

Rule 1.26A/1.54

The Insolvency Act 1986

Notice to Registrar of Companies of
Supervisor's Progress ReportPursuant to Rule 1.26A(4)(a) or
Rule 1.54 of the
Insolvency Rules 1986**R.1.26A(4)(a)/
R.1.54**

For Official Use

To the Registrar of Companies

Company Number

02651168

Name of Company

Durham County Waste Management Company Limited

I / We

Mark Granville Firmin, Quayside House, 110 Quayside, Newcastle upon Tyne, NE1 3DX

Howard Smith, 1 The Embankment, Neville St, Leeds, LS1 4DW

supervisor(s) of a voluntary arrangement taking effect on

12 February 2013

Attach my progress report for the period

12 February 2014

to

11 February 2015

Number of continuation sheets (if any) attached

Signed

Date 8/4/15

KPMG LLP
1 The Embankment
Neville St
Leeds
LS1 4DW

Ref DD129C0400/CMC/LR/SR

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Insolvency Section

Post Room

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COMPANIES HOUSE

**Voluntary Arrangement of
Durham County Waste Management Company Limited**

Statement of Affairs		From 12/02/2014 To 11/02/2015	From 12/02/2013 To 11/02/2015
	ASSET REALISATIONS		
53,040 00	Freehold land	30,000.00	30,000.00
	Shares and investments	2,273 00	244,273 46
271,349.00	Cash at bank	NIL	111,815.96
	Insurance refund	3,415 50	3,415.50
		<u>35,688 50</u>	<u>389,504 92</u>
	OTHER REALISATIONS		
	Bank interest, gross	429 19	772 15
	Bank interest, net of tax	423.26	423.26
	Sundry refunds	NIL	174 06
	Funds held for employee compromise	NIL	130,000 00
		<u>852 45</u>	<u>131,369 47</u>
	COST OF REALISATIONS		
	Employee compromise - payment	NIL	130,000.00
	Supervisors' fees	NIL	57,193 50
	Agents'/Valuers' fees	2,000 00	2,000 00
	Agents'/Valuers' fees (2)	720 00	720 00
	Legal fees	24,621.30	63,121 30
	Legal disbursements	16 00	11,516 00
	Insurance of assets	1,952.09	1,952 09
	Bank charges	NIL	75 00
		<u>(29,309 39)</u>	<u>(266,577 89)</u>
	UNSECURED CREDITORS		
(375,915 00)	Employees	NIL	NIL
(1,484,440.00)	Barclays Mercantile	NIL	NIL
(305,359.00)	Lease Prospect House	NIL	NIL
(378,367 00)	Lease Tursdale	NIL	NIL
(291,928 00)	Operating lease	NIL	NIL
(800,783 00)	DCC loan	NIL	NIL
		NIL	NIL
	DISTRIBUTIONS		
(1,378,002 00)	Ordinary shareholders	NIL	NIL
		NIL	NIL
(4,690,405.00)		<u>7,231.56</u>	<u>254,296.50</u>
	REPRESENTED BY		
	Floating ch. VAT rec'able		3,274 96
	Supervisors trust account		254,087.08
	Employee trust account		209.42
	Floating ch. VAT payable		(6,000 00)
	Floating ch. VAT control		2,725.04
			<u>254,296.50</u>



**Durham County Waste Management
Company Limited under a Company
Voluntary Arrangement (“the
Company”)**

Annual Report to creditors
pursuant to Rule 1.26A(4) of
the Insolvency Rules 1986

KPMG LLP

8 April 2015

This report contains 6 Pages

HS/LF/CMC



Durham County Waste Management Company Limited under a Company Voluntary Arrangement ("the Company")

Annual Report to creditors pursuant to Rule 1.26A(4) of the Insolvency Rules 1986

KPMG LLP

8 April 2015

Notice: About this Report

This Report has been prepared by Mark Granville Firmin and Howard Smith, the Joint Supervisors of Durham County Waste Management Company Limited, solely to comply with their statutory duty to report to creditors under the Insolvency Rules 1986 on the progress of the voluntary arrangement, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This Report has not been prepared in contemplation of it being used, and is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in Durham County Waste Management Company Limited.

Any estimated outcomes for creditors included in this Report are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors. Any person choosing to rely on this Report for any purpose or in any context other than under the Insolvency Rules 1986 does so at his or her own risk.

To the fullest extent permitted by law, the Joint Supervisors do not assume any responsibility and will not accept any liability in respect of this Report to any such person.

Mark Granville Firmin is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in England & Wales.

Howard Smith is authorised to act as an insolvency practitioner by the Insolvency Practitioners Association.

The Joint Supervisors contract without personal liability. The appointments of the Joint Supervisors are personal to them and to the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability to any person in respect of this Report.



*Durham County Waste Management Company Limited under a Company Voluntary
Arrangement ("the Company")
Annual Report to creditors pursuant to Rule 1 26A(4) of the Insolvency Rules 1986
8 April 2015*

Glossary

the Company and/or DCWM	Durham County Waste Management Company Limited (Company registered number 02651168)
CVA	Company Voluntary Arrangement
CVL	Creditors Voluntary Liquidation
the Proposal	the CVA Proposal approved by creditors on 12 February 2013
the Joint Supervisors	Mark Granville Firmin and Howard Smith of KPMG LLP, 1 The Embankment, Neville Street, Leeds, LS1 4DW
the Period	12 February 2014 to 11 February 2015
the Council	Durham County Council
PWM and/or Premier Waste	Premier Waste Management Limited (Company registered number 03616068)
Eversheds	Eversheds LLP
HMRC	HM Revenue & Customs



*Durham County Waste Management Company Limited under a Company Voluntary
Arrangement ("the Company")*

Annual Report to creditors pursuant to Rule 1 26A(4) of the Insolvency Rules 1986

KPMG LLP

8 April 2015

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Appendix 1: Receipts and payments account for the period 12 February
2014 to 11 February 2015

Appendix 2: Joint Supervisors' time costs and expenses 12 February 2014
to 11 February 2015

Appendix 3: Charge out rates for the period 12 February 2014 to 11
February 2015



1 Introduction

Mark Firmin and Howard Smith were appointed as Joint Supervisors of the CVA of the Company on 12 February 2013

The Company was part of a group, with PWM being the main trading subsidiary of the Company ("the Group") PWM was also subject to a CVA, the CVAs were interlocking and conditional on the approval of one another

In accordance with Rule 1 26A(4) of the Insolvency Rules 1986, we attach as Appendix 1 a copy of the Joint Supervisors' annual summary of receipts and payments in the CVA for the period 12 February 2014 to 11 February 2015

The Joint Supervisors also provide a summary of the progress made to date and should be read in conjunction with the Appendices to this Report.

Please note that unless specifically stated, all amounts in this Report are net of VAT

2 Progress of the Arrangement

The Group's activities primarily comprised its contract for the waste management services of the Council ("the Waste Contract") On 31 May 2011, the Council served two years' notice to terminate the Waste Contract

Following a consideration of alternative options, the directors believed that as a result of the termination of the Waste Contract, the Company could not avoid insolvent liquidation The directors were therefore unable to continue to trade outside of an insolvency process

The objective of the CVA Proposals was to allow the Group to continue to trade until the end of the Waste Contract on 31 May 2013 This would allow the Group to benefit from the profits generated by a further period of trading, whilst protecting the position of the Group's creditors

The CVA Proposals were further enhanced by a number of concessions which were made available by the Council

The CVA was duly implemented on 12 February 2013, and notices were sent to all known creditors and to court on 15 February 2013

The Proposal stated that the majority of the Company's assets would be held on trust by the Joint Supervisors and, following termination of the Waste Contract, the Company would be placed into CVL This would enable the liquidators to disclaim any onerous leases, licences or contracts and to realise any remaining assets that were not held on trust, for the benefit of the Company's unsecured creditors, which might accrue during the CVA trading period

The assets held on trust would be realised and distributed for the benefit of the CVA creditors despite the Company being placed into CVL



Durham County Waste Management Company Limited under a Company Voluntary Arrangement ("the Company")

Annual Report to creditors pursuant to Rule 1 26A(4) of the Insolvency Rules 1986

8 April 2015

The distribution to creditors in the CVA, would be in full and final settlement of 80% of each CVA creditor's claim (i.e. 80% of its debt) allowing those CVA creditors to vote and prove for the remaining 20% in the subsequent liquidations

At the meeting of creditors convened for the purpose of accepting/ rejecting the Proposal, a creditor challenged the value of its claim admitted by the chairman of the meeting for voting purposes. This challenge was taken to Court and the Court ruled in favour of the Joint Supervisors awarding costs against the challenging creditor.

Howard Smith and Mark Firmin of KPMG LLP were appointed Joint Liquidators of the Company and PWM on 1 July 2013.

2.1 Proposed extension to the period of the CVA

Premier Waste has an ongoing landfill tax claim with HMRC which relates to landfill tax incurred from January 2007 to June 2009 on materials used in the construction of a regulating layer ("fluff layer") which is required prior to capping the full cells at the Group's landfill sites. If successful, the claim is valued at £4.5 million and further dividends would become payable to the creditors of Premier Waste.

DCWM is a creditor of Premier Waste and therefore, if the claims are successful funds will be distributed to DCWM and returns to the creditors of DCWM will also increase. The claims have not been resolved during the CVA to date, as such, the Joint Supervisors of Premier Waste intend to extend the period of the CVA to 1 June 2018 to allow them to continue to pursue the claims.

Given the interlocking nature of the CVA's and the funds that will flow to DCWM if the claims are successful, the Joint Supervisors intend to extend the period of the CVA to 1 June 2018.

This extension is considered to be a material variation to the Proposal and as such a meeting of creditors will be convened to allow the creditors to consider the proposed extension. Notice of the meeting which will take place on 5 May 2015 and a proxy form are included with this report.

3 Receipts

Realisations during the Period are set out in the attached receipts and payments account (Appendix 1). Summaries of the realisations during the Period are provided below.

3.1 Freehold land

The Joint Supervisors have received £30,000 during the Period in relation to the sale of land at Quarrington Hill, Coxhoe.

3.2 Shares and investments

The Proposal provided that the shares and investments of the Company would be held on trust by the Joint Supervisors. The Estimated Outcome Statement (schedule 7 of the Proposal)



anticipated that £263,000 would be received from the Company's investment in Premier Landfill Contractors Limited ("PLC")

As previously reported, the directors of PLC applied for the company to be struck off. During the Period, the Joint Supervisors have received a further £2,273 in relation to the dividend from PLC following the settlement of associated costs. The total realised from this investment is £244,273.

3.3 Insurance refund

During the Period, the Joint Supervisors received an insurance refund from the Company's pre-appointment insurers in the sum of £3,416.

3.4 Interest received

Bank interest of £852 has been received during the Period in relation to funds held.

3.5 Intercompany Debtor

The Company has an intercompany debtor balance due from Premier Waste. The Joint Supervisors have received a dividend of £381,202 in respect of this balance. The funds were received after the Period covered in this Report, therefore, the receipt is not included in the enclosed receipts and payments account.

4 Payments

Payments during the Period are set out in the attached receipts and payments account (Appendix 1). Summaries of the most significant payments during the Period are provided below.

4.1 Agents' fees and disbursements

During the Period, Sanderson Weatherall have been paid £2,000, together with disbursements of £720, in relation to the marketing and sale of the land at Quarrington Hill, Coxhoe.

4.2 Legal fees and disbursements

As previously reported, at the meeting of creditors convened for the purpose of accepting/rejecting the Proposal, a creditor challenged the value of its claim admitted by the chairman of the meeting for voting purposes. This challenge was subsequently taken to Court.

During the Period legal fees of £24,621 have been paid to Eversheds LLP in relation to defending the challenge, dealing with the sale of the freehold land at Quarrington Hill, and advising the Joint Supervisors on the conduct of the Voluntary Arrangement.

The Joint Supervisors are seeking to recover the costs associated with the challenge from the challenging creditor in line with a costs order awarded by the Court.



4.3 Insurance

The Joint Supervisors have paid Willis Limited £1,952 during the Period in relation to the insurance of assets

5 Joint Supervisors' remuneration and disbursements

5.1 Joint Supervisors' remuneration

In accordance with the terms of the Proposal, the Joint Supervisors' remuneration is fixed on the basis of time properly spent by them and their staff in dealing with matters arising in the CVA

Attached at Appendices 2 and 3 are detailed analyses of time spent and charge out rates for each grade of staff for work carried out during the Period as required by the Association of Business Recovery Professionals' 'Statement of Insolvency Practice 9', together with details of expenses incurred to date

In the Period, the Joint Supervisors incurred time costs of £33,624 representing 98 hours at an average rate of £345 per hour This includes tax and VAT advice from KPMG LLP in-house specialists

During the Period, the Joint Supervisors' have not drawn any fees

The Proposal estimated that total Joint Supervisors fees would be £55,000. The Joint Supervisors time costs for the CVA to date are £127,164 and it is anticipated that these costs will increase to £150,000 by the time the CVA is concluded These costs are higher than initially anticipated as a result of the Joint Supervisors dealing with a challenge to the CVA from a creditor of the Company

Please note that all staff who have worked on this assignment, including cashiers and secretarial staff, have charged time directly to the assignment and are included in the analysis of time spent. However, the cost of staff employed in central administration functions is not charged directly to this assignment but is reflected in the general level of charge out rates

Further information is given in the Association of Business Recovery Professionals' Publication, A Creditors' Guide to Fees in a Voluntary Arrangement, which can be obtained from

http://www.r3.org.uk/media/documents/publications/professional/Guide_to_Voluntary_Arrangement_Fees_Nov2011.pdf

However, if you are unable to access this guide and would like a copy please contact Clare McCain on 0191 401 3867.

5.2 Joint Supervisors' disbursements

During the Period, no expenses have been incurred by the Supervisors

No disbursements have been drawn during the Period



6 Estimated Outcome for Creditors

6.1 Unsecured creditors

The Proposal stated that the expected distribution to creditors, will be in full and final settlement of 80% of each CVA creditor's claim (i.e. 80% of its debt) allowing those CVA creditors to vote and prove for the remaining 20% in the subsequent liquidation

The Directors Statement of Affairs as at 30 November 2012 (schedule 8 of the Proposal) estimated that the claims of unsecured creditors would total £3,636,792. This was based on the November management accounts prepared by the Company and was prepared on the assumption that the Company would enter liquidation immediately

Since the date of the Statement of Affairs, the Company updated its ledgers to reflect all balances which would be claimed in the CVA and subsequent liquidation. The updated balances will be taken into account by the Joint Supervisors when agreeing claims

The Estimated Outcome Statement (schedule 7 of the Proposal) was prepared as at 12 February 2013 on two assumptions: a CVA followed by a CVL, and an immediate liquidation. The estimated outcome statement anticipated that claims in the CVA and subsequent CVL would total £2,431,000

The Company's records indicated that there were 21 unsecured creditors with potential claims in the CVA. As indicated in the Proposal, the return to creditors through the CVA and subsequent CVL was estimated by the Company's directors to be 27 pence in the pound. The costs of the CVA have been higher than anticipated following a challenge from a creditor which was successfully defended. The Joint Supervisors are looking to recover the costs of dealing with the challenge from the challenging creditor, however, it is estimated that the return to creditors will be lower than that anticipated in the Proposal as a result of the additional costs incurred

The payment of a dividend to the unsecured creditors has been delayed due to the Joint Supervisors dealing with the challenge and the resulting complexities in agreeing a significant claim in the CVA

In addition, a key asset in the CVA is an intercompany balance due from Premier Waste. On 6 March 2015 the Joint Supervisors received an interim dividend payment of £381,202 following a distribution from the CVA of Premier Waste

The Joint Supervisors anticipate that an interim dividend will be declared shortly



*Durham County Waste Management Company Limited under a Company Voluntary
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Annual Report to creditors pursuant to Rule 1.26A(4) of the Insolvency Rules 1986

8 April 2015

7 Future conduct of the Arrangement

The CVA cannot be concluded at present. The Joint Supervisors will continue to perform their duties as set out in the Proposal. This will include, but is not limited to

- receiving further dividends from the CVA of Premier Waste,
- agreeing remaining creditors' claims,
- making distributions to unsecured creditors; and
- any other functions which it may be necessary or expedient for the Supervisor to undertake in connection with the implementation of the Arrangement

Any further queries in relation to the above should be directed to Clare McCam on 0191 401 3867.

Signed _____

Dated 8 April 2015

H Smith
Joint Supervisor



Durham County Waste Management Company Limited under a Company Voluntary Arrangement ("the Company")

Annual Report to creditors pursuant to Rule 1 26A(4) of the Insolvency Rules 1986

KPMG LLP

8 April 2015

Appendix 1 – Receipts and payments account for the period 12 February 2014 to 11 February 2015

Voluntary Arrangement of Durham County Waste Management Company Limited

Statement of Affairs	From 12/02/2014 To 11/02/2015	From 12/02/2013 To 11/02/2015
ASSET REALISATIONS		
53 040 00 Freehold land	30 000 00	30 000 00
Shares and investments	2,273 00	244 273 46
271,349 00 Cash at bank	NIL	111 815 96
Insurance refund	3,415 50	3,415 50
	<u>35 688 50</u>	<u>389 504 92</u>
OTHER REALISATIONS		
Bank interest, gross	429 19	772 15
Bank interest, net of tax	423 26	423 26
Sundry refunds	NIL	174 06
Funds held for employee compromise	NIL	130 000 00
	<u>852 45</u>	<u>131,369 47</u>
COST OF REALISATIONS		
Employee compromise - payment	NIL	130 000 00
Supervisors' fees	NIL	57,193 50
Agents/Valuers fees	2,000 00	2,000 00
Agents/Valuers fees (2)	720 00	720 00
Legal fees	24 621 30	63 121 30
Legal disbursements	16 00	11 516 00
Insurance of assets	1,952 09	1,952 09
Bank charges	NIL	75 00
	<u>(29 309 39)</u>	<u>(266,577 89)</u>
UNSECURED CREDITORS		
(375,915 00) Employees	NIL	NIL
(1,484,440 00) Barclays Mercantile	NIL	NIL
(305 359 00) Lease Prospect House	NIL	NIL
(378 367 00) Lease Tursdale	NIL	NIL
(291 928 00) Operating lease	NIL	NIL
(800,783 00) DCC loan	NIL	NIL
	<u>NIL</u>	<u>NIL</u>
DISTRIBUTIONS		
(1 378 003 00) Ordinary shareholders	<u>NIL</u>	<u>NIL</u>
	<u>NIL</u>	<u>NIL</u>
<u>(4,690 405 00)</u>	<u>7,231 56</u>	<u>254,296 50</u>
REPRESENTED BY		
Floating ch. VAT rec able		3,274 96
Supervisors trust account		254 087 08
Employee trust account		209 42
Floating ch. VAT payable		(6,000 00)
Floating ch. VAT control		2,725 04
		<u>254,296 50</u>



Appendix 2 – Joint Supervisors' time costs and expenses 12 February 2014 to 11 February 2015

SIP 9 - Time costs analysis

SIP 9 - Time costs analysis (12/02/2014 to 11/02/2015)						
	Hours					Average Hourly Rate (£)
	Partner / Director	Manager	Administrator	Support	Total	
Administration & planning						
Cashiering						
General (Cashiering)	1 30		6 10		7 40	2 291 00
Reconciliations (& IPS accounting reviews)			1 80		1 80	489 00
General						
Fees and WIP	0 50				0 50	242 50
Statutory and compliance						
Checklist & reviews	2 00		6 70		8 70	2 751 00
Statutory receipts and payments accounts			1 30		1 30	344 50
Strategy documents	1 50	0 50			2 00	1,040 00
Tax						
Post appointment corporation tax	0 50				0 50	242 50
Post appointment VAT	0 50		7 60		8 10	2 252 50
Creditors						
Creditors and claims						
Agreement of unsecured claims	0 80	22 50	10 60		33 90	12 846 50
General correspondence		1 00	2 60		3 60	1 189 00
Statutory reports	3 90	3 00	15 40		22 30	7 244 50
Employees						
Pension funds	0 50				0 50	242 50
Investigation						
Investigations						
Correspondence re investigations			2 00		2 00	530 00
Realisation of assets						
Asset Realisation						
Debtors	1 30				1 30	630 50
Freehold property		2 50	0 70		3 20	1 148 00
Open cover insurance			0 50		0 50	140 00
Total in period	12 80	29 50	55 30	0 00	97 60	33 624 00

Brought forward time (appointment date to SIP 9 period start date) 262 80 93 639 75



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SIP 9 - Time costs analysis (12/02/2014 to 11/02/2016)							
	Hours					Time Cost (£)	Average Hourly Rate (£)
	Partner / Director	Manager	Administrator	Support	Total		
SIP 9 period time (SIP 9 period start date to SIP 9 period end date)					97 60	33 624 00	
Carry forward time (appointment date to SIP 9 period end date)					350 40	127 163 75	

All staff who have worked on this assignment including cashiers and secretarial staff have charged time directly to the assignment and are included in the analysis of time spent. The cost of staff employed in central administration functions is not charged directly to the assignment but is reflected in the general level of charge out rates

All time shown in the above analysis is charged in units of six minutes



Joint Supervisors' disbursements

The Joint Supervisors have not incurred any expenses during the Period

Expense	Amount (£)
Total expenses	-

KPMG Restructuring Policy for the recovery of disbursements

Where funds permit the officeholder will look to recover both Category 1 and Category 2 disbursements from the estate. For the avoidance of doubt, such expenses are defined within SIP 9 as follows

Category 1 disbursements These are costs where there is specific expenditure directly referable both to the appointment in question and a payment to an independent third party. These may include, for example, advertising, room hire, storage, postage, telephone charges, travel expenses, and equivalent costs reimbursed to the officeholder or his or her staff

Category 2 disbursements These are costs that are directly referable to the appointment in question but not to a payment to an independent third party. They may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis, for example, business mileage

Any disbursements to be paid from the estate are disclosed within the summary of disbursements above

The only Category 2 disbursement that KPMG Restructuring currently charges is mileage. Mileage claims fall into three categories

- use of privately-owned vehicle or car cash alternative – 40 pence per mile,
- use of company car – 60 pence per mile, and
- use of partner's car – 60 pence per mile

For all of the above car types, when carrying passengers an additional 5 pence per mile per passenger will also be charged where appropriate



Durham County Waste Management Company Limited under a Company Voluntary Arrangement ("the Company")

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KPMG LLP

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Appendix 3 - Charge out rates for the period 12 February 2014 to 11 February 2015

KPMG Restructuring team		
Grade	From 1 October 2013 £/hr	From 1 October 2014 £/hr
Partner	565	595
Associate Partner	485	535
Director	485	535
Senior Manager	475	485
Manager	385	405
Senior Administrator	265	280
Administrator	195	205
Support	120	125