

The Insolvency Act 1986

**2.24B****Administrator's progress report**

Name of Company Powerfuel Plc	Company number 05113279
In the High Court of Justice, Chancery Division Companies Court	Court case number 10001 of 2010


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Joint Administrators of the Company attach a progress report for the period

from	to
9 December 2010	8 June 2011

Signed

  
Joint Administrators

Dated

5 July 2011

**Contact Details**

You do not have to give any contact information in the box opposite but if you do it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record.

Rowena Thomas KPMG LLP 1 The Embankment Neville Street Leeds LS1 4DW DX Number DX 724440 Leeds	Tel 0113 231 3251 DX Exchange
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When you have completed and signed this form please send it to the Registrar of Companies at:

Companies House, Crown Way, Cardiff CF14 3UZ

DX 33050 Cardiff

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**Powerfuel plc in Administration**

**Progress Report**  
**for period from 9 December 2010 to 8**  
**June 2011**

KPMG LLP

1 July 2011

*This report contains 27 Pages*

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## About this Report

This progress report ("Report") has been prepared by Brian Green and Richard Dixon Fleming, the Joint Administrators ("the Administrators") of Powerfuel plc ("the Company"), solely to comply with their statutory duty under the Insolvency Act 1986 and Insolvency Rules to provide creditors with an update on the progress of the administration of the estate, 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 this Company.

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 individual creditors.

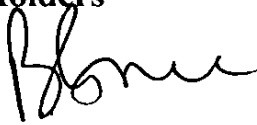
Any person that chooses to rely on this Report for any purpose or in any context other than under the Insolvency Act and Insolvency Rules 1986 (as amended) does so at their own risk. To the fullest extent permitted by law, the office holders do not assume any responsibility and will not accept any liability in respect of this Report.

Please note that unless stated otherwise, all amounts in this Report and appendices are stated net of VAT.

# 1 **Executive Summary**

- This Report covers the six month period from appointment to 8 June 2011
- The Administrators' Statement of Proposals were approved on 14 February 2011 and have not been modified (see Section 2 - Administrators' Statement of Proposals)
- The overall level of debt in the Company meant that the Administrators were unable to market it for sale on a going concern basis. Accordingly, the Administrators' role has been limited to the realisations of the Company's principal assets (see Section 3 - Progress to date). The purpose of the administration, in accordance with Paragraph 3(1)(b) of the Insolvency Act 1986 is achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up
- Based on the expected level of realisations and the amounts owed to the secured creditor, ING Bank N V ("ING"), it is unlikely that there will be sufficient funds available to facilitate a distribution to unsecured creditors
- Full details of the Joint Administrators' progress are attached together with all the relevant statutory information included by way of Appendices (see Section 4 - Comments on the Appendices and the Appendices)

## 1.1 **Office Holders**



Joint Administrator – Brian Green

Joint Administrator – Richard Dixon Fleming

## **2 Administrators' Statement of Proposals / previous and further appointments**

### **2.1 Administrators' Statement of Proposals**

The Administrators' Statement of Proposals was circulated on 2 February 2011

Pursuant to Paragraph 52(1)(b) of Schedule B1 to the Insolvency Act 1986 the Administrators did not convene a creditors meeting as it was considered that the Company had insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of Section 176(A)(2)(a) (Prescribed Part)

As a meeting was not requisitioned by creditors, the Administrators' Statement of Proposals, as circulated, was deemed approved on 14 February 2011

### **2.2 Previous professional relationships**

On 20 January 2010, KPMG LLP were engaged jointly by the Company and its subsidiaries Powefuel Mining Limited ("PML") and Powerfuel Power Limited ("PPL") (together "the Group"), ING and VTB Capital Plc ("VTB") (together "the Secured Lenders") to perform independent business review of the Group. The business review covered a review of the short term cash flow forecast, the creditor position and its impact on the short term cash flow.

On 21 April 2010, KPMG LLP were engaged jointly by the Secured Lenders to perform a further review of the Company. This review covered potential additional cash generation, disposal options and consideration of potential insolvency options.

On 21 April 2010, KPMG LLP were further engaged by the Group, but reported also to the Secured Lenders on the Company's forecast for the nine months to 31 December 2010, Company's short term cash flow forecast and the options available to VTB.

On 19 May 2010, KPMG LLP were engaged in a variation to the scope to the original engagement letters, the new engagement covered contingency planning for a possible administration appointment over the Company and / or its Subsidiaries.

### **2.3 Further appointments**

On 15 April 2011, Brian Green and Richard Dixon Fleming were appointed as Joint Administrators of PML.

On their appointment, PML's Administrators hived the business and some assets of PML to its newly formed subsidiary Hatfield Colliery Limited ("HCL").

Shares in HCL have been subsequently sold to Entero B V on 27 April 2011.

## **3 Progress to date**

### **3.1 Initial strategy**

The Administrators' appointment over the Company was a strategic one. The Administrators' primary role was to ensure that the Subsidiaries were fully funded and able to function on a solvent basis whilst the shares were marketed for sale. The Administrators were not directly involved in day to day management of either of the Subsidiaries. The responsibility for the management of PML and PPL remained vested in the Subsidiaries' directors who traded them on a solvent, going concern basis.

As previously reported in the Administrators' Proposals, immediately upon their appointment, the Administrators and their team visited the site in Hatfield and met with the management as well as with numerous key stakeholders.

Standard procedures implemented by the Joint Administrators included the following:

- communication with the key management staff on site,
- meter readings were obtained for electricity as the contract vested in the Company, and
- all stakeholders and creditors were immediately identified and were notified, of the appointment, either by the Administrators or their representatives.

The site was also visited by the Administrators' insurers and health and safety specialists to ensure that the Company complied with all current health and safety legislation.

The Company is a holding company and as such its key role was to provide strategic direction, monitor closely the performance of its 100% Subsidiaries, and to secure appropriate funding for PML and PPL. Therefore the Administrators decided to continue to operate the Company in its current form whilst reviewing key issues which may impact on the value and marketability of the Subsidiaries' shares.

To ensure business as usual, the Administrators obtained a loan from ING, the secured lender, of £2.7 million. These funds were released to PML throughout the trading period up to the date of appointment of its administrators.

Shortly after appointment the Administrators started to market the Subsidiaries' shares and the assets of the Company for sale. The Administrators engaged the assistance of KPMG Corporate Finance to ensure that the best value was realised from any potential share sale of the Subsidiaries.

Since their appointment, the Administrators have contacted, spoken to, or met numerous key stakeholders which include the Department for Energy and Climate Change, the European Commission, Doncaster Metropolitan Borough Council, the Coal Authority and local members of Parliament.

The Administrators, in their capacity as agents of the sole shareholder of PML and PPL, have also been represented in discussions with stakeholders who include those Trade Unions who represented employees of PML, the Mines Rescue Association, certain key creditors of both PML and PPL and the customers of PML.



The aim these communications has been to ensure that these stakeholders have been informed about the Company's insolvency process and its potential implications for the Subsidiaries, and to create a supportive environment to allow trading to continue and the sale to complete

As stated above, the Administrators assessed and monitored trading position of the Subsidiaries and agreed to support their ongoing trading by providing a number of loans to PML and PPL. These loans are secured via a debenture and rank as a second secured creditor after the existing secured creditors

### **3.2 Sale of PPL**

As stated above, the Administrators engaged KPMG Corporate Finance to assist them with marketing the shares in PPL for sale. The list of potential interest parties was compiled in conjunction with management and also based on suggestions from within KPMG LLP

In total, 25 parties were contacted. Of these, 12 potential purchasers signed up to non-disclosure agreement and obtained access to the dataroom. As a result of the above, the Administrators received four formal offers. Following lengthy negotiations, the Administrators accepted an offer from 2Co Power Limited and sold its shares in PPL on 6 May 2011

The Administrators received consideration of £1 for the PPL's shares and £268,133 in consideration of intragroup debt owed by PPL to PLC. Part of these funds were utilised to settle amounts owed to the Administrators

The sale of business resulted in PPL continuing to trade as a going concern business and retention of all three employees

### **3.3 Sale of PML's assets business and assets**

Similar to the above, the Administrators initially marketed the shares of PML for sale

In total 26 parties were contacted of which 10 signed up to non-disclosure agreement and were provided access to PML's dataroom

The Administrators received two formal offers for the assets and business of the PML. The details of these offers were discussed with ING (the majority and key secured lender) and following the consultation with ING, the Administrators concluded that neither offer was acceptable

As a result, the Administrators were unable to sell the shares of PML. However, in conjunction with Hargreaves plc the Administrators worked closely with ING to consider alternative options and structures to enable PML to continue to trade and to maximise returns to creditors. As a result of these decisions, it became clear that there was no solvent solution available and accordingly PML's directors concluded that they have no further option but to place PML into administration on 15 April 2011

On their appointment, the administrators of PML transferred business and some assets of the PML into a new company Hatfield Colliery Limited ("HCL")

Shares in HCL were subsequently sold to Entero B V on 27 April 2011 for nil consideration. Although no consideration was paid for the shares in HCL, ING assigned £65 million of debt owed to it from the Company into HCL thereby significantly improving the position of the creditors of the Company. A significant element of the £65 million was in relation to the sale of property (please see below).

Further, as part of the hive down, all remaining employees of the Company transferred under TUPE reducing the preferential creditors' claims.

### **3.4 Sale of land owned by PLC**

The Company owned various plots of land in the area surrounding the Colliery. These plots were subject to a fixed charge by ING.

As part of the sale of HCL's shares, the Administrators agreed to lift the moratorium and ING as a secured lender sold the land as mortgagee to Entero B V on 27 April 2011 for nil cash consideration.

As noted above, ING assigned £65 million of debt owed to it from the Company into HCL, significant proportion of which was related to the property.

### **3.5 Communication**

The Administrators wrote to all known creditors of the Company on 13 December 2010 advising them of their appointment.

Following this, the Administrators' Statement of Proposals ("Proposals") was circulated to all known creditors of the Company on 2 February 2011.

### **3.6 Other Company's assets**

#### **3.6.1 Funding from Secured Lenders**

As stated above, to ensure that the Subsidiaries were able to trade as usual whilst the Administrators marketed their assets and business for sale, the Administrators obtained a loan from the Secured Lenders of £2.7 million. These funds were subsequently released to PML and PPL.

#### **3.6.2 Cash at bank**

The Company held two bank accounts with ING. The closing balance transferred to the Administrators amounted to £8,885.48. These bank accounts were used throughout the trading period to ensure business as usual.

#### **3.6.3 Sundry income and sundry refunds**

The Administrators received various sundry income amounting to £921.48.

#### **3.6.4 Bank interest**

The Company received £253.91 and £47.06 in interest in respect of funds held by the Administrators in their fixed and floating charge bank accounts.

**3 6 5 Repayments from HCL**

To ensure that HCL can continue to trade, the Administrators agreed to assist with settlement of various payments on behalf of HCL which is to subsequently refund the Administrators. To date, the Administrators received £104,737.16 from HCL and all outstanding amounts are underwritten by ING.

**3 6 6 Repayments from PPL**

To ensure that PPL can be sold as a going concern entity, the Administrators agreed to fund PPL's ongoing trading (salaries, PAYE etc). In total, £124,414.72 was paid by the Company on behalf of PPL.

**3 6 7 Share sale**

Please see Section 3.2 above.

**3 6 8 Motor vehicles**

At the date of the Administrators' appointment the Company had in its possession 1 motor vehicle. The Administrators instructed Fox Lloyd Jones to sell this vehicle. We will provide you with further details of recoveries in our next report.

**3.7 Liabilities**

**3.7.1 Secured creditors**

As previously reported, on appointment the Company had two secured creditors, VTB Capital plc and ING NV, both creditors were secured by various debentures containing both fixed and floating charges. The Lenders ranked *pari passu* and VTB acted as a security trustee on behalf of the Lenders. The Lenders also had a benefit of a cross-guarantee against the remaining members of the Powefuel group, including PML and PPL.

At the date of the appointment, the Lenders were jointly owed together circa £87.6 million (excluding interest and charges).

ING agreed to buy VTB's secured debt and accordingly, ING are now the Company's sole secured lender.

Based upon current information, it is certain that ING will cover shortfall on its facility under both fixed and floating charges.

The Administrators' solicitors, White & Case LLP ("White & Case"), have reviewed the Lenders' debentures and confirmed their validity.

**3 7 2 Preferential creditors**

As previously stated, on appointment, the Joint Administrators agreed to pay the outstanding pre-appointment salaries that were owing to the Company's employees.

The Administrators made three redundancies during the trading period and therefore the preferential creditors' claims are estimated at £5,000.

The Administrators anticipate that there will be no dividend available to preferential creditors.

### **3.7.3 Unsecured creditors**

Based upon current information the Joint Administrators do not expect there to be sufficient funds available to make a distribution to the Company's unsecured creditors under the Prescribed Part Rules

The Insolvency Act 1986 (Prescribed Part) Order 2003 does apply in this case as the security held by the Bank was created after 15 September 2003. The Prescribed Part is calculated as a percentage of the Company's net property. The Company's net property is the net amount available to the floating charge holder after the payment of costs and preferential creditors.

The Prescribed Part is currently estimated at nil and therefore there will not be sufficient funds available, following the payment of costs of the administration, to enable a Prescribed Part distribution.

### **3.8 Expenses for the period**

The receipts and payments for the period are set out in the attached Receipts and Payments Account (see Appendix 2).

The office holders' time costs for the period of this Report are also attached (see Appendix 3).

The statutory provisions relating to remuneration are set out in Rule 2.106 of the Insolvency Rules 1986. A creditors guide to fees can be found at:

<https://www.r3.org.uk/uploads/sip/INTERIM%20SIP9%20April%202010.pdf>

However, if you are unable to access this guide and would like a copy, please contact Rowena Thomas on 0113 231 3251.

Since our appointment to 8 June 2011, we have incurred time costs of £1,798,165 representing 4,027.65 hours at an average rate of £447.01 per hour. This includes Tax, VAT, Health and Safety, Corporate Finance and Pensions advice from KPMG LLP in-house specialists.

A detailed breakdown of the charge out rates for the duration of the Administration is included in Appendix 3 to this Report.

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. 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.

The Administrators' Proposals included the following resolutions:

- that the Joint Administrators will be authorised to draw fees on account from the assets of the Company from time to time during the period of the administration based on time properly spent by them and their staff in dealing with matters arising in the administration, at KPMG LLP charge out rates that reflect the complexity of the



assignment The Joint Administrators will also be able to draw disbursements from time to time, and

- that the costs of KPMG LLP in respect of HSE, Pension, Corporate Finance, Tax, Receivables Realisation Group and VAT advice provided to the Joint Administrators be based upon time costs and shall be paid out of the assets of the Company

The Administrators have not drawn a remuneration during the period covered by this Report

The Administrators have incurred disbursements of £18,769 68 and these also have not been drawn (see Appendix 3 for further details)

Additional information about the expenses charged for the period is available from the office holder upon request by any secured creditor, and any other creditor or creditors owed 5% or more in value of the unsecured liabilities listed Full details of the process to obtain more information under Rule 2 48A Insolvency Rules 1986 and to challenge the administrator's remuneration and expenses under Rule 2 109 Insolvency Rules 1986 are included in Appendix 4 should creditors wish to do so

## **4 Comments on the Appendices**

### **4.1 Statutory information**

This Section includes key information about the Company

### **4.2 Receipts & payments account for the period**

#### **4.2.1 Receipts**

Please see Section 3 for comments on the receipts during the period

#### **4.2.2 Payments**

##### **4.2.2.1 Trading payments**

To ensure that the Group could operate as usual, the Administrators incurred various trading costs throughout the period. Where appropriate, the Administrators looked to recharge these costs to the appropriate member of the Group. Unfortunately, given the financial position of PPL and PML, some of these costs will remain unpaid, but we believe that they were required to preserve the overall value in PML and PPL.

The Administrators incurred £108,214.58 (300.62 hours) in connection with agreeing, settling and recharging various trading payments. These costs also include costs on managing the Company's trading bank accounts.

##### **4.2.2.2 Payments on behalf of PPL**

The Administrators paid in total £124,414.72 on behalf of PPL. These payments included salaries and PAYE & NI contributions.

##### **4.2.2.3 Electricity costs**

The electricity contract with NPower was in the name of the Company who subsequently recharged 95% of costs to PML and PPL. The amount of £62,365.18 represents Company's share of electricity costs for the period.

##### **4.2.2.4 Utilities and telephone costs**

Similar to electricity costs, the telephone and mobile phone contracts were in the name of the Company who subsequently recharged costs to its subsidiaries. The amount of £702.22 represents costs directly attributable to the Company.

##### **4.2.2.5 Payments on behalf of PML**

This account represents all payments made by the Company on behalf of PML and amount to circa £1.4 million. These payments include among others, management costs, employee costs, utility and payments to some key suppliers.

#### **4.2.2.6 Insurance**

Insurance was paid on behalf of the Group. Due to the nature of the business, the Administrators decided to utilise existing insurance cover rather than taking out new cover with Willis Limited.

The amount of £4,712.92 represents the Company's share of the insurance costs for the period.

#### **4.2.2.7 Direct labour**

In total 16 employees were employed by the Company. These were members of the management and their time was subsequently recharged to the appropriate member of the Group.

During the trading period, the Administrators made three redundancies.

The total labour costs and employee expenses and benefits amount to £230,269.48.

#### **4.2.2.8 Other costs**

Various other costs were incurred as part of the trading which are disclosed in Appendix 2 of this Report.

#### **4.2.3 Agent fees**

Fox Lloyd Jones have provided asset full listing, disposal advice and valuation reports in respect of the land, office equipment, mining plant and machinery and motor vehicles.

Agent's fees of £33,641.69 have been paid during the period.

#### **4.2.4 Legal fees and disbursements**

White & Case LLP provided legal advice to the Administrators in respect of the following:

- validity of the appointment of the Administrators,
- validity of security,
- sale of business and sale of shares,
- advice relating to land issues, and
- general advice in the administration.

During the period, White & Case incurred in total £447,532.34 + VAT in fees and expenses.

Further, in order to ensure the ability to trade on, the Administrators agreed to cover costs for Cobbetts LLP who advised the directors on their statutory duties. These costs paid to date amount to £31,969.83.

#### **4 2 5 Storage costs**

The Administrators have also incurred £100 in the period in relation to the ongoing storage of the Company's books and records. However, these storage costs have not yet been paid to the provider, Iron Mountain.

#### **4 2 6 Other payments**

Various other costs have been incurred details of which can be found in Appendix 2 of this Report.

### **4.3 Analysis of office holders' time costs**

#### **4 3 1 Appointment and related formalities**

Following the appointment of the Administrators, time costs of £21,516 (65 35 hours) have been incurred in relation to notifying all relevant parties of the appointment, with the exception of creditors, instructing agents and solicitors and dealing with all other immediate matters arising which were relevant to the set up of the administration.

#### **4 3 2 Reports to Debenture Holders**

The Joint Administrators reported to the Lenders daily on the progress of the Administration.

Time costs of £217,606 50 (394 35 hours) were incurred relating to both verbal and more formal reporting to the Secured Lenders.

#### **4 3 3 General correspondence**

Due to the nature of the Company's business and the number of creditors, circa 40, we have received a limited number of queries from the creditors of the Company.

To date time costs of £34,848 50 (88 30 hours) have been incurred in relation to dealing with general correspondence with creditors.

#### **4 3 4 Sale of shares and business**

KPMG Corporate Finance time costs of £356,100 (602 6 hours) have been incurred in relation to the sale of business process during the administration. Further, the Administrators incurred further 757 65 hours (being £365,435 50) in respect of sale of the Subsidiaries.

#### **4 3 5 Health and Safety**

In relation to the leasehold premises and the sites mentioned above, the Administrators utilised their in-house Health and Safety specialists to provide regular updates in relation to the current status of each of the sites, to ensure that all relevant health and safety regulations were complied with.

Time costs of £50,445 (112 1 hours) have been incurred by the Administrators during this period in relation to dealing with health and safety.



#### **4.3.6 Corporation tax**

The Administrators incurred in total £116,846.75 (250.9 hours) in respect of corporation tax. These costs were incurred as part of the sale of business to ensure that all relevant tax regulations were complied with and that the tax matters of the Group were in order.

#### **4.3.7 Statutory reporting**

In February 2011 the Administrators circulated their Proposals to all known creditors of the Company and time costs of £17,014 (49.90 hours) were incurred in relation to the preparation and circulation of this report.

#### **4.3.8 Employee correspondence**

Prior to the Administrators' appointment the Company had 16 employees. Salaries continued to be paid by the Company until the sale of Powerfuel Mining Limited on 27 April 2011. Three employees were made redundant after the appointment of the Administrators.

Time costs of £55,462.50 (166.40 hours) have been incurred in relation to this matter.

#### **4.3.9 Trading costs**

As mentioned above, the Administrators ensured that the Group was able to trade as usual whilst the Administrators marketed the assets for sale. During the period the Administrators have incurred time costs to date of £324,634.25 (902 hours) in relations to trading.

#### **4.3.10 Investigation**

The Administrators' investigations the affairs of the Company and the conduct of the Directors is still ongoing. With agreement with the Department for Business, Innovation and Skills, an extension for submitting the report has been agreed.

Time costs of £30,771.50 (85 hours) have been incurred in relation to this matter.

#### **4.4 Expenses for the period**

Expenses for the period are summarised in Appendix 4 which include the time costs as analysed in Appendix 3.

## 5 Appendix 1

### 5.1 Statutory Information

<b>Appointment</b>	
For period	9 December 2010 to 8 June 2011
Company name	Powerfuel Plc
Nature of business	Mining and agglomeration of hard coal
Court details	The Administration Order was made on 9 December 2010 in High Court of Justice, Companies Court Division number 10001 of 2010, at application by qualifying floating charge holder
Date of appointment	9 December 2010
Extension obtained	n/a
Office holder details	Richard Dixon Fleming was appointed on 9 December 2010 and is authorised to act as an insolvency practitioner by the Insolvency Practitioners Association  Brian Green was appointed on 9 December 2010 and is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in England & Wales
Registered number	05406360
Previous registered office	Hatfield Colliery Waggons Way Stainforth, Doncaster DN7 5TZ
Present registered office	KPMG LLP 1 The Embankment Neville Street Leeds LS1 4DW
Basis of remuneration	Time costs
Application of EC Regulations	EC Regulations apply and these proceedings will be the Main Proceedings as defined in Article 3 of the EC Regulations

## 6 Appendix 2 – Office holders' receipts and payments account

ABSTRACT OF RECEIPTS AND PAYMENTS - 09/12/2010 to 08/06/2011 Appendix to Form 2.24  
Powerfuel Plc Page 1

RECEIPTS		£
Brought forward from previous Abstract (if Any)		0.00
Funding from Lenders		2,700,000.00
Payments from PML		512,503.03
Subsidiary - Powerfuel Power Limited		1.00
Payments from Hatfield Colliery Limited		104,737.16
Bank interest, gross		253.91
Sundry Income		40.00
Cash at bank		8,885.48
Bank interest, gross		47.06
Sundry refunds		881.48
Repayment of intercompany debt		268,133.00
Fixed charge VAT payable		24,311.60
Floating ch VAT payable		10.00
Carried forward to		3,619,803.72
* continuation sheet / next abstract		
PAYMENTS		£
Brought forward from previous Abstract (if Any)		0.00
Payments on behalf of PPL		124,414.72
Legal fees		25,626.00
Legal & Other Disbursements		6,343.83
Agents'/Valuers' fees		32,900.00
Electricity		62,365.18
Utilities/Telephone		702.22
Payments on behalf of Hatfield Colliery		139,338.85
Bank charges		447.05
Irrecoverable VAT		5,191.14
Intercompany loan		582,347.07
Other Fixed Charge Costs		35.00
Payments on behalf of PML		1,411,553.38
Data Site		10,391.78
Insurance		4,712.92
Direct Labour		221,362.12
Employee Expenses		1,438.61
Employee Benefits		7,468.75
Agents'/Valuers' fees		33,641.69
Telephone/Telex/Fax		295.34
Re-direction of mail		27.20
Carried forward to		2,670,602.85
* continuation sheet / next abstract		

Note: The receipts and payments must severally be added up at the foot of each sheet and the totals carried forward from one abstract to another without any intermediate balance so that the gross totals shall represent the total amounts received and paid by the administrator since he was appointed



### Powerfuel plc in Administration

**KPMG LLP**

1 July 2011

**ABSTRACT OF RECEIPTS AND PAYMENTS - 09/12/2010 to 08/06/2011**  
**Powerfuel Plc**

Appendix to Form 2.24  
Page 2

	<b>RECEIPTS</b>	<b>£</b>
	Brought forward from previous Abstract (if Any)	3 619,803 72
* Delete as appropriate	Carried forward to * continuation sheet / next abstract	3,619,803 72
	<b>PAYMENTS</b>	<b>£</b>
	Brought forward from previous Abstract (if Any)	2,670,602.85
	Statutory advertising	772.18
	Vehicle costs	4,508.41
	Bank charges	600.37
	Floating ch. VAT rec'able	6,922.55
	Fixed charge VAT rec'able	274,894.85
	Floating ch. VAT control	10.00
	Fixed charge VAT control	129 702.49
* Delete as appropriate	Carried forward to * continuation sheet / next abstract	3,088,013 70

Note The receipts and payments must severally be added up at the foot of each sheet and the totals carried forward from one abstract to another without any intermediate balance so that the gross totals shall represent the total amounts received and paid by the administrator since he was appointed

## Appendix 3 - Analysis of office holders' time costs for the period

	Partner / Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
<b>Administration &amp; planning</b>							
Notification of appointment		1 30	0 80		2 10	£730 00	£347 62
Reports on conduct		16 20			16 20	£8 505 00	£525 00
<b>Cashiering</b>							
General (Cashiering)	2 60	0 20	26 75	1 00	30 55	£8 249 75	£270 04
Reconciliations (& IPS accounting reviews)			1 10		1 10	£320 50	£291 36
<b>General</b>							
Books and records			44 10		44 10	£10 503 00	£238 16
Fees and WIP	2 30		10 70		13 00	£4 428 50	£340 65
<b>Statutory and compliance</b>							
Appointment and related formalities	5 60	10 50	41 35	7 90	65 35	£21 516 00	£329 24
Bonding and bordereau				0 50	0 50	£60 00	£120 00
Checklist & reviews	7 30	5 00	29 20		41 50	£15 473 50	£372 86
Pre-appointment checks	5 00		14 55	1 25	20 80	£6,671 50	£320 75
Reports to debenture holders	114 80	108 55	1 40	5 20	229 95	£132 251 75	£575 13
Statutory advertising			0 50		0 50	£115 00	£230 00
Statutory receipts and payments accounts		3 00	0 90		3 90	£1 834 50	£470 38
Strategy documents	25 40	8 50	4 80		38 70	£23 891 50	£617 35
<b>Tax</b>							
Initial reviews - CT and VAT		33 75	9 80		43 55	£18 994 00	£436 14
Post appointment corporation tax	18 40	208 65	23 85		250 90	£116 846 75	£465 71
Post appointment PAYE		0 45	1 00		1 45	£419 00	£288 97
Post appointment VAT	10 75	55 50	21 60		87 85	£36 911 75	£420 17
<b>Creditors</b>							
<b>Creditors and claims</b>							
General correspondence	12 70	31 70	41 40	2 50	88 30	£34 848 50	£394 66
Legal claims	0 50				0 50	£317 50	£635 00
Notification of appointment	1 00		5 00		6 00	£1 785 00	£297 50
ROT Claims	0 20		6 40		6 60	£1 599 00	£242 27
Secured creditors		2 50	0 20		2 70	£1,373 50	£508 70
Statutory reports	5 50	11 20	28 75	4 45	49 90	£17 014 00	£340 96
<b>Employees</b>							
Correspondence	9 50	15 40	131 20	10 30	166 40	£55 462 50	£333 31
Pensions reviews			18 30		18 30	£4 321 50	£236 15
<b>Additional reports to secured lenders</b>							
Reports to secured lenders		159 45		2 25	161 70	£83 981 25	£519 36
<b>Investigation</b>							
<b>Directors</b>							
Correspondence with directors	16 00	12 00	12 80		40 80	£19 621 50	£480 92
D form drafting and submission	1 60		41 50		43 10	£10 615 00	£246 29
Statement of affairs	0 50		0 75		1 25	£535 00	£428 00
<b>Investigations</b>							
Mail redirection	0 10				0 10	£72 50	£725 00
Review of pre-appt transactions			22 05		22 05	£6 050 25	£274 39
<b>Realisation of assets</b>							
<b>Asset Realisation</b>							
Cash and investments	10 00		51 00		61 00	£20 592 50	£337 58
Debtors			18 50		18 50	£4 255 00	£230 00
Freehold property	12 50	25 50	10 50		48 50	£23 852 50	£491 80
Health & safety		4 50	7 90		12 40	£4 547 00	£366 69
Leasehold property	3 00	2 50	5 30		10 80	£4 834 00	£447 59
Office equipment fixtures & fittings			2 50		2 50	£762 50	£305 00
Open cover insurance			19 20		19 20	£4 806 00	£250 31
Other assets	30 00	24 00	7 90		61 90	£36 234 50	£585 37
Plant and machinery			13 50		13 50	£3 667 50	£271 67
Pre-appointment tax & VAT refunds			4 75		4 75	£1 261 25	£265 53
Sale of business	200 00	328 90	215 55	13 20	757 65	£365 435 50	£482 33
Stock and WIP			0 80		0 80	£244 00	£305 00
Vehicles			7 00		7 00	£1 610 00	£230 00
<b>Trading</b>							
Cash & profit projections & strategy	25 10	102 40	435 15		562 65	£172 813 00	£307 14
Purchases and trading costs	22 60	159 55	131 45	2 50	316 10	£136 433 25	£431 61
Sales	23 10				23 10	£15 397 50	£666 56
Corporate finance	107 50	229 00	154 00		490 50	£305 655 00	£623 15
GSS - health & safety code		112 10			112 10	£50 445 00	£450 00
<b>Total in period</b>					<b>4 022 65</b>	<b>£1 798 165 00</b>	<b>£447 01</b>
SIP9 period time (SIP9 period start date to SIP9 period end date)					4 022 65	£1 798 165 00	
Carry forward time(appointment date to SIP9 period end date)					4 022 65	£1 798 165 00	

Notes: 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.

## 6.1 Administrators' charge out rates for the period

Grade	From 1 October 2010 £/hr
Partner	725
Associate Partner	635
Director	635
Senior Manager	525
Manager	420
Senior Administrator	305
Administrator	230
Support	120

	KPMG LLP Corporation Tax Team	KPMG LLP VAT Team	KPMG LLP Pensions Team	KPMG LLP CCS Team
Grade	From 1 July 2010 £/hr	From 1 July 2010 £/hr	From 1 July 2010 £/hr	From 1 July 2010 £/hr
Partner	725	725	725	700
Associate Partner	635	635	635	640
Director	635	635	635	640
Senior Manager	525	525	525	550
Manager	420	420	420	450
Senior Administrator	305	305	305	310
Administrator	230	230	230	225
Support	120	120	120	180
Work Experience	40	40	40	70

## 6.2 Administrators' disbursements

Expense Type	£
Flight Costs	324 60
ICA Other print services	17 50
Meal / Lunch allowance	2,083 90
Mileage tax-free	11,030 95
Other ICT costs	215 76
Other transportation costs	191 60
Overnight Stay	2,223 81
Stationery purchased	74 94
Sundry expenses	850.29
Telephone, telefax, teleprinter	113 85
Temporary staff costs	59 98
Tram costs	1,582 50
<b>Total</b>	<b>18,769.68</b>

## 7 Appendix 4 - Schedule of expenses for the period

Section	Account	Accrued	Paid	Total
Fixed charge costs	Payments on behalf of PPL		124,414 72	124,414 72
	Administrators' fees	1,572,030 00		1,572,030 00
	Administrators' expenses	19,086 02		19,086 02
	Legal fees	386,667 94	25,626 00	412,293 94
	Legal & Other Disbursements	14,561 54	6,343 83	20,905 37
	Agents'/Valuers' fees	6,468 39	32,900 00	39,368 39
	Electricity		62,365 18	62,365 18
	Utilities/Telephone	50,000 00	702 22	50,702 22
	Payments on behalf of Hatfield Colliery	290,207 23	139,338 85	429,546 08
	Bank charges		447.05	447 05
	Irrecoverable VAT		5,191 14	5,191 14
	Intercompany loan		582,347 07	582,347 07
	Other Fixed Charge Costs		35	35 00
	Payments on behalf of PML		1,411,553 38	1,411,553 38
	Data Site		10,391 78	10,391 78
	Insurance		4,712 92	4,712 92
	Direct Labour		221,362 12	221,362 12
	Employee Expenses		1,438 61	1,438 61
	Employee Benefits		7,468 75	7,468.75
		<b>2,339,021.12</b>	<b>2,636,638.62</b>	<b>4,975,659.74</b>
Cost of realisations	Administrators' fees	585,768 00		585,768 00
	Administrators' expenses	3,966 07		3,966 07
	Agents'/Valuers' fees	350	33,641 69	33,991 69
	Legal fees	176,102 47		176,102 47
	Legal Disbursements	5,662 82		5,662 82
	Telephone/Telex/Fax		295 34	295 34
	Storage costs	100		100
	Re-direction of mail		27 2	27 2
	Statutory advertising		772 18	772 18
	Vehicle costs		4,508 41	4,508 41
	Bank charges		600 37	600 37
		<b>771,949.36</b>	<b>39,845.19</b>	<b>811,794.55</b>
<b>TOTAL</b>		<b>3,110,970.48</b>	<b>2,676,483.81</b>	<b>5,787,454.29</b>

Creditors are reminded that the basis on which fees have been reported are to be agreed by ING and preferential creditors

However to determine if the quantum of the fees to be taken is reasonable the analysis included at Appendix 3 should be reviewed and any additional information can be





*Powerfuel plc in Administration*

*KPMG LLP*

*1 July 2011*

requested by any secured creditor or any unsecured creditor(s) with at least 5% in value of the unsecured debt in accordance with rule 2.48A Insolvency Rules 1986. This request must be made within 21 days receipt of the Report. The full text of that rule can be provided on request.

In addition creditors are reminded that the quantum can be challenged by unsecured creditor(s) with at least 10% in value excluding that creditors claim by making an application to court in accordance with rule 2.109 Insolvency Rule 1986. The full text of this rule can also be provided on request.

## 8 Extract from the Insolvency Rules 1986

### Insolvency Rules 1986

#### 2 48A Creditors' request for further information

(1) If- (a) within 21 days of receipt of a progress report under Rule 2 47-

(i) a secured creditor, or

(ii) an unsecured creditor with the concurrence of **at least 5% in value** of the unsecured creditors (including the creditor in question), or

with the permission of the court upon an application made within that period of 21 days, any unsecured creditor, the administrator for further information about remuneration or expenses (other than pre-administration costs) set out in a statement required by Rule 2 47(1)(db) or (dc), the administrator must, within 14 days of receipt of the request, comply with paragraph (2)

The administrator complies with this paragraph by either—

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

(b) so far as the administrator considers that—

(i) the time or cost of preparation of the information would be excessive, or

(ii) disclosure of the information would be prejudicial to the conduct of the administration or might reasonably be expected to lead to violence against any person, or

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

giving reasons for not providing all of the information

(3) Any creditor, who need not be the same as the creditor who requested further information under paragraph (1), may apply to the court within 21 days of—

(a) the giving by the administrator of reasons for not providing all of the information asked for, or

(b) the expiry of the 14 days provided for in paragraph (1),

and the court may make such order as it thinks just

(4) Without prejudice to the generality of paragraph (3), the order of the court under that paragraph may extend the period of 8 weeks provided for in Rule 2 109(1B) by such further period as the court thinks just

2 109 Creditors' claim that remuneration is or other expenses are excessive

(1) Any secured creditor, or any unsecured creditor with either the concurrence of **at least 10% in value of the unsecured creditors** (including that creditor) or the permission of the court, may apply to the court for one or more of the orders in paragraph (4)

(1A) An application may be made on the grounds that—

- (a) the remuneration charged by the administrator,
- (b) the basis fixed for the administrator's remuneration under Rule 2 106,
- (c) expenses incurred by the administrator,

is or are in all the circumstances, excessive, or in the case of an application under sub-paragraph (b), inappropriate

(1B) The application must, subject to any order of the court under Rule 2 48A(4), be made no later than 8 weeks after receipt by the applicant of the progress report which first reports the charging of the remuneration or the incurring of the expenses in question ("the relevant report")

(2) The court may, if it thinks that no sufficient cause is shown for a reduction, dismiss it without a hearing but it shall not do so without giving the applicant at least 5 business days' notice, upon receipt of which the applicant may require the court to list the application for a without notice hearing. If the application is not dismissed, the court shall fix a venue for it to be heard, and give notice to the applicant accordingly

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

(4) If the court considers the application to be well-founded, it must make one or more of the following orders—

- (a) an order reducing the amount of remuneration which the administrator was entitled to charge,
- (b) an order fixing the basis of remuneration at a reduced rate or amount,

(c) an order changing the basis of remuneration,

(d) an order that some or all of the remuneration or expenses in question be treated as not being expenses of the administration,

(e) an order that the administrator or the administrator's personal representative pay to the company the amount of the excess of remuneration or expenses or such part of the excess as the court may specify,

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

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