

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

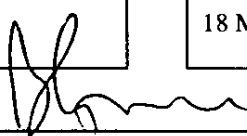
We
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Administrators of the above company attach a progress report for the period

from	to
2 December 2011	18 May 2012

Signed


Joint Administrators

Dated

21 May 2012

Contact Details:

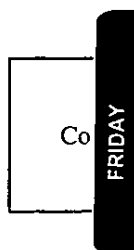
You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record.

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Companies House, Crown Way, Cardiff CF14 3UZ

DX 33050 Cardiff



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COMPANIES HOUSE



Powerfuel Plc in Administration

Extension Report

for period from 2 December 2011 to 18

May 2012

KPMG LLP
18 May 2012
This report contains 20 Pages

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About this Report

This extension and 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.

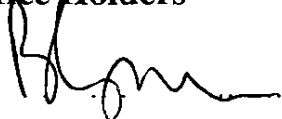
1 Executive Summary

- This Report covers the period from the date of the last progress report, 2 December 2011, to 18 May 2012. It has been prepared in accordance with Rules 2.47 and 2.112 of the Insolvency Rules 1986. It should be read in conjunction with my previous reports.
- The purpose of this Report is to provide an update on the progress of the Administration in accordance with Rules 2.47 and 2.112 of the Insolvency Rules 1986 (as amended) and to notify all known creditors of the extension of the Administration to 8 June 2013.
- The Administration of the Company was due to come to an end on 8 June 2012, the Administrators discussed the need for an extension of the Administration and considered this to be the best course of action. As this was not the first extension, it was by means of an application to Court. There were two primary reasons for the extension of the Administration, rather than placing the Company into either a creditor's voluntary liquidation or Compulsory liquidation:
 - the need to continue investigations into transactions made by the Company in order to potentially obtain additional realisations for creditors, and
 - the costs of remaining in Administration whilst this investigation is ongoing are lower than the costs of moving into liquidation.

This extension was subsequently granted on 18 May 2012 following a hearing at the Royal Court of Justice.

- The Administrators' Statement of Proposals ("Proposals") were approved on 14 February 2011 and have not been modified (see Section 2 - Administrators' Statement of Proposals).
- Based on the expected level of realisations and the amounts owed to the secured creditor, 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' Proposals were circulated on 2 February 2011. Please refer to my previous reports for further details.

2.2 Previous professional relationships

Please refer to my previous reports.

2.3 Further appointments

As mentioned in my previous reports, on 15 April 2011, Brian Green and Richard Dixon Fleming were appointed as Joint Administrators of Powerfuel Mining Limited ("PML"). PML is a 100% subsidiary owned by the Company.

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 were subsequently sold to Entero B V on 27 April 2011.

3 Progress to date

3.1 Initial strategy

Please refer to my previous reports.

3.2 Sale of Powerfuel Power Limited

Please refer to my previous reports.

3.3 Sale of PML's assets business and assets

Please refer to my previous reports.

3.4 Sale of land owned by the Company

Please refer to my previous reports.

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' Proposals were circulated to all known creditors of the Company on 2 February 2011.

On 5 July 2011, the Administrators circulated their Progress Report for the period 9 December 2010 to 8 June 2011.

On 1 December 2011 the Administrators circulated their progress report for the period 9 June 2011 to 1 December 2011. The purpose of this report was to provide Company's secured creditor, ING Bank N V ("ING") with the necessary information to allow them to consider the proposed resolution, to extend the period of the Administration for six months to 8 June 2012. This extension was subsequently granted.

3.6 Company's other assets

3.6.1 Npower deposit refund

A deposit of £370,000 has been repaid by Npower in the period.

This was a pre appointment deposit held by Npower to ensure the provision of utilities on appointment of the Administrators. Following the appointment of the Administrators and the subsequent work in order to settle the debt due to Npower, actions were taken to ensure the repayment of this sum. Once all accounts were settled in the name of the Company, and offsets taken into consideration, the Administrators collected the deposit due to the Company.

3.6.2 Refund of climate change levy

Following investigations by the Administrators into payments made to Npower, a climate change levy was refunded by Npower. This was due to the Company being registered under the CRC Energy Efficiency Scheme, which meant this climate change levy was incorrectly paid.

A balance of £77,165 has been received in the period in relation to this levy.

3.6.3 Bank interest

The Company received £1,312 and £339 in interest in respect of funds held by the Administrators in their fixed and floating charge bank accounts.

3.7 Liabilities

3.7.1 Secured creditors

Based upon current information, it is certain that ING will suffer 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 stated in my previous reports, the Joint Administrators have received confirmation that preferential claims are nil.

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 once the excess funds advanced under ING's indemnity have been repaid.

The Insolvency Act 1986 (Prescribed Part) Order 2003 does apply in this case as the security held by ING 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 Thomas Swiers on 0113 231 3316.

Since 2 December 2011 to 18 May 2012, the Administrators have incurred time costs of £47,458 representing 141 hours at an average rate of £337 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 have incurred in total disbursements of £121 of which none have been drawn in the period covered by this Report, (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.

3.9 Professional Advisors

Since the previous progress report the Administrators have changed the legal advisors to the Company. Walker Morris LLP have been instructed to act as solicitors for the Company on general issues arising within the Administration, and to provide legal support in respect of the extension application to the Court.

Further to the above, Wardell Armstrong LLP are assisting the Administrators with their mining specific enquiries.

4 Comments on the Appendices

4.1 Statutory information

This Section includes key information about the Company.

4.2 Receipts and payments account for the period 2 December 2011 to 18 May 2012

4.2.1 Receipts

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

4.2.2 Payments

4.2.2.1 *Npower set off*

During the period the Administrators sought to settle the pre and post appointment debt with Npower. This was through the repayment of a pre appointment deposit paid (please see Section 3.6.1), a climate change levy refund (please see Section 3.6.2) and a final set off payment of £271,493. This offset was facilitated through a utility supply agreement with Npower.

4.2.2.2 *Payments on behalf of Hatfield Colliery*

As mentioned in my previous reports, in order to ensure the operations of the mine were not disrupted after the sale to HCL, it was agreed that the Company would assist in paying expenses relating to HCL billed in the Company's name.

A final payment of £162,618 was made on behalf of HCL in relation to post appointment debt due to Npower. As mentioned in my previous report all monies paid on behalf of HCL have previously been received by the Company.

4.2.2.3 *Irrecoverable VAT*

Advice from the Administrators' VAT specialists indicated that the VAT in relation to pre appointment Npower set off mentioned in Section 4.2.2.1 was irrecoverable.

As such, in the period covered by this Report, £36,707 in relation to floating irrecoverable VAT has been incurred.

4 2.2 4 **Legal fees**

Legal fees of £27,524 have been recharged to the Company from PML, these fees have previously been paid to White & Case incorrectly by PML and were in relation to 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

£4,874 has been paid to Walker Morris for their professional charges for the period to 25 January 2012. This therefore brings total legal fees paid in the period to £32,398

4 2.2 5 **Legal disbursements**

As above, legal disbursements of £2,699 have been charged to the Company from PML

4 2.2.6 **Insurance**

A payment of £405 was made in the period in relation to open cover insurance

4 2.3 **Storage costs**

The Administrators have paid £216 in the period in relation to the ongoing storage of the Company's books and records

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

4 3.1 **Post appointment corporation tax and VAT**

Time costs of £12,293 (34 hours) have been incurred relating to corporate tax and VAT matters. This included revisiting and resubmitting past period tax and VAT returns, liaising with HMRC and correspondence with HCL

4 3.2 **Strategy documents**

Time costs of £12,931 (33 hours) have been incurred in relation to strategy documents. This was in relation to the extension of the Administration including considering the most appropriate course of action

4 3.3 **Creditors**

In the period time costs of £11,327 (37 hours) have been incurred in relation to creditors. This includes reporting to the secured creditor, statutory reporting and general correspondence

4 3.4 **Realisation of assets**

In the period time costs of £2,279 (8 hours) have been incurred in relation to assets. This included time incurred in relation to debtors, open cover insurance and the assignments of vehicles that transferred to HCL

4.3 5 Trading costs

Time costs of £2,461 (11 hours) have been incurred in relations to finalisation of trading costs. The majority of time spent was in relation to payments to, and refunds from, Npower.

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 Extensions to Administration

5.1 Extension by secured lender

Following my previous progress report dated 1 December 2011 the period of the Administration was extended by six months to 8 June 2012.

5 2 Extension request put to Court on 18 May 2012

Prior to closing the Administration, the Joint Administrators still have the following issues to resolve:

- investigate transactions made by the Company in order to potentially obtain additional realisations for creditors,
- liaising with HMRC to obtain tax clearance from the period of the Administration,
- finalising the Administration including payment of all Administration liabilities,
- distribute funds to the Company's secured creditor, and
- any other matters arising

Therefore, the Administrators requested that the period of the Administration be extended from 8 June 2012 to 8 June 2013. This was subsequently granted on 18 May 2012.

6 Conclusion of the Administration

Should the extension be granted by Court, pursuant to Paragraph 76(1) of Schedule B1 to Insolvency Act 1986, the Administration will automatically end on 8 June 2013 although it can be extended by a further application to Court. In the event that the purpose of the Administration cannot be completed by 8 June 2013, the Administrators will either seek an extension of time to complete the Administration or place the Company into other insolvency proceedings to enable any remaining issues to be resolved.

If and where appropriate, the Joint Administrators cease to act, they will seek to organise either the voluntary or compulsory winding up of the Company, the approval of a



Powerfuel Plc in Administration

KPMG LLP

18 May 2012

voluntary arrangement under Part 1 of Insolvency Act 1986 or its dissolution from the Registrar of Companies, whichever is deemed appropriate

7 Appendix 1

7.1 Statutory Information

Appointment	
For period	1 December 2011 to 18 May 2012
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	1 Year
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

8

Appendix 2 – Office holders' receipts and payments account

ABSTRACT OF RECEIPTS AND PAYMENTS - 02/12/2011 to 18/05/2012
Powerfuel Plc

Appendix to Form 2.24
Page 1

RECEIPTS		£
Brought forward from previous Abstract (if Any)		7,157,429.08
Bank interest, gross		1,312.24
Refund of climate change levy		77,165.07
Bank interest, gross		338.53
Npower deposit refund		370,000.00
Floating ch. VAT control		77,739.86
Fixed charge VAT control		448,005.49
Carried forward to * continuation sheet / next abstract		8,131,990.27
PAYMENTS		£
Brought forward from previous Abstract (if Any)		6,340,121.03
Payments on behalf of Hatfield Colliery		162,617.74
Insurance		405.00
Irrecoverable VAT		36,706.92
Npower set off		271,492.78
Legal fees		32,398.30
Legal Disbursements		2,699.03
Storage costs		216.29
Floating ch. VAT rec'able		17,867.03
Fixed charge VAT rec'able		17,452.65
Carried forward to * continuation sheet / next abstract		6,881,976.77

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.

9 Appendix 3 - Analysis of office holders' time costs for the period 1 December 2011 to 18 May 2012

	Partner / Director	Manager	Administrator	Support	Total hours	Time cost (£)	Average hourly rate (£)
Administration & planning							
Bankrupt/Director/Member							
Reports to OR on conduct		0.50			0.50	262.50	525.00
Cashiering							
General (Cashiering)	180		2.90		4.70	1862.50	396.28
Reconciliations (& P/S accounting review)	-		0.60		0.60	175.50	292.50
General							
Books and records	-		1.50		1.50	442.50	295.00
Other office holders			0.50		0.50	152.50	305.00
Mail/direction			0.75		0.75	172.50	230.00
Statutory and compliance							
Checklist & reviews	0.50		2.70		3.20	983.50	307.34
Closure and related formalities			2.75		2.75	632.50	230.00
Reports to debenture holders	1.40		1.50		2.90	1270.00	437.93
Strategy documents	3.90	2.00	17.20		33.10	2,930.50	390.85
Tax							
Initial reviews CT and VAT				0.50	0.50	60.00	120.00
Post appointment corporation tax	4.20	5.65	1.45		11.30	5,713.25	505.33
Post appointment VAT	0.10	7.00	15.00		22.10	6,522.50	295.14
	11.90	25.15	48.85	0.50	84.40	31,177.25	369.40
Creditors							
General correspondence			3.30		3.30	3,179.00	239.02
Secured creditors	3.00				3.00	2,175.00	725.00
Statutory reports	1.10	2.95	15.15	1.00	20.20	5,973.25	295.71
Employees							
Correspondence			0.70		0.70	213.50	305.00
	4.10	2.95	29.15	1.00	37.20	11,540.75	310.24
Realisation of assets							
Debtors			4.40		4.40	1,154.50	262.39
Health & safety		0.30	1.00		1.30	356.00	273.85
Open cover insurance			0.20		0.20	46.00	230.00
Other assets			1.30		1.30	396.50	305.00
Vehicles	0.10		1.10		1.20	325.50	271.25
	0.10	0.30	8.00		8.40	2,278.50	271.25
Trading							
Purchases and trading costs			10.70		10.70	2,461.00	230.00
			10.70		10.70	2,461.00	230.00
Total in period					140.70	47,457.50	337.30
Pre appointment time (if any irrecoverable)					92.80	49,639.50	
Brought forward time (appointment date to SP 9 period start date)					3,966.15	177,1379.00	
SP 9 period time (SP 9 period start date to SP 9 period end date)					140.70	47,457.50	
Carry forward time (appointment date to SP 9 period end date)					4,106.85	189,836.50	

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.

9.1 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



Powerfuel Plc in Administration
KPMG LLP
18 May 2012

9.2 Administrators' disbursements during the period

Expense name	Expense amount (£)
Travel costs	102 40
Printing costs	19 20
Total	121.60

10 Appendix 4 - Schedule of expenses for the period

1 December 2011 to 18 May 2012

Fixed charge costs			
Account	Accrued	Paid	Total
Administrators' fees	47,457 50	-	47,457 50
Administrators' expenses	121 60	-	121 60
Payments on behalf of Hatfield Colliery	-	162,618 00	162,618 00
Insurance	-	405 00	405 00
	47,579.10	163,023.00	210,602.10
Cost of realisations			
Irrecoverable VAT		36,706 92	36,706 92
Legal fees	4,000 00	27,524 30	31,524 30
Legal Disbursements	500 00	2,699 03	3199 03
Npower Set off		271,492 78	271,492 78
Storage costs	500 00	216 29	716 29
	5,000.00	338,639.32	343,639.32
TOTAL	52,579.10	501,662.32	554,241.42

Creditors are reminded that the basis on which fees have been reported have been agreed by ING

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 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

11 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 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.