



**UK Coal Surface Mines Limited
(in Administration)
High Court of Justice, Chancery Division,
Leeds District Registry
Case No. 1186 to 2014**

**Joint Administrators' progress report for
the period from
14 November 2014 to 13 May 2015**

12 June 2015

D420Nv2

PricewaterhouseCoopers LLP
Benson House
33 Wellington Street
Leeds LS1 4JP
Telephone +44 (0) 113 289 4000
Facsimile +44 (0) 113 289 4460

www.pwc.co.uk/ukcsurfacemines

Contents

Section		Pages
1	Joint Administrators' progress report	2 - 8
2	Statutory and other information	9
3	Receipts and payments account	10
4	Statement of expenses incurred in the period	11
5	Analysis of our remuneration and Category 2 disbursements	12 - 16
6	Pre-Administration costs	17
Appendix		
A	Claim form	18

Abbreviations used in this report:

"the Company" or "the Administration"	UK Coal Surface Mines Limited – in administration
"the Administrators"	David James Kelly, Robert Jonathan Hunt and Matthew Boyd Callaghan
"Sch.B1 IA86"	Schedule B1 of the Insolvency Act 1986
"IR86"	Insolvency Rules 1986
"Newco" or "UKCSMR"	UKCSMR Limited
"the Group"	UK Coal Group formed in July 2013
"Holdings"	UK Coal Mining Holdings Limited
"UKCPL"	UK Coal Production Limited
"Mining Services"	Mining Services Limited – in administration (now Juniper (No. 7) Limited – in liquidation)
"PPF"	The Pension Protection Fund
"HE"	Harworth Estates Property Group Limited
"BDO"	BDO LLP
"Thoresby"	UK Coal Thoresby Limited
"Kellingley"	UK Coal Kellingley Limited
"Sandersons"	Sanderson Weatherall LLP
"Nabarros"	Nabarros LLP
"Addleshaws"	Addleshaw Goddards LLP
"Bradley Site"	Bradley site, adjacent to the A692 Road, near Leadgate, Consett, County Durham
"Proposals"	Joint Administrators' proposals for achieving the purpose of administration

1. Joint Administrators' progress report

Introduction

In accordance with Rule 2.47 IR86, we write to provide creditors with details of the progress of the Administration of the Company in the six months since our appointment on 14 November 2014.

We are required to provide certain statutory information pursuant to Rule 2.47(1)(a) to (d) IR86, which is included in Section 2.

At this time we are unable to provide a reliable estimate of the likely dividend to creditors as there are material uncertainties regarding future net realisations and the final level of creditor claims. These matters are discussed below.

Background information and initial actions taken by the Administrators

The Company operated four surface mines in the UK (in Northumberland, Derbyshire and Leicestershire) and two dormant mines in Shropshire and County Durham, as part of the UK Coal Group. Its principal activity was the production and supply of coal and the restoration of historical surface mine sites.

As set out in more detail in the Proposals, the mining business (deep mines and surface mines) has experienced difficulties as a result of the decline in the global coal price and adverse exchange rate movements.

The Group engaged PwC in December 2013 to assist in exploring options in the interests of its creditors and stakeholders.

Various options were explored but ultimately a managed closure plan for the deep mine group was enacted. A request was made to the Department for Business Innovation and Skills and private sector stakeholders to fund the managed closure, and a commercial loan was ultimately agreed on 26 September 2014.

The circumstances giving rise to the Administrators' appointment

It was not possible to incorporate the Company into the deep mine managed closure plan, as the investment requirement and the cash profile of the surface mines business was not consistent with the deep mine run off plan.

The Company's operating activities were therefore financially separated from the deep mine group, and the Company's share capital and /or business and assets were marketed for sale from May 2014 with assistance from PwC. Unfortunately a sale was not achieved.

The directors were left with no alternative but to plan for insolvency and subsequently appointed us as Administrators on 14 November 2014.

Sale of business and assets

Immediately upon appointment, the Company's business and some of its assets were sold to UKCSMR, an entity set up to manage the closure of the active and historical surface mine sites. The sale is expected to realise just over £1 million, to be paid to us in four quarterly instalments. A breakdown of the assets which were included in the sale is as follows:

1. Joint Administrators' progress report

	£
Plant, machinery and vehicles	750,000
Eon contract and associated debts	250,000
Coal stocks, consumables and goodwill	2
	<hr/> 1,000,002 <hr/>

The deferred consideration is secured by way of a chattel mortgage over the plant, machinery and vehicles.

UKCSMR is supported by HE, as the major landlord of the Company. As part of the transfer of site leases from the Company to UKCSMR, HE has waived its unsecured claims in the insolvency which would have been in excess of £20 million.

UKCSMR also took on the Eon contract, thereby mitigating a significant potential creditor claim against the Company.

In the period covered by the report, we received the first deferred consideration payment of £250,002, and a further £250,000 in respect of the Eon contract and associated debts. These are reflected in the receipts and payments account at Section 3. We expect the final deferred consideration of £500,000 to be paid during the forthcoming six month period.

Full disclosure of the information relating to the sale as required by Statement of Insolvency Practice No. 16 and No. 13 was circulated to all known creditors on 20 November 2014 and is not repeated here.

Post sale matters

VAT

Under the terms of the sale contract, Newco is to receive the benefit of all proceeds relating to the existing contract between the Company and Eon, one of its key customers. Following completion of the sale of business to Newco, a detailed review of the unpaid invoices raised by the Company to Eon was conducted, to establish the extent of our pre and post appointment VAT liability. We also liaised with the Company's pre appointment bank to ensure that the net proceeds of these sales were provided to Newco in line with the sale contract, and the VAT elements remitted directly to us in order that we could account to HMRC.

Sale of chattel assets

Under the terms of the sale agreement, UKCSMR has been liaising with us to confirm our approval to each offer it received to purchase any of the plant over which our mortgage is secured. We have ensured the best possible value is achieved in relation to these assets, by checking with agents Sandersons that the offers received were in line with market value.

To minimise ongoing costs, Newco has engaged Sandersons directly, with our support, to arrange a series of online auctions to sell the remaining plant and machinery, as and when this becomes available following the site closures. The first auction took place in May 2015, and realised £216,837. Sandersons advertised the items for sale to their wide ranging database of industry contacts, and the auction process resulted in a more competitive and transparent sales process. Sandersons' costs are to be met by the buyers' premiums and commission charged on each item sold at auction, and therefore there will be no expense incurred by the Administration.

1. Joint Administrators' progress report

Property matters

Prior to our appointment, the Company sub-leased a small plot of land at the Group's Haworth head office known as the archive store and car park. On appointment, we granted a temporary licence to occupy this property to another company in the UK Coal Group, UKCPL, whilst this Company sought a formal assignment of the lease from the landlord, HE. We are now liaising regularly with all parties to the transaction to ensure that the matter is progressed. There is no value to the Administration in the lease.

Realisation of other assets

Cash at bank

Following our appointment, we took an initial sweep of the Company's pre appointment bank account at Lloyds, totalling £4,169,620. The Lloyds account was held open for a short period post appointment, to facilitate on-going trading with Eon, and the smooth transition of this key customer from the Company to UKCSMR. During this time, we liaised closely with Lloyds to maintain control of the receipts and payments made on this account, and closed it at the appropriate time.

Book debts

In their statement of affairs, the directors listed the book debt ledger as £2,865,239. The Company's estimated book debts included the outstanding amounts under the existing contract with Eon, the benefit of which we assigned to UKCSMR under the sale of business. Therefore, as stated in our Proposals, after reviewing the information provided by the Company we prudently expected to realise a further £400,000 from the remaining book debts.

To date, we have collected pre appointment book debts of £641,493. These debts relate to intercompany agreements for rental of the Company's plant and equipment used at various sites, and to the collection of sales proceeds resulting from supplies of coal made to customers prior to our appointment.

Other plant and machinery

Unconnected to the sale of business to UKCSMR, we have sold certain pieces of plant and vehicles to Thoresby and Kellingley for a combined total consideration of £327,350. No other realisations are expected from the realisation of plant and machinery not included in the sale discussed above.

Fuel bond and other refunds

We contacted Total, the company holding a fuel bond, and have negotiated the return of £206,974 of funds held on account. We have also recovered further refunds of several on-account payments made by the Company prior to our appointment totalling £17,125. This relates to the return of pre-paid vehicle taxes, Company funds held by the Environment Agency, and other small account credits held by pre appointment suppliers. No further refunds are expected.

Future options and Bradley appeal

Prior to our appointment, options agreements for some of the future sites were moved to the parent company, Holdings, under an agreement whereby 90% of the future value of these options will be paid into the estate of UKCSML. The administrators are in discussion with Holdings as to how best to realise this potential value for the benefit of creditors. The value of the Company's interest in these sites is linked to the granting of planning permissions along with various other factors. It is expected that further clarity will be received from the planning authorities in the next six months.

1. Joint Administrators' progress report

Also prior to appointment, the Company had incurred significant costs in relation to appealing a decision of the Planning Inspectorate to reject a planning application at the Bradley Site. The High Court eventually overturned this decision, following which the Company made an ex gratia claim to the Planning Inspectorate for the reimbursement of its costs. Since appointment, we have continuing to liaise with the Planning Inspectorate to provide it with the information and evidence of costs required for it to make a final assessment of the Company's claim. We are also liaising with the Company's pre appointment legal advisers to ensure the required information is available to the Planning Inspectorate. At this time, the Planning Inspectorate is unable to give us a defined timetable for when their assessment will conclude and hence, the timing and quantum of any receipt into the Administration is subject to some uncertainty.

Approval of the Administrators' Proposals

On 17 December 2014, we circulated to creditors our Proposals for achieving the purpose of administration.

The Proposals were approved by creditors without modification at a meeting held on 9 January 2015.

Receipts and payments account

An account of the receipts and payments in the Administration for the period from 14 November 2014 to 13 May 2015 is set out in Section 3.

Expenses statement

A statement of the expenses incurred by us in the period 14 November 2014 to 13 May 2015 is included at Section 4.

The statement excludes any potential tax liabilities that may be payable as an expense of the Administration in due course because amounts due will depend on the position at the end of the tax accounting period.

Administrators' remuneration

Our remuneration has been approved on a time costs basis by the general body of creditors at the initial creditors' meeting held on 9 January 2015. To date, we have not drawn any remuneration in accordance with the resolutions passed.

The time cost charges incurred in the period covered by this report are £200,740, representing 708 hours. This amount will not necessarily reflect all to be drawn as remuneration by us for this period. In accordance with the requirements of Statement of Insolvency Practice 9, a full analysis of our time costs and Category 2 disbursements for the period 14 November 2014 to 13 May 2015 is provided in Section 5.

Creditors' rights

If any creditor requires further explanations on any aspect of our progress report, then please telephone or write to Ruth Turner who will be pleased to deal with such enquiries. Please note that any request for further information regarding our remuneration or disbursements should be made in writing (Rule 2.48A IR86).

In addition, should any creditor consider our remuneration and disbursements to be excessive or inappropriate, they have the right to challenge the amounts in accordance with Rule 2.109 IR86.

An explanatory note on these rights and other matters relating to our remuneration and expenses can be found online at:

1. **Joint Administrators' progress report**

<http://www.icaew.com/~media/Files/Technical/Insolvency/creditors-guides/creditors-guide-administrators-fees-final.pdf>

A copy (free of charge) can be obtained by telephoning Ruth Turner on 0113 289 4326.

Pre-Administration costs

Information regarding the approval of the unpaid pre-Administration costs previously detailed in our Proposals can be found at Section 6 of this report.

Dividend prospects

Secured creditors

Chattel mortgages

The Company had granted two chattel mortgages which are attached to specific items of plant and machinery, one in favour of Mining Services and the other in favour of HE.

We have liaised with BDO as the liquidators of Mining Services, who have since discharged the security over the charged assets, using funds generated from a sale of the charged assets. We agreed with BDO that we would hold the balance of the consideration funds until 12 May 2015 in a separate account, to be used to satisfy any valid retention of title claims brought against Mining Services. As at the date of this report, we have not been made aware of any such claims, and we are currently seeking clearance from BDO to deal with the retained funds.

PPF

The PPF has a debenture securing liabilities of the Company under a guarantee to the PPF given on 9 July 2013. This guarantees the debt obligations of Holdings to the PPF, including £59m of loan notes.

Since the date of our Proposals, the PPF has notified us that Holdings has triggered a default under its loan notes. The PPF is therefore expected to make full claim against the Company under the guarantee, which is anticipated will result in a £59m secured claim in the insolvency.

It is not anticipated that the PPF will be paid in full under its cross guarantee over the assets of the Company.

Preferential creditors (employees)

All but one of the Company's employees transferred to Newco under the terms of the sale.

The remaining employee was made redundant prior to our appointment. His preferential claim of £2,031 was settled in full outside of a formal distribution process, for commercial reasons.

Since issuing our Proposals, we have been made aware of a number of employees of the Company who either left or were made redundant prior to our appointment, and were owed unpaid performance related bonuses. We have worked closely with Newco and have conducted a thorough review of the Company's records, to fully understand when their bonuses will have accrued and the calculation used to quantify the bonus amount.

Our investigation has confirmed that for those employees who remained employed after 30 June 2014, they will have accrued a bonus related to the four month period before appointment. As the claim for unpaid bonus is being treated as a claim for unpaid wages, this means that element of their claim is preferential.

1. Joint Administrators' progress report

We will shortly be giving notice to these preferential creditors of our intention to declare a first and final preferential dividend. We expect to pay a dividend of 100p in the £.

Unsecured creditors

As the PPF's security is dated after 15 September 2003, the provisions of the prescribed part will apply in this case, and we believe that there will be sufficient sums available for a distribution to the unsecured creditors under the prescribed part.

The prescribed part is a fund that has to be made available for unsecured creditors. It's paid out of "net property". Net property is floating charge realisations after costs, and after paying - or setting aside enough to pay - preferential creditors in full. But it only has to be made available where the floating charge was created on or after 15 September 2003. The maximum that can be paid to unsecured creditors under the Prescribed Part is £600,000 (net of the costs of making the distribution).

We expect that the PPF will have a secured claim in respect of their debt and therefore the only amount available for unsecured creditors will be by reference to the Prescribed Part. At this stage we expect the Prescribed Part will be the maximum value ie £600,000. Based on the current estimates of unsecured creditor claims and total realisations, this is estimated to result in a 2p dividend to be paid to the unsecured creditors.

If you have not already submitted your claim, please do so using the form enclosed with this report at Appendix A.

Ending the Administration

As a result of recent changes in the insolvency process, we no longer consider it necessary to place the Company into creditors' voluntary liquidation to enable a distribution to the unsecured creditors. Instead, we expect to pay a dividend to unsecured creditors directly from the Administration. Once the deferred consideration is collected an extension to the Administration is likely to be required to facilitate the distribution. We do not consider this a material change to our Proposals and do not intend to submit modified Proposals.

Discharge from liability

A resolution to approve our discharge from liability following ceasing to act was put to the creditors at the meeting held on 9 January 2015. The creditors voted against the resolution at the meeting. We will therefore seek approval to our discharge when we are closer to the resolution of the outstanding matters.

Next report

The Administrators anticipate that they will circulate their next report to creditors at the earlier of the conclusion of the Administration or in approximately six months.

1. **Joint Administrators' progress report**

If you have any queries regarding the above, please do not hesitate to contact my colleague, Ruth Turner, on 0113 289 4326.

Signed 

David Kelly

Joint Administrator of the Company

David James Kelly, Robert Jonathan Hunt and Matthew Boyd Callaghan have been appointed as joint administrators of the Company to manage its affairs, business and property as its agents. All are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

The joint administrators are Data Controllers of personal data as defined by the Data Protection Act 1998. PricewaterhouseCoopers LLP will act as Data Processor on their instructions. Personal data will be kept secure and processed only for matters relating to the administration.

2. Statutory and other information

Court details for the Administration:	High Court of Justice, Chancery Division, Leeds District Registry, 1186 of 2014
Full name:	UK Coal Surface Mines Limited
Trading name:	UK Coal
Registered number:	08492512
Registered address:	Benson House, 33 Wellington Street, Leeds, LS1 4JP
Company directors:	David Bolton, Stephen Hutchinson, Stuart Hault, Derek Parkin
Company secretary:	EPS Secretaries Limited
Shareholdings held by the directors and secretary:	None
Date of the Administration appointment:	14 November 2014
Administrators' names and addresses:	David James Kelly, PricewaterhouseCoopers LLP, 101 Barbirolli Square, Manchester, M2 3PW; Robert James Hunt, PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT; Matthew Boyd Callaghan, PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH
Appointor's / applicant's name and address:	The directors of the Company, Harworth Park, Blyth Road, Harworth, Doncaster, South Yorkshire, DN11 8DB
Objective being pursued by the Administrators:	Objective (B) Achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration)
Division of the Administrators' responsibilities:	In relation to paragraph 100(2) Sch.B1 IA86, during the period for which the Administration is in force, any function to be exercised by the persons appointed to act as administrators may be done by any or all of the persons appointed or any of the persons for the time being holding that office
Proposed end of the Administration:	Dissolution
Estimated dividend for unsecured creditors:	2 pence in each pound
Estimated values of the prescribed part and the company's net property:	Value of the prescribed part: £600,000 (less costs of the distribution) Value of Company's net property: £6,212,000 (subject to costs)
Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:	No
The European Regulation on Insolvency Proceedings (Council Regulation(EC) No. 1346/2000 of 29 May 2000):	The European Regulation on Insolvency Proceedings applies to this Administration and the proceedings are main proceedings
Any other information which the Administrators think necessary to enable creditors to decide whether or not to vote for adoption of the proposals:	Not applicable

3. Receipts and payments account

Joint administrators' receipts and payments account

Directors' statement of affairs		14 November 2014 to 13 May 2015
	FIXED CHARGE REALISATIONS	
-	Sale of assets subject to chattel mortgage	327,350.00
	Bank interest gross	439.51
		<u>327,789.51</u>
	COST OF FIXED CHARGE REALISATIONS	
	Bank charges	(15.00)
		<u>(15.00)</u>
	Distribution to mortgagor (Mining Services)	(52,500.00)
	Net fixed charge realisations (see Note 1)	<u>275,274.51</u>
	FLOATING CHARGE REALISATIONS	
	Bank interest gross	6,509.95
2,865,239	Book debts	641,493.38
-	Bradley appeal costs - ex gratia claim	-
	Consideration for the Eon debt	250,000.00
4,168,821	Cash at bank	4,169,619.51
340,000	Fuel bond recovery	206,974.42
	Motor vehicles	2,300.00
	Refunds	17,124.66
	Sale of business	250,002.00
<u>7,374,060</u>		<u>5,544,023.92</u>
	COST OF FLOATING CHARGE REALISATIONS	
	Bank charges	(240.00)
	Costs in relation to property rights	(230,000.00)
	Legal fees and expenses	(152,067.97)
	Statutory advertising	(151.63)
		<u>(382,459.60)</u>
	Distribution to floating chargeholder	-
	Distribution to preferential creditors	(2,030.55)
	PAYE & NIC on preferential distributions	(763.18)
	Net floating charge realisations	<u>5,158,770.59</u>
	Prescribed part distribution to unsecured creditors	-
	VAT control account payable/(receivable)	(18,410.85)
	Balance held in interest bearing account as at 13 May 2015	<u>5,415,634.25</u>

Note 1: These funds have been held in a separate account, to be used to satisfy any valid retention of title claims brought against Mining Services. We are currently seeking confirmation from the liquidator of Mining Services that we are now entitled to distribute or otherwise deal with the funds.

4. Statement of expenses incurred

We have incurred the following expenses in the period covered by this report:

Expenses statement	Expenses incurred in the period 14 November 2014 to 13 May 2015	Expenses paid in the period 14 November 2014 to 13 May 2015	Unpaid expenses in the period 14 November 2014 to 13 May 2015
Administrators' time costs	(201,620.25)	-	(201,620.25)
Administrators' expenses	(692.55)	-	(692.55)
Bank charges	(255.00)	(255.00)	-
Costs in relation to property rights	(230,000.00)	(230,000.00)	-
Insurance	(465.00)	-	(465.00)
Legal fees and expenses (See Note 1)	(92,404.65)	(53,222.29)	(39,182.36)
Statutory advertising	(151.63)	(151.63)	-
Total	(525,589.08)	(283,628.92)	(241,960.16)

Note 1: The expenses incurred include some estimated expenses, which will be confirmed on receipt of the relevant invoices.

The statement excludes any potential tax liabilities that may be payable as an expense of the Administration in due course because amounts due will depend on the position at the end of the tax accounting period.

5. Analysis of our remuneration and Category 2 disbursements

Hourly rates

Set out below are the relevant maximum charge-out rates per hour worked for the grades of the Administrators' staff actually or likely to be involved on this assignment. Time is charged by reference to actual work carried out on the assignment. There has been no allocation of any general costs or overhead costs.

Grade	Rate per hour (£)
Partner	575
Director	480
Senior Manager	415
Manager	330
Senior associate – qualified / consultant	250
Senior associate – unqualified	180
Associate	160
Support staff	120

Specialist departments within our firm such as Tax, VAT, Property and Pensions may charge a number of hours if and when we require their expert advice. Such specialists' rates do vary but the figures below provide an indication of the maximum rate per hour.

Grade	Maximum rate per hour (£)
Partner	1,300
Director	1,140
Senior Manager	960
Manager	630
Senior associate – qualified / consultant	465
Senior associate – unqualified	n/a
Associate	225
Support staff	130

The time charged to the Administration is by reference to the time properly given us and our staff in attending to matters arising.

In common with all professional firms, the scale rates used by the may periodically rise (for example to cover annual inflationary cost increases) over the period of the Administration. Any material amendments to these rates will be advised to the creditors in the next statutory report.

All staff who work on this assignment (including cashiers, support and secretarial staff) charge time directly to the assignment and are included within any analysis of time charged. Each grade of staff is allocated an hourly charge out rate which is reviewed from time to time. Work undertaken by cashiers, support and secretarial staff is charged for separately and is not included in the hourly rates charged by partners or other members of staff. Time is charged by reference to actual work carried out on the assignment in six minute units. The minimum time chargeable is three minutes (i.e. 0.05 units).

5. Analysis of our remuneration and Category 2 disbursements

Narrative of work carried out during the period 14 November 2014 to 13 May 2015

The key areas of work have been: -

Strategy and planning

- Holding regular team meetings including senior management and appointees to consider case strategy, ad hoc issues and impending deadlines.
- Drafting initial case strategy document, circulating this to appointees for sign off.
- Preparing case budgets for all teams (Tax, VAT, Creditors, Employees, Pensions, BRS), regularly reviewing time costs and reconciling back to initial budgets.
- Senior management and appointee overview of the case to ensure efficient case progression and compliance with regulatory/licencing requirements.

Secured creditors

- Substantial discussions between appointees and the PPF in regards to its guarantee claim and associated security over the Company's property including conference calls and physical meetings.
- Liaison with our legal advisers in relation to the PPF security position.

Assets

- Drafting and reviewing the SIP 16 report to summarise considerations made in the sale of business to UKCSMR.
- Liaising with Willis and JLT to ensure the ongoing insurance of third party assets not required by Newco, until such time as they could be collected from sites.
- Continuing discussions around strategy for dealing with future options agreements.
- Continuing to liaise with the Planning Inspectorate and Nabarro regarding the recovery of planning application costs in light of the Bradley appeal.
- Liaising with health and safety offices regarding site matters.
- Liaising with Newco and Sanderson Weatheralls in relation to the sale of the non-HE assets, over which we have a chattel mortgage, and facilitating the arrangement of a series of online auctions to expedite the sale of these assets.

Investigations

- Requesting and subsequently reviewing questionnaires received from directors of the Company.
- Investigation work in preparation for directors conduct return, including company searches, historic transactions with connected parties, reviewing correspondence from creditors, and preparing checklists.
- Liaising with all PwC staff who have worked on the UK Coal engagement regarding matters for investigation, recording discussions.
- Preparing file notes to summarise investigation conducted and collating documentation.
- Drafting and reviewing submissions to the Insolvency Service.

Creditors

- Taking calls from creditors seeking updates as to the administration of the Company.
- Providing hard copies of initial notifications to creditors as required.
- Tracing addresses for creditors that have relocated in order to provide statutory notice of appointment.
- Dealing with enquiries from creditors specifically relating to the unpaid productivity bonuses.

Accounting & treasury

- Liaising with the Bank to open two post appointment bank accounts.
- Monthly reconciliation of the bank accounts with our internal accounting systems.
- Liaising with the Company's pre appointment relationship manager to ensure regular sweeps of the pre appointment account, obtain statements in order to reconcile the transactions onto our systems and to eventually close the pre appointment account.
- Generating payments from and coding receipts into the post appointment accounts.

UK Coal Surface Mines Limited – in administration

Joint administrators' progress report for the period 14 November 2014 to 13 May 2015

5. Analysis of our remuneration and Category 2 disbursements

Statutory & compliance

- Setting up internal accounting systems, databases and time recording facilities.
- Drafting and sending initial notice of appointment to all parties entitled to receive it under insolvency legislation including all known creditors, Companies House, HMRC, the Company and its directors.
- Advertising the appointment in the London Gazette.
- Liaising with the bond supervisor to obtain adequate bonds.
- Creating the internal creditors' website and updating this with all creditor communications.
- Requesting statement of affairs from the directors of the Company, extending deadline for submission, reviewing the document and filing with Companies House.
- Drafting and reviewing our Proposals for achieving the purpose of administration, circulating these to all known creditors.
- Preparing for and holding the initial meeting of creditors, liaising with creditors and subsequently circulating the results of the meeting.
- Liaising with Newco, Willis and legal advisers regarding insurance requirements during the period of transferring sites and assets to Newco.
- Ongoing management of the case utilising internal prompt/diary system and case milestones.

Tax & VAT

- Various discussions between tax and VAT advisers and case team to establish tax background of the Company and compile initial information required.
- Seeking specific advice from the VAT team regarding the treatment of VAT charged on pre and post appointment invoices raised by the Company, to understand our responsibilities for accounting to HMRC for input taxes.
- Reviewing and agreeing budgets for tax and VAT work required.
- Setting up and maintaining tax and VAT files.
- Providing notice of appointment to HMRC's climate levy department.
- Liaising with Newco to obtain Company records required to prepare pre appointment VAT return.
- Drafting, reviewing and submitting both pre appointment and first quarterly post appointment VAT returns, and arranging payment of VAT liability.

Employees & pensions

- Attending site to collect payroll information.
- Agreeing strategy for payment of claim in regards to the employee that did not transfer to Newco under the TUPE provisions.
- Drafting employee related forms including RP14 and submitting these to the Redundancy Payments Office in relation to redundant employee.
- Liaising with the redundant employee regarding his preferential claim, and processing payment.
- Liaising with Newco to obtain information relating to the productivity bonus scheme operated by the Company prior to appointment.
- Corresponding with ex-employees owed unpaid bonuses to provide instructions on how to make their preferential and unsecured claims.
- Obtaining information on the Company's pensions arrangements to enable the required statutory notices to be completed.
- Issuing statutory notices to the PPF, The Pensions Regulator and pension trustees.

5. Analysis of our remuneration and Category 2 disbursements

Analysis of time costs for the period from 14 November 2014 to 13 May 2015

Aspect of assignment	Partner	Director	Senior Manager		Manager	Senior Associate		Associate	Secretarial	Total hours	Time cost £	Average hourly rate £
			3.50	2.75		22.20	12.35					
Strategy & Planning	4.10	9.00	-	14.60	22.20	2.00	-	-	51.90	16,397.50	315.94	
Secured creditors	3.60	27.00	-	0.20	1.50	-	-	-	32.30	15,471.00	478.98	
Assets	0.30	17.00	3.50	20.70	58.05	5.60	-	-	105.15	29,403.00	279.63	
Investigations	2.00	3.00	2.75	7.60	12.35	-	-	-	27.70	8,462.25	305.50	
Creditors	-	3.00	0.45	6.05	34.90	6.40	2.40	-	53.20	11,472.75	215.65	
Accounting and treasury	-	-	0.35	25.00	38.60	33.85	-	-	97.80	21,147.75	216.23	
Statutory and compliance	6.40	18.00	4.65	33.35	107.25	5.95	5.00	-	180.60	47,459.75	262.79	
Tax & VAT	-	0.50	20.00	16.50	29.05	7.05	-	-	73.10	26,293.75	359.70	
Employees & pensions	-	6.00	0.30	32.35	47.45	-	-	-	86.10	24,632.50	286.09	
Total for the period	16.40	83.50	32.00	156.35	351.35	60.85	7.40	7.40	707.85	200,740.25	283.59	

UK Coal Surface Mines Limited – in administration
Joint administrators' progress report for the period 14 November 2014 to 13 May 2015

5. Analysis of our remuneration and Category 2 disbursements

Category 2 disbursements for the period 14 November 2014 to 13 May 2015

There is no statutory requirement for Administrators to seek approval to draw expenses or disbursements. However, professional guidance issued to insolvency practitioners requires that, where we propose to recover costs which, whilst being in the nature of expenses or disbursements, may include an element of shared or allocated costs (such as room hire, document storage or communication facilities provided by our own firm), we must be disclosed and be authorised by those responsible for approving their remuneration. Such expenses are known as "Category 2" disbursements and they must be directly incurred on the case and subject to a reasonable method of calculation and allocation.

Our expenses policy allows for all properly incurred expenses to be recharged to the case. Category 2 disbursements are likely to only comprise printing for circulars to creditors and exceptional amounts of copying.

Category 2 disbursements in the period under review comprise:

Photocopying	Charged at 3 pence per sheet copied, only charged for circulars to creditors and other bulk copying.
Mileage	Charged at a maximum of 71 pence per mile (up to 2,000cc) or 93 pence per mile (over 2,000cc)

We have incurred the following Category 1 and 2 disbursements (excluding VAT) during the period 14 November 2014 to 13 May 2015:-

Photocopying:	£113.90
Mileage:	£339.42
Category 1 disbursements (company searches, parking, postage and subsistence):	£239.23

We have no business or personal relationships with parties responsible for approving remuneration or who provide services to us in respect of the appointment where the relationship could give rise to a conflict of interest.

Summary of legal and other professional firms instructed in the period 14 November 2014 to 13 May 2015

We have instructed the following professionals in the period covered by this report: -

Service provided	Name of firm / organisation	Reason selected	Basis of fees
Legal advice (appointment, validity of PPF security, lease termination)	Addleshaws	Expertise	Time costs
Legal advice (realisation of options agreements and Bradley appeal costs)	Nabarros	Expertise	Time costs

Our choice of professionals is based on our perception of the advisors' experience and ability to perform this type of work, the complexity and nature of the assignment and basis of fee arrangement with them.

We require all third party professionals who charge on a time costs basis to submit analyses and narratives in support of invoices rendered, which we will review and challenge if appropriate.

6. Pre-Administration costs

The following costs which were incurred prior to our appointment, but with a view to the Company entering Administration were approved for payment by the general body of creditors at the initial meeting which took place on 9 January 2015.

	Unpaid amount (£)	Paid amount (£)
Fees charged by the Administrators	18,647.50	-
Disbursements incurred by the Administrators	19,059.53	-
Other expenses incurred (legal fees and expenses)	-	98,845.68
Total	37,707.03	98,845.68

APPENDIX A Claim form

UK Coal Surface Mines Limited - in administration – statement of claim

Creditor's name and address.	
Registered number (if creditor is a company)	
<p>Claim amount</p> <ul style="list-style-type: none"> Total amount of your claim (including VAT) at the date the administration commenced*[or, if the company was in liquidation when it entered administration, at the date the prior liquidation commence]. Any payment received by the creditor in relation to the claim after the appointment of the administrators [or, if applicable, prior liquidators] Total value (including VAT) of any monies owed by the creditor to the company. Total value (including VAT) of any retention of title in respect of any goods to which the debt relates 	<p>£</p> <p>£</p> <p>£</p> <p>£</p>
Please provide details of any documents that substantiate your claim including where applicable, details of any reservation of title. If available, please attach a statement of account.	
What goods or services did you provide?	
<p>If you have security for your debt, please provide details of the type and value of the security, the date it was given, and provide details of how you have valued your security.</p> <p>If no security held, leave this section blank.</p>	
<p>We have a duty as administrators to consider the conduct of the directors prior to our appointment. Are there any particular matters relating to the purchase of goods and services from yourselves, or any other matters that you feel should be reviewed?</p> <p>If so, please provide brief details on this form, or on a separate sheet if there is insufficient room.</p>	
Signature of creditor or person authorised to act on behalf of the creditor.	Date
Name in block capitals.	
Position with or relation to the creditor (e.g. director, company secretary, solicitor).	