

Plasrecycle Limited
in Administration (“the Company”)

Six Monthly Progress Report

In accordance with Rule 18.3 of The Insolvency Rules 2016

5 February 2019

Ernst & Young LLP



Abbreviations

The following abbreviations are used in this report:

Act	the Insolvency Act 1986
AGF / WRAP	Accelerating Growth Fund Limited, a subsidiary of Waste and Resources Action Programme (a registered charity)
CDDA	Company Directors Disqualification Act 1986
date of appointment	15 July 2016
Directors	The registered Directors of the Company at 15 July 2016
EY	Ernst & Young LLP
Foresight	Foresight Environmental Fund LP
FYXX	Financial year ending 31 December 20XX
Gerald Eve	Gerald Eve LLP
Hilco	Hilco Valuation Services Europe
HMRC	HM Revenue and Customs
Joint Administrators	R H Kelly and C G J King
LWARB	London Waste and Recycling Board
site	Nathan Way, London, SE28 0BQ
Progress Reports	Joint Administrators' Six Monthly Progress Reports, dated 2 February 2017, 28 July 2017, 13 February 2018 and 8 August 2018
the Proposals	Joint Administrators' Statement of Proposals, dated 2 September 2016
ROT	Retention of Title
Rules	the Insolvency Rules (England and Wales) 2016
the Company	Plasrecycle Limited - in Administration
Wet Line	Specific plant and machinery for washing plastic waste that is subject to first ranking security in favour of Foresight

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1. Introduction

I write, in accordance with Rule 18.3 of the Insolvency Rules 2016, to provide creditors with a report on the progress of the Administration. This report covers the period from 15 July 2018 to 14 January 2019 and should be read in conjunction with the Proposals dated 2 September 2016 and the previous Progress Reports dated 2 February 2017, 28 July 2017, 13 February 2018 and 8 August 2018.

Plasrecycle Limited entered Administration on 15 July 2016 and Charles Graham John King and Robert Hunter Kelly 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.

1.1 Extensions to the Initial Period of Appointment

Pursuant to paragraph 78(1) of Schedule B1 to the Insolvency Act 1986, the Administration of the Company was previously extended to 14 July 2018, being a period not exceeding twelve months from 15 July 2017, by the consent of the secured and preferential creditors.

On 15 June 2018, pursuant to paragraph 76(2)(a) of Schedule B1 to the Insolvency Act 1986, the Court approved an extension of the Administration to 14 February 2019, being a period not exceeding nine months from 15 July 2018.

On 11 January 2019, pursuant to paragraph 76(2)(a) of Schedule B1 to the Insolvency Act 1986, the Court approved a further extension of the Administration to 14 August 2019, being a period not exceeding six months from 15 February 2019.

The purpose of the extension is to provide additional time for the Joint Administrators to:

- ▶ To finalise the deed of settlement with Tilfen Land Limited ('Tilfen'), the landlord, (more detail is provided at Section 2.1.1) in full and final settlement of the deed of surrender;
- ▶ Following completion of the deed of settlement, assign the electricity accounts to Tilfen;
- ▶ Make final distributions to the secured creditors of the Company;
- ▶ Make a first and final distribution to the unsecured, non-preferential creditors of the Company who have proved their debts, under the provisions of the Prescribed Part;
- ▶ Finalise the Company's corporation tax and VAT position for the period of the Administration and obtain required clearances from HM Revenue and Customs; and
- ▶ Finalise our costs in the Administration and settle all outstanding liabilities relating to the Administration.

2. Progress since the Progress Report dated 8 August 2018

2.1 Asset realisations

2.1.1 Leasehold property

In accordance with the surrender of the leasehold interest for £1.3m, a retention of £270k was withheld pending completion of the agreed schedule of repairs to the high voltage electric transformer which was damaged during the traveller occupation. This arrangement avoided further holding costs being incurred by the Company.

A partial release of the retention totalling £110k was received by the Joint Administrators in November 2017. The £160k balance of the retention was due once power was reconnected with a 3,000kVA electricity supply. Electrical supply was successfully restored during December 2017, however the kVA capacity to the site was not available as anticipated.

The Joint Administrators subsequently worked with UK Power Networks, the network operator, and Tilfen to understand the circumstances of the reduced kVA capacity and to resolve the issue. UK Power Networks detailed that the site never had 3,000kVA electricity supply (only an allocation) as the essential works required to make the capacity accessible had never been undertaken by the Company. UK Power Networks also advised that the allocation previously allocated to the Company was no longer available without significant reinforcement works to the network.

As the Company is insolvent it does not have sufficient funds to undertake the network reinforcement works as quoted by UK Power Networks and therefore the Company is unable to complete the works required to recover the residual retention from Tilfen.

As such, the Joint Administrators have recently agreed a final settlement with Tilfen which we anticipate will be finalised and documented in February. The settlement with Tilfen discharges the Company from its liability to provide 3,000 kVA capacity to the site in accordance with the deed of surrender. In return, the Company has agreed:

- ▶ To permit Tilfen to retain the residual retention (£160k including VAT); and
- ▶ To transfer to Tilfen the £28k (excluding VAT) refund received from UK Power Networks - this refund relates to the works to upgrade the site which the Company commissioned prior to our appointment but which never commenced.

The Joint Administrators believe this full and final settlement represents a fair resolution of the dispute as the Company is unable to restore the power capacity to the level required in the deed of surrender. This settlement allows the Joint Administrators to progress with finalising the administration and making final distributions to the creditors of the Company during the second quarter of 2019.

The Joint Administrators anticipate a final realisation of £27k from the leasehold property being the VAT element of the residual retention.

The £28k refund monies have been transferred to the Company's solicitors in advance of the settlement being finalised and are shown as such on the receipts and payments account at Appendix B.

The leases are subject to fixed charge security in favour of Foresight. The amount realised for the lease is less than Foresight's debt and therefore no realisations will be available from this source for the general body of creditors.

2.1.2 Interest

Bank interest received on funds held totalled £544 during the period covered this report.

3. Outcome for creditors

We provide below, for information, an indication of the current position with regard to creditors' claims.

3.1 Secured Creditors

As detailed in the Proposals, the Company's secured lenders are Foresight, LWARB and AGF/WRAP.

The security held by each secured creditor is as follows:

- ▶ Foresight - a first ranking fixed charge security over the leasehold property and first ranking floating charge security over the 'Wet Line'. Second ranking floating charge security over all other assets;
- ▶ LWARB - a second ranking fixed charge security over the leasehold property and first ranking floating charge security over all other assets, excluding the 'Wet Line'; and
- ▶ AGF/WRAP - third ranking floating charge security over all assets.

3.1.1 Foresight

Foresight had indebtedness at the date of appointment totalling £9,627,818.

An interim distribution of £500,000 was made to Foresight in June 2017 relating to the realisations from the leasehold property and Wet Line. A second interim distribution of £250,000 was made in December 2017.

A final distribution will be made once the residual proceeds of the insurance claim and the property surrender retention have been released to the Company.

3.1.2 LWARB

LWARB had indebtedness at the date of appointment totalling £5,689,829.

An interim distribution of £600,000 was made to LWARB in June 2017 relating to the realisations from the floating charge assets.

A further distribution of £150,000 was made in June 2018 and a final distribution will be made once the costs of realising the floating charge assets have been finalised.

3.1.3 AGF/WRAP

AGF had indebtedness at the date of appointment totalling £1,364,880.

As both Foresight and LWARB will suffer a shortfall, no funds will be available to AGF/WRAP under the terms of their security. AGF/WRAP have therefore opted to release their security and instead submit a claim against the Company as an unsecured, non-preferential creditor. This will enable them to participate in the distribution of the Prescribed Part.

To date, no distribution has been made to AGF/WRAP.

3.2 Preferential Creditors

Preferential creditor claims of £32,182 for employees' salaries and holiday were agreed and paid in full during the period covered by the previous six monthly progress report.

3.3 Non-preferential Creditors

As detailed in the Proposals, the Company's records indicate that non-preferential creditor claims will amount to c. £1.7m. These are broken down as follows:

- ▶ Trade creditors - £980,118;
- ▶ HMRC - £67,901;
- ▶ Unsecured loans - £431,230; and
- ▶ Employees' unsecured claims - £173,843.

As previously mentioned, AGF/WRAP have opted to submit a claim amounting to £1.36m against the Company as a non-preferential, unsecured creditor.

To date, claims totalling c. £2.6m (including AGF/WRAP) have been received from unsecured, non-preferential creditors. However, 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 Company's records.

There will not be sufficient realisations to enable a distribution to the non-preferential creditors other than by virtue of the Prescribed Part.

3.4 The Prescribed Part

Due to the anticipated shortfall to the secured creditors the only distribution that will be available to non-preferential creditors is via 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.

Based on current information, the Joint Administrators estimate that:

- ▶ The value of the Company's net property will be in the region of c. £1.1m; and
- ▶ The corresponding value of the Company's Prescribed Part will be c. £0.22m (before the costs of dealing with the Prescribed Part).

The Joint Administrators currently estimate that the quantum of the distribution to non-preferential, unsecured creditors under the Prescribed Part will be 6 pence / pound.

It is presently anticipated that a first and final distribution to non-preferential, unsecured creditors under the Prescribed Part will be made during the first half of 2019.

The Joint Administrators do not currently intend to make an application to the Court under section 176A(5) of the Insolvency Act 1986 for an order not to distribute the Prescribed Part.

As there will be a distribution to unsecured creditors from the Prescribed Part the Joint Administrators request that any creditor who has not yet done so completes and returns the enclosed proof of debt form to allow their claim to be assessed and agreed. If creditors do not submit a claim they may be excluded from the distribution.

4. Joint Administrators' receipts and payments

A summary of the Joint Administrators' receipts and payments for the period from 15 July 2016 to 14 January 2019 is attached at Appendix B.

5. Joint Administrator's remuneration and disbursements

The statutory provisions relating to remuneration are set out in Part 18 of the Insolvency (England and Wales) Rules 2016. Further information is given in the Association of Business Recovery Professionals' publication 'A Creditors' Guide to Administrators' Fees', a copy of which may be accessed from the web site of the Institute of Chartered Accountants in England and Wales at <https://www.icaew.com/-/media/corporate/files/technical/insolvency/creditors-guides/2017/administration-creditor-fee-guide-6-april-2017.ashx?la=en> or is available in hard copy upon written request to the Joint Administrators.

On 14 October 2016, the secured and preferential creditors of the Company approved, in accordance with Rule 2.106(5A) of the Rules, the Joint Administrators' basis of remuneration as outlined in Section 6 of the Proposals. Two amendments to the basis of remuneration were proposed by the Joint Administrators' and subsequently approved by the secured and preferential creditors on 12 December 2016. The agreed remuneration after amendments are detailed below.

The Joint Administrators' remuneration is fixed on a composite basis made up of a percentage of realisations and a fixed fee for addressing statutory duties and the Prescribed Part, as follows:

- ▶ A fixed fee of £30,000 (net of VAT) for statutory duties, including matters relating to the appointment, reporting to creditors and investigations into the conduct of the Company's directors (increase of £10,000 from the basis outlined in the Proposals);
- ▶ 2% of net fixed charge realisations; being the realisation of the leasehold property after costs of realisation, which are typically agents fees, legal costs and holding costs (including security);
- ▶ 8% of net floating charge realisations; being the realisation of the plant and machinery, book debts, stock and other Company assets after costs of realisation (principally anticipated to be auction fees, employee costs and legal fees) but before any dividends to preferential creditors or deductions for the prescribed part (increase of 2% from the basis outlined in the Proposals); and
- ▶ A fixed fee of £30,000 (net of VAT) for agreeing creditors' claims and dealing with the distribution of the Prescribed Part.

5.1 Amendments to the basis of remuneration

The Joint Administrators will only draw remuneration in accordance with the above terms. If the Joint Administrators propose any amendments to the terms these will require the agreement of the approving body, in accordance with Rule 2.109AB of the Insolvency Rules 1986.

5.2 Disbursements

To date the Joint Administrators have incurred and been reimbursed for Category 1 and 2 disbursements totalling £8,147.95 plus VAT (where applicable), summarised as follows:

Type of expense	Incurred (£)	Paid (£)	Outstanding (£)
Statutory bonding	210.00	210.00	-
Travel	2,864.84	2,864.84	-
Accommodation	3,138.31	3,138.31	-
Subsistence	663.60	663.60	-
Category 2 disbursements	1,271.20	1,163.55	107.65
Total	8,147.95	8,040.30	107.65

In accordance with Rule 2.106(5A) of the Rules, the secured and preferential creditors have permitted the Joint Administrators to draw any Category 2 expenses.

There is an analysis of Category 2 disbursements (i.e. those disbursements payable to the Joint Administrators' firm) at Appendix C.

5.3 Payments to other professionals

5.3.1 Professionals instructed

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
Gerald Eve LLP	Property valuation / marketing	Fixed fee
Hilco Valuation Services Europe	Asset advice, including valuation of plant and machinery	Percentage of realisation achieved / time costs basis
Gateley plc	Legal advice on ROT	Time cost basis
Squire Patton Boggs (UK) LLP	Legal advice on appointment, book debts and property matters	Time cost basis
RBT Solutions Ltd	Environmental advice	Time costs basis

Details of the fees paid to date are included in the receipts and payments account attached at Appendix B.

6. Other matters

6.1 Future conduct of the Administration

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

- ▶ Finalise the deed of settlement with Tilfen;
- ▶ Make final distributions to the secured creditors of the Company;
- ▶ Make a first and final distribution to the unsecured, non-preferential creditors of the Company who have proved their debts, under the provisions of the Prescribed Part;
- ▶ Finalise the Company's corporation tax and VAT position for the period of the Administration and obtain required clearances from HM Revenue and Customs; and
- ▶ Finalise our costs in the Administration and settle all outstanding liabilities relating to the Administration.

6.2 Future reports

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

Should you wish to discuss any aspect of this report, please contact John Loudon on 0113 298 2315.

Yours faithfully
for the Company



C G J King
Joint Administrator

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

The affairs, business and property of the Company are being managed by the Joint Administrators, R H Kelly and C G J King, 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 Statutory information

Company Information

Company Name:	Plasrecycle Limited - in Administration
Registered Office Address:	c/o Ernst & Young LLP1 Bridgewater Place Water Lane Leeds LS11 5QR
Registered Number:	07456989
Trading name:	Plasrecycle Limited
Trading Address:	Nathan Way, London, SE28 0BQ

Details of the Administrators and of their appointment

Administrators:	C G J King and R H Kelly
Office holder numbers	8985, 8582
Address	1 Bridgewater Place, Water Lane, Leeds, LS11 5QR
Details of any changes of administrator:	None
Date of Appointment:	15 July 2016
By Whom Appointed:	The appointment was made by the Company Directors
Court Reference:	High Court of Justice, Chancery Division, Leeds District Registry 632 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 both of them acting jointly.

Appendix B Joint Administrators' receipts and payments account for the period from 15 July 2016 to 14 January 2019

Statement of Affairs		From 15/07/16 to 14/07/18	From 15/07/18 to 14/01/19	Total
£	RECEIPTS	£	£	£
1,300,000	Lease	1,140,000	-	1,140,000
1,510,000	Plant and machinery	1,176,957	-	1,176,957
148,683	Cash at date of appointment	148,683	-	148,683
117,141	Book debts	108,037	-	108,037
2,000	Office fixtures and fittings	1,170	-	1,170
-	Insurance claim	135,789	-	135,789
-	Utility and works refund	86,308	(27,787)	58,521
-	Rent deposit	77,161	-	77,161
-	Pre-appointment VAT refund	51,622	-	51,622
-	Rates refund	13,234	-	13,234
-	Stock	2,281	-	2,281
-	Bank interest	613	544	1,156
n/a	Balance on Administrators' trading account (see separate account for breakdown)	(4,825)	-	(4,825)
		2,863,654	(27,243)	2,909,787
	PAYMENTS			
	Traveller eviction and remediation costs	172,552	-	172,552
	Security	160,930	-	160,930
	Retention of title claims	118,009	-	118,009
	Administrators' fee	91,480	-	91,480
	Electricity and Gas	85,549	-	85,549
	Rent	55,471	-	55,471
	Insurance	47,122	-	47,122
	Waste management	45,082	-	45,082
	Legal fees	44,372	-	44,372
	Employee salaries	36,519	-	36,519
	Agents' fees	22,187	-	22,187
	Administrators' disbursements	8,040	-	8,040
	Other holding costs	6,009	-	6,009
	Permit surrender costs	5,080	-	5,080
	Rates	4,844	-	4,844
	Employer's NIC	3,727	-	3,727
	Storage charges	306	-	306
	Bank charges	122	2	124
	Public Notices	85	-	85
	Corporation Tax	13	-	13
	Secured creditor - Foresight	750,000	-	750,000
	Secured creditor - LWARB	750,000	-	750,000
	Preferential creditors	32,182	-	32,182
		2,439,682	2	2,439,684
	Balances in hand	423,972	(27,245)	470,103

Notes

1. Receipts and payments are stated net of VAT.
2. The stock and work in progress that existed at the date of our appointment has been consumed in the process of trading or returned to suppliers under claims for retention of title.

Plasrecycle Limited - in Administration

Summary of Joint Administrators' trading account from 15 July 2016 to 14 January 2019

	From 15/07/16 to 14/07/18 £	From 15/07/18 to 14/01/19 £	Total £
RECEIPTS			
Trading sales	71,890	-	71,890
	<u>71,890</u>	<u>-</u>	<u>71,890</u>
PAYMENTS			
Employee salaries	53,956	-	53,956
Electricity	10,512	-	10,512
Employer's NIC	5,970	-	5,970
Carriage	3,420	-	3,420
Employee expenses	1,318	-	1,318
Maintenance and repairs	945	-	945
Other trading costs	593	-	593
	<u>76,715</u>	<u>-</u>	<u>76,715</u>
Balance on Administrators' trading account	<u>(4,825)</u>	<u>-</u>	<u>(4,825)</u>

Notes

1. Trading ceased on 29 July 2016.
2. Approximately £30,000 of the employee salary payments are to be allocated to preferential claims as they relate to the period prior to administration.

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

The Administrators have engaged managers and other staff to work on the Administration. 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 time code established for the case. Time is recorded in units of six minutes. Each member of staff has a specific hourly rate, which is subject to change over time.

A summary of the Joint Administrators' time costs from 15 July 2016 to 14 January 2019 has been provided below. We would comment that, as our remuneration is fixed on composite basis made up of a percentage of realisations and a fixed fee for addressing statutory duties and the Prescribed Part, this information has been provided for reference only.

The time spent by the Joint Administrators and their staff to date primarily relates to the following matters:

- ▶ Ongoing trading of the business to 29 July 2016;
- ▶ Marketing the business and assets for sale and liaising with interested parties;
- ▶ Property issues such as negotiating a sale of the leasehold property, managing the remediation works following the traveller break-in, and negotiating subsequent deeds of settlement and variation to finalise the surrender of the lease;
- ▶ Managing the insurance claim following the traveller break-in;
- ▶ Employee matters;
- ▶ Statutory duties and mailings;
- ▶ Pursuing the outstanding debtors ledger; and
- ▶ Responding to creditor queries and adjudicating creditor claims.

Plasrecycle Limited - in Administration

Summary of Joint Administrators' time costs from 15 July 2016 to 14 January 2019

	Total Hours	Total Time Cost
Accounting and Administration	435.3	£124,161
Bank & Statutory Reporting	72.5	£28,610
Creditors	180.5	£58,568
Debtors	7.0	£2,840
Employee Matters	71.3	£22,381
Immediate Tasks	69.0	£20,625
Investigation/CDDA	10.5	£3,430
Job Acceptance & Strategy	4.0	£2,640
Legal Issues	4.0	£1,730
Other Assets	149.5	£61,025
Other Matters	15.0	£5,830
Property	128.0	£67,705
Retention of Title	12.0	£4,830
Statutory Duties	87.0	£20,695
Trading	107.5	£48,520
VAT & Taxation	77.7	£22,911
	<u>1,430.80</u>	<u>£496,500</u>

Average rate per hour rate £347

Administrators' 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 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 following Category 2 disbursements have been incurred and reimbursed to date:

Type and purpose	Incurred (£)	Paid (£)	Outstanding (£)
Mileage	251.10	251.10	-
Post and printing	1,020.10	912.45	107.65
Total	1,271.20	1,163.55	107.65