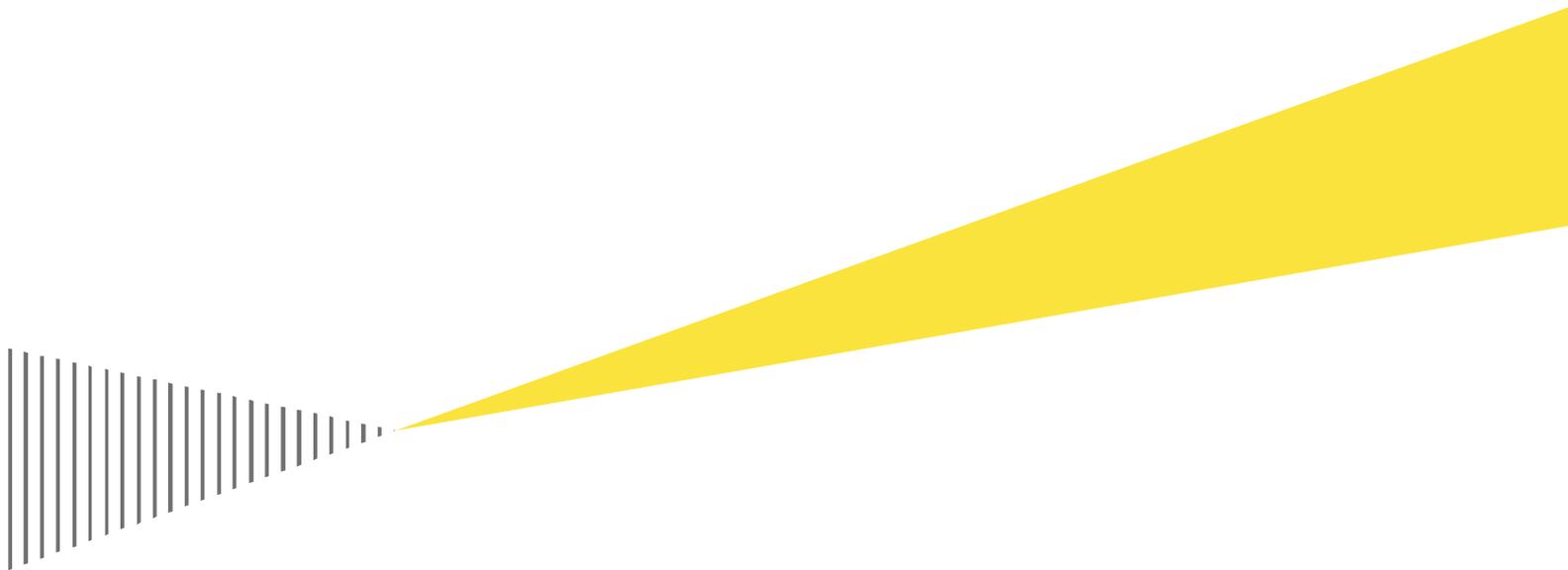


Ecotech London Limited – In Administration

Joint Administrators' progress report

3 January 2018

Ernst & Young LLP



EY

Building a better
working world

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 June 2017 to 5 December 2017 and should be read in conjunction with the Joint Administrators' statement of proposals dated 29 July 2016 and previous progress reports.

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 July 2017

2.1 Realisation of Assets

As previously reported, 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.£215,412 has been realised.

No further realisations from the Company's pre-appointment debtor book are envisaged.

The costs paid to date to Hilton Baird for their assistance with the debtor collection process (including fees for issuing claims) are £13,657.

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.

The overall settlement under the buyback agreement 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 costs, remedial costs and lost rent following the Company's vacation of the site.

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 December 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 exposure of c.£2.8m.

Whilst sufficient realisations have been generated to enable a distribution to be made to LWARB, 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.£278,000; and
- ▶ This is estimated to result in the value of the prescribed part being c.£59,000 (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.

To date, the Joint Administrators have incurred time costs of £219,627 against which fees of £130,000 have been drawn.

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 £3,785.12, which can be summarised 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	1,059.46	658.25	401.21
Bonding	210.00	210.00	-
Total	3,785.12	3,383.91	401.21

The secured and preferential creditors' approval has also been sought for drawing Category 2 disbursements. Category 2 disbursements totalling £1,325.31 have been incurred and can be summarised as follows:

Expense type	Incurred (£)	Paid (£)	Outstanding (£)
Mileage	550.80	550.80	-
Printing and photocopying	774.51	585.00	189.51
Total	1,325.31	1,135.80	189.51

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	13,657

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:

- ▶ Dealing with tax and VAT matters;
- ▶ Adjudicating unsecured creditor claims and making a distribution by way of the Prescribed Part;
- ▶ Distributing any surplus recoveries to LWARB; 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, Tom Harvey, on 0113 298 2355.

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 December 2017

Statement of Affairs Amount £	From 06/06/2016 to 05/06/2017 £	From 06/06/2017 to 05/12/2017 £	Total £
Receipts			
3,000 Sale of stock	23,647	-	23,647
210,949 Book debt surplus	214,222	1,190	215,412
50,000 Plant and machinery	23,323	-	23,323
- Property recharges	500	-	500
- Rates refund	1,925	-	1,925
11,319 Cash at appointment	6,079	-	6,079
- Bank interest	12	12	24
Cash Bond Held by Lombard	216,489	-	216,489
	<u>486,197</u>	<u>1,202</u>	<u>487,399</u>
Payments			
Administration Fees	(130,000)	-	(130,000)
Administrators Disbursements	(4,520)	-	(4,520)
Legal fees	(24,506)	1	(24,506)
Agents fees and disbursements	(4,850)	-	(4,850)
Debt collection expenses	(13,538)	(119)	(13,657)
Contractor costs	(1,637)	-	(1,637)
Utilities	(1,698)	-	(1,698)
Insurance	(1,759)	-	(1,759)
Service charge	(490)	-	(490)
Public Notices	(85)	-	(85)
Property charges	(640)	-	(640)
Other	-	-	-
Storage Charges	(208)	(37)	(245)
Bank Charges	(34)	(1)	(35)
Preferential creditors	(18,024)	-	(18,024)
Secured creditors - LWARB	(135,000)	-	(135,000)
	<u>(336,988)</u>	<u>(156)</u>	<u>(337,144)</u>
Cash on hand	<u>149,209</u>	<u>1,046</u>	<u>150,255</u>
Made up as follows:			
Cash at bank	119,659	30,596	150,255
VAT payable	-	-	-
VAT receivable	29,551	(29,551)	-
	<u>149,210</u>	<u>1,045</u>	<u>150,255</u>

Notes

1. Receipts and payments are stated net of VAT

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

Ecotech London Limited (In Administration)									
Summary of Joint Administrators' time costs from 6 June 2016 to 5 December 2017									
	Partner	Executive Director	Assistant Director	Senior Executive	Executive	Analyst	Support		Total
Hours									
Accounting and Administrat	-	-	-	17.5	4.8	44.8	95.0		162.1
Bank & Statutory Reportin	5.0	16.5	-	18.0	-	12.5			52.0
Creditors (Mandatory)	2.0	1.0	7.5	5.0	-	33.3			48.8
Debtors	-	2.5	-	15.0	-	-			17.5
Employee Matters	-	-	7.0	3.0	20.5	4.0			34.5
General	-	1.5	-	-	-	5.0			6.5
Immediate Tasks	-	3.0	-	7.5	-	22.5			33.0
Investigation/CDDA (Mand:	-	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	-	-	-	5.0	-	-			5.0
Prescribed Part	-	-	-	-	-	11.5			11.5
Property	-	5.0	-	35.0	-	-			40.0
Public Relations Issues	-	1.0	-	-	-	-			1.0
Retention of Title	-	-	-	3.5	-	14.0			17.5
Statutory Duties	-	2.0	-	65.5	-	48.9			116.4
STF Licence and Plant	-	6.0	-	17.0	-	-			23.0
Trading (Mandatory)	-	-	-	1.0	-	-			1.0
VAT & Taxation	0	0	15.8	16.3	3.8	41.5			77.4
Total Hours	7.0	58.5	30.3	234.8	29.1	239.0	95.0		693.7
Time Costs (£)	4,670	37,565	17,939	89,730	8,615	34,741	26,368		219,627
Average Hourly Rate (£)	667	642	592	382	296	145	278		317

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:

Department	Grade	Current hourly rate effective July 2015	Current hourly rate effective July 2016	Current hourly rate effective July 2017
Restructuring	Partner	660	710	745
	Executive Director	630	660	695
	Director	540	565	595
	Senior Manager	475	500	525
	Manager	370	390	410
	Executive	265	280	295
	Analyst	145 - 215	150 - 225	160-235
	Support/Intern	110	115	115
Tax	Partner	1125	1180	1250
	Senior Manager	655 – 730	700 - 815	735-850
	Manager	550	580	610
	Executive	440	460	485
	Analyst	100 – 265	108 - 208	117-230

A copy of the R3 (Association of Business Recovery Professionals) creditors' guide to Administrators' fees may be obtained by contacting Tom Harvey at the above address, or at www.r3.org.uk/media/documents/publications/professional/Guide_to_Administrators_Fees_Nov2011.pdf

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	1,059.46	658.25	401.21
Bonding	210.00	210.00	-
Total	3,785.12	3,383.91	401.21

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	774.51	585.00	189.51
Total	1,325.31	1,135.80	189.51

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:	08573291
Trading Name(s):	Ecotech London Limited
Trading Address(es):	Unit 4 Marsh Way Fairview Industrial Park Rainham Essex RM13 8UH

Details of the Administrators and of their appointment

Administrators:	CGJ King and RH Kelly
Date of Appointment:	6 June 2016
By Whom Appointed:	The appointment was made by the Company Directors
Court Reference:	High Court of Justice, Chancery Division, Leeds District Registry – 478 of 2016.

Any of the functions to be performed or powers exercisable by the administrators may be carried out/exercised by any one of them acting alone or by any or all of 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	1,301,386	1,301,386	1,301,386	1,301,386

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.

(7) The court may make such order as it thinks just on an application under paragraph (6).

Remuneration and expenses: application to court by a creditor or member on grounds that remuneration or expenses are excessive

18.34.—(1) This rule applies to an application in an administration, a winding-up or a bankruptcy made by a person mentioned in paragraph (2) on the grounds that—

- (a) the remuneration charged by the office-holder is in all the circumstances excessive;
- (b) the basis fixed for the office-holder's remuneration under rules 18.16, 18.18, 18.19, 18.20 and 18.21 (as applicable) is inappropriate; or
- (c) the expenses incurred by the office-holder are in all the circumstances excessive.

(2) The following may make such an application for one or more of the orders set out in rule 18.36 or 18.37 as applicable—

- (a) a secured creditor,
- (b) an unsecured creditor with either—
 - (i) the concurrence of at least 10% in value of the unsecured creditors (including that creditor), or
 - (ii) the permission of the court, or
- (c) in a members' voluntary winding up—
 - (i) members of the company with at least 10% of the total voting rights of all the members having the right to vote at general meetings of the company, or
 - (ii) a member of the company with the permission of the court.

(3) The application by a creditor or member must be made no later than eight weeks after receipt by the applicant of the progress report under rule 18.3, or final report or account under rule 18.14 which first reports the charging of the remuneration or the incurring of the expenses in question ("the relevant report").