



**UK Coal Surface Mines Limited – in Administration**

**High Court of Justice, Chancery Division, Leeds  
District Registry**

**Case No. 1186 of 2014**

**Joint Administrators' proposals for achieving the  
purpose of administration**

**17 December 2014**

**PricewaterhouseCoopers LLP**

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# Contents

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Section		Page(s)
1	Why we've prepared this document	3
2	What you could recover: a summary	4
3	Brief history of the Company and a summary of what we've done so far	5 - 9
4	Our proposals for achieving the purpose of administration	10 - 11
5	Statement of affairs	12
6	Statutory and other information	13
7	Receipts and payments account	14
<b>Appendices</b>		
A	Pre-administration costs	15 - 16
B	Statement of affairs	17
C	Common questions and answers:- – The initial meeting of creditors and the creditors' committee	18 - 21
D	Our charging and disbursements recovery policy	22 - 27
E	Statement of claim form	28
F	Form 2.20B	29
G	Proxy form	30
H	How to complete your proxy	31
<b>Abbreviations used in this report:</b>		
"UKCSML", "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	
"Newco" or "UKCSMR"	UKCSMR Limited	
"UKCOL"	Ocanti Opco Limited, formerly UK Coal Operations 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 Mines Property Limited	
"BDO"	BDO LLP	
"Thoresby"	UK Coal Thoresby Limited	
"Kellingley"	UK Coal Kellingley Limited	

## 1. Why we have prepared this document

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I wrote to all creditors on 20 November 2014 to explain that the Company had entered into administration and that Robert Hunt, Matthew Callaghan and I had been appointed as joint administrators on 14 November 2014.

We were appointed as administrators to manage the affairs, business and property of the Company. We will act until such time as our proposals for achieving the purpose of administration have been agreed by creditors and implemented, following which the Administration will be ended.

The purpose of administration is to achieve one of the following objectives: -

- (a) Primarily, rescuing the Company as a going concern, or failing that
- (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), or finally
- (c) Realising property in order to make a distribution to one or more secured or preferential creditors.

For the reasons detailed in this document, it was not reasonably practicable to rescue the Company as a going concern, and thus objective (b) is being pursued.

This document and its appendices form the Administrators' statement of proposals for achieving the purpose of administration as required by Paragraph 49 Sch.B1 IA86.

An initial creditors' meeting will be held on 9 January 2015 at our offices at Benson House, 33 Wellington Street, Leeds LS1 4JP to consider these proposals and decide whether a creditors' committee should be formed. If no committee is formed, creditors will also be asked to fix our remuneration and approve the pre-administration costs which were unpaid at the time of the appointment. Formal notice of the meeting, Form 2.20B, is enclosed. Please note that you will be bound by our proposals if they are approved at the creditors' meeting by the requisite majority of creditors. It is therefore important that you read this document carefully. You may put forward any modifications that you wish to see incorporated into the proposals, and make your views known on whether they should be accepted.

As a creditor you can attend the creditors' meeting either in person or by submitting a proxy. Please let me have details of your claim on the enclosed form as soon as possible. In order to vote (either in person or by proxy) I must receive written details of your claim no later than 12.00 noon on 8 January 2015. Please note that you are not obliged to attend the meeting or submit a proxy if you do not wish to vote and you will not prejudice your claim and entitlement to a dividend, should there be one, if you do not attend or vote.

If you have any concerns or questions regarding the background to this case or what is being proposed, 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.*

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**UK Coal Surface Mines Limited – in administration**  
**Joint administrators' proposals for achieving the purpose of administration**

## 2 What you could recover: a summary

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The table below provides a summary of the possible outcome for the various classes of creditors, based on current information. More information is provided later in this report. Please note this guidance on dividends is only an indication and should not be used as the main basis of any bad debt provision.

	% Recovery	Forecast Timing
<b><i>Estimated dividend prospects for unsecured creditors:</i></b> ie all other creditors who are neither secured nor preferential:	2p/£*	12-18 months

\* As described within this document, there is some uncertainty surrounding the quantum of the PPF's secured claim in the Administration. If it has an actual secured claim then we anticipate that a dividend will be paid to unsecured creditors by way of a prescribed part distribution. Assuming that the maximum prescribed part of £600,000 is available, unsecured creditors may expect to receive a distribution of approximately 2p in the pound.

### **3 Brief history of the Company and a summary of what we have done so far**

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#### **Background**

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

The Company was part of the UK Coal Group.

#### ***July 2013 insolvency***

In February 2013, a fire at the Daw Mill Colliery ultimately resulted in the insolvency of UKCOL, the main operating company for the deep mine and surface mine business within the UK Coal Group. PwC was engaged shortly after the fire to assist in exploring options and PwC partners and directors were ultimately appointed administrators over various entities in July 2013.

The PwC administrators of UKCOL completed a pre-packaged sale of the business and assets of UKCOL to a newly formed group, including the Company and headed by Holdings and UKCPL. The economic owner of the new group was the PPF, which had fixed and floating charges over the Group's assets. The ultimate shareholder is an employee benefit trust. At the same time administrators from BDO were appointed over Mining Services.

All business and assets of the Company were acquired from the administrators of Mining Services, UKCOL, and other parts of the former UK Coal Group.

At the time, all current sites and historical restoration obligations transferred with the business to the Company.

#### ***UK Coal Group post July 2013***

Since late 2013, 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.

The Group required significant investment to continue operations and the development of future coal faces and surface mine sites, therefore, the economic owner of the business and secured debt holder, the PPF, was approached with a view to providing financial support. Unfortunately due to its constitution, the PPF was unable to invest.

There was no prospect of raising any external debt finance due to the limited unencumbered assets available to act as security.

The Group was therefore marketed for sale and although various parties expressed an interest, no party was able to complete a share purchase.

A managed closure plan for the deep mine group was subsequently enacted, which is intended to allow for the safe closure of the Group's three (two active) deep mines, following completion of mining the final coal faces that had, at the time, largely been developed.

### **3 Brief history of the Company and a summary of what we have done so far**

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The managed closure plan, however, forecast a cash flow requirement. A request was therefore made to the Department for Business Innovation and Skills and private sector stakeholders to fund a managed closure of the deep mine group. A commercial loan was ultimately agreed on 26 September 2014.

#### **The circumstances giving rise to the Administrators' appointment**

The Company has also been affected by planning refusals which have reduced the level of available coal reserves relative to restoration liabilities and the Company was forecasting an increasing funding requirement, due to a combination of historical restoration and investment required in opening future surface mines. It was not possible to incorporate the Company into the deep mine managed closure plan, because the investment requirement and cash profile of the surface mine business was not consistent with the deep mine run off plan.

UKCSML was therefore financially separated from the deep mine group. This involved a compromise and settlement of the intercompany debt owed to UKCSML, on which the directors took legal advice. The separation was required to prevent a group-wide insolvency (including the Company) and allowed the Company to continue to trade whilst a sale was pursued.

The Company's share capital and /or business and assets were therefore marketed for sale from May 2014, with assistance from PwC. There were a number of interested parties and in June 2014 three parties made offers for 100% of the share capital. One party progressed its interest over a number of months with full access to management.

Unfortunately, an agreement could not ultimately be reached and this party withdrew its interest on 22 September 2014.

An accelerated asset sale was also pursued, however, the interest received was primarily focussed on the future sites, rather than the acquisition of the active mining operations.

As a result, the directors were left with no alternative but to plan for insolvency.

The options 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.

We were subsequently appointed as administrators by the directors of the Company on 14 November 2014.

#### **Pre-administration costs**

Our total unpaid pre-administration time costs at our firm's standard charge out rates for work of this nature were £18,648 (exclusive of VAT). A breakdown of this is provided at Appendix A. We have also incurred disbursements of £19,060. It is proposed that the above amount is paid as an expense of the Administration.

We are advised that the outstanding pre-appointment legal fees and expenses are in the sum of £98,845 (plus VAT). The legal fees of £98,776 relate to dealing with appointment matters including drafting the appointment documentation, exchanging emails and holding conference calls with all parties to the sale, reviewing the business purchase agreement and heads of terms, and advising on health and safety matters relating to the sites. This represents 276 hours at an average hourly rate of £358. The expenses of £69 relate to the costs of the Companies House searches, together with photocopying and telegraphic transfer fees.

The payment of unpaid pre-administration costs as an expense of the Administration is subject to approval in the same manner as the Administrators' remuneration and certain disbursements, and is not part of the Administrators' proposals subject to approval under Paragraph 53 Sch.B1 IA86. Approval will be sought from

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*UK Coal Surface Mines Limited – in administration*

*Joint administrators' proposals for achieving the purpose of administration*

### 3 Brief history of the Company and a summary of what we have done so far

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the creditors' committee, if one is formed. If no committee is formed, those voting at the meeting will be asked to approve the pre-administration costs which were unpaid at the time of our appointment.

#### **Administrators' sale of the business assets and strategy for realising remaining assets**

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

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

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 removing a significant potential creditor claim.

The significant assets that were excluded from the sale, and remain to be realised by the Administrators are:

- Cash at bank of £4.1 million
- Debtors £0.4 million
- Repayment of planning enquiry fees ("Bradley appeal")
- Recovery of fuel bond
- Future site options (including those within Holdings)

In the period since appointment, we have swept the contents of the Company's pre appointment bank accounts into an account opened by the Administrators, realising £4.17 million.

Unconnected to the sale of business to UKCSMR, we have sold certain other pieces of plant and vehicles to Thoresby and Kellingley for a combined total consideration of £327,350

We are in the process of realising book debts of £47,488 and have negotiated payment of a further £538,139. Further monies may be realised in due course. We have contacted Total, the company holding the fuel bond, and expect payment of approximately £207,000 shortly. We are in the process of dealing with the recovery of planning enquiry fees and sums from future site options.

#### **Connected party transactions**

Upon appointment, the Company's business and some of its assets were sold to UKCSMR, a newly incorporated entity. David Bolton, managing director the Company, is also the 100% shareholder and director of UKCSMR.

#### **Objective of the Administration**

### **3 Brief history of the Company and a summary of what we have done so far**

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As it wasn't considered reasonably practicable to rescue the Company as a going concern, the statutory purpose being pursued in relation to the Company is to achieve 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.

We believe this result is achievable as a result of the consideration received for the sale of the Company's business and some of its assets to Newco, together with the realisation of the remaining assets, mitigation of preferential employee claims and the waiver of HE's claim.

However, if it should not be possible to achieve objective (b), we shall then seek to achieve objective (c) which is to realise property in order to make a distribution to one or more of the Company's secured or preferential creditors.

#### **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 the liquidators of Mining Services, BDO, and have since discharged the security over the charged assets, using funds generated from a sale of the charged assets. We have agreed with BDO that we will hold the balance of the consideration funds until May 2015 in a separate account, to be used to satisfy any valid retention of title claims brought against Mining Services. After this date, we will be entitled to distribute or otherwise deal with the funds.

##### ***PPF***

The PPF has a debenture securing liabilities of the Company under a guarantee to the PPF given on 9 July 2013. This guarantee is of the debt obligations of Holdings to the PPF. These obligations include a £59m loan note. That loan note obligation may be compromised in the event that the deep mine run off plan is successful and completes without default. As such the PPF are a secured creditor but the contingency of the guarantee claim may or may not arise. The PPF maintain that they have an actual claim under the debenture (i.e. that it is not a wholly contingent claim). Details of this are awaited and will be considered by the Administrators with their legal advisers.

#### **Dividend prospects**

##### ***Preferential creditors (employees)***

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

The remaining employee was made redundant prior to our appointment. His preferential claim of approximately £2,000 has been settled in full outside of a formal distribution process, for commercial reasons.

This payment occurred after the period covered by the receipts and payments account included at Section 7 of this document. It will therefore be reported upon in subsequent updates to creditors.

There are therefore no remaining preferential creditors of the Company.



### **3 Brief history of the Company and a summary of what we have done so far**

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#### ***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).

Assuming that the PPF is a valid secured creditor, the full £600,000 will be available for unsecured creditors. 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.

#### **Creditors' rights**

A statement of creditors' rights in relation to our remuneration and expenses, and the right to request further information can be found at:

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

A copy may also be obtained free of charge by telephoning Ruth Turner on 0113 289 4326.

#### **Ending the Administration**

We currently envisage that once the objective of the Administration has been met, the Company will be placed into creditors' voluntary liquidation to enable a distribution to the unsecured creditors, following which the Company will be dissolved.

## **4 Our proposals for achieving the purpose of administration**

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Our proposals for achieving the purpose of the Administration are as follows.

- i) **We'll continue to manage and finance the Company's business, affairs and assets from trading revenues, asset realisations, or in such other manner as we consider appropriate. We'll do this with a view to 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). Failing that we will realise assets to pay a dividend to one or more secured or preferential creditors.**
- ii) **We may investigate and, if appropriate, pursue any claims the Company might have. We'll also do anything else we think appropriate, to achieve the purpose of the Administration, to protect and preserve the Company's assets, to maximise realisations, or for any other purpose incidental to these proposals.**
- iii) **If we think there will be money for unsecured creditors, we may (but we won't have to) agree in principle the claims of unsecured creditors for confirmation by a subsequent liquidator. The costs of doing this may be charged to the Administration, as part of our fees, depending on whether or not there will be a dividend for unsecured creditors. If we choose not to agree the claims in principle and there is money for unsecured creditors, a subsequent liquidator will agree the claims.**
- iv) **If we think there will be money for unsecured creditors, we may (but we won't have to) ask the court to allow us to pay dividends to those creditors. If we choose not to ask the court for such an order and there is enough money for unsecured creditors, a subsequent liquidator will pay dividends to them.**
- v) **We'll ask you at a creditors' meeting if you want a creditors' committee to be appointed. A committee will be formed if the creditors vote for it and provided there are at least three creditors willing to serve on the committee. We'll consult with the committee from time to time and where we think it's appropriate, we'll ask the committee for its views on a course of action rather than calling a creditors' meeting.**

**If we wish to extend the Administration beyond the statutory one year, we'll ask any creditors' committee, if one is appointed, for its views before applying to the court or getting agreement from the appropriate classes of creditors. If, as we anticipate, there are funds available to pay a dividend to unsecured creditors;**

- vi) **we may use one or more "exit route" strategies to end the Administration, but we're likely to choose the following options as being the most cost effective and practical in this case:-**
  - (a) **Once we've disposed of all the assets and finished our work, we'll put the Company into creditors' voluntary liquidation. If this happens, we propose that Toby Scott Underwood and Lyn Leon Vardy are appointed as joint Liquidators and that any act required or authorised to be done by the joint liquidators can be done by any of them acting jointly or alone. Creditors may, before these proposals are approved, nominate a different person or persons as liquidator(s), in accordance with paragraph 83(7)(a) of schedule B1 to the Insolvency Act 1986 and Rule 2.117A(2)(b) of the Insolvency Rules 1986. If, in due course, it seems that this is no longer the most appropriate strategy, we will also consider ;**
  - (b) **In certain circumstances we may apply to court to end the Administration and to put the Company into compulsory liquidation. The court may appoint the Administrators as liquidators depending on the circumstances. Creditors will be notified at the time whether the Administrators intend to apply for appointment as subsequent liquidators, or**
  - (c) **Once we've finished disposing of the assets we'll apply to the court for permission to pay any surplus funds to unsecured creditors. If this is granted, once the distribution has been made, we'll end the Administration by filing a notice with the Registrar of Companies and the Company will be dissolved three months later. If we don't get permission we'll put the Company into**

## **4 Our proposals for achieving the purpose of administration**

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creditors' voluntary liquidation in accordance with paragraph (b) above or comply with the terms of any court order where different, or

- vii) We'll be discharged from liability in respect of any of our actions as Administrators at a time set by the creditors' committee, or, if there is no creditors' committee, 14 days after our appointment as Administrators of the Company ends, or at a time set by the court.
- viii) We propose that the unpaid pre-administration costs set out at Appendix A are approved for payment as an expense of the Administration. The payment of unpaid pre-administration costs as an expense of the Administration is subject to approval under Rule 2.67A Insolvency Rules 1986 and is not part of the proposals subject to approval under paragraph 53 of Schedule. B1 Insolvency Act 1986. If you elect a committee it will be up to that committee to approve payment of the unpaid pre-administration costs as an expense of the Administration. But if there's no committee, we'll ask the general body of creditors to do so instead.
- ix) We propose that our fees be fixed based on the time we and our staff spend on the case at our normal charge out rates for this type of work. We also propose that disbursements for services provided by our firm (defined as Category 2 disbursements in Statement of Insolvency Practice No.9) are charged as per our firm's policy as set out in Appendix D.

It will be up to the creditors' committee to fix the basis of our fees and Category 2 disbursements. But if there's no committee, we'll ask the general body of creditors to do so instead. If creditors or the committee do not fix the basis of our fees and Category 2 disbursements, we may apply to the court to fix them, no later than 18 months after the date of our appointment.

We'll ask you to vote upon the following matters at the creditors' meeting:-

- The approval of our proposals for achieving the purpose of administration.
- The formation of a creditors' committee.
- If creditors don't form a committee, the approval for payment of the unpaid pre-administration costs as an expense of the Administration.
- If creditors don't form a committee, the basis of our fees and Category 2 disbursements.
- If creditors don't form a committee, the timing of our discharge from liability.

## **5 Statement of affairs**

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A statement of affairs of the Company was delivered us on 15 December 2014. The statement was signed by Stephen Hutchinson, director of the Company.

We make the following comments on the statement of affairs: -

- In accordance with the standard format of the statement of affairs, no provision has been made for the costs of **realising the Company's assets** or the costs of the Administration.
- We have not carried out anything in the nature of an audit on the information.
- **The directors have stated that the deposit held by Total has an 'estimated to realise' value of £340,000 in the summary of assets at Section A.** After liaising with Total and reviewing the account information they have provided, we predict that this asset will in fact realise approximately £207,000.
- Also in Section A, **the directors have stated that the trade debtor ledger has an 'estimated to realise' value of £2,865,239.** After reviewing the information provided by the Company, we prudently expect to realise approximately £400,000 from this source.

The statement of affairs is attached at Appendix B and, as is required by statute, includes details of the names, addresses and debts of creditors (including details of any security held).

## 6 Statutory information

<b>Court details for the Administration:</b>	High Court of Justice, Chancery Division, Leeds District Registry, 1186 of 2014
<b>Full name:</b>	UK Coal Surface Mines Limited
<b>Trading name:</b>	UK Coal
<b>Registered number:</b>	08492512
<b>Registered address:</b>	Harworth Park, Blyth Road, Harworth, Doncaster, South Yorkshire, DN11 8DB
<b>Company directors:</b>	David Bolton, Stephen Hutchinson, Stuart Hoult, Derek Parkin
<b>Company secretary:</b>	EPS Secretaries Limited
<b>Shareholdings held by the directors and secretary:</b>	None
<b>Date of the Administration appointment:</b>	14 November 2014
<b>A</b>	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
<b>Appointor's / a                      's name and address:</b>	The directors of the Company, Harworth Park, Blyth Road, Harworth, Doncaster, South Yorkshire, DN11 8DB
<b>Objective being pursued by the Administrators:</b>	Objective (B)
<b>Division of the Administrators' responsibilities:</b>	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
<b>Proposed end of the Administration:</b>	CVL
<b>Estimated dividend for unsecured creditors:</b>	2 pence in each pound
<b>Estimated values of the prescribed part and the company's net property:</b>	Value of the prescribed part: £600,000 (less costs of the distribution) Value of Company's net property: £6,212,000 (subject to costs)
<b>Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:</b>	No
<b>The European Regulation on Insolvency Proceedings (Council Regulation(EC) No. 1346/2000 of 29 May 2000):</b>	The European Regulation on Insolvency Proceedings applies to this Administration and the proceedings are main proceedings
<b>Any other information which the Administrators think necessary to enable creditors to decide whether or not to vote for adoption of the proposals:</b>	N/A

## 7 Receipts and payments account

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Receipts and payments account for the period 14 November 2014 to 28 November 2014

	£	£
<b>Assets subject to a fixed charge</b>		
Sale of chattel assets	327,350.00	
Payment to secured creditor	(52,500.00)	
<b>Costs of fixed charge realisations</b>		
	-	
Net realisations from assets subject to a fixed charge ( <i>Note 1</i> )		274,850.00
<b>Assets subject to a floating charge</b>		
Balance at bank	4,169,735.16	
Pre appointment refunds	304.58	
Book debts	607.20	
<b>Costs of floating charge realisations</b>		
Bank charges	(60.00)	
Net realisations from assets subject to a floating charge		4,170,586.94
VAT control account payable/(receivable)		65,470.00
<b>Balance as at 28 November 2014, held in interest bearing accounts</b>		4,510,906.94

*Note 1: These funds will be held until May 2015 in a separate account, to be used to satisfy any valid retention of title claims brought against Mining Services. After this date, we will be entitled to distribute or otherwise deal with the funds.*

## Appendix A Pre-administration costs

The following are costs incurred prior to our appointment as Administrators but with a view to the Company entering administration, which were not paid by the Company prior to administration. It is proposed that the unpaid costs will be paid as an expense of the administration. Such payment is subject to approval under Rule 2.67 of the Insolvency Rules 1986 and not part of the proposals subject to approval under paragraph 53 Sch.B1 IA86.

	Unpaid amount (£)	Paid amount (£)
Fees charged by the Administrators	18,647.50	Nil
Disbursements incurred by the Administrators	19,059.53	
Other expenses incurred (legal fees and expenses)	98,845.68	Nil
<b>Total</b>	<b>136,552.71</b>	<b>Nil</b>

### Analysis of time costs for the pre appointment period to 13 November 2014

Aspect of assignment	Partner	Director	Senior Manager	Manager	Senior Associate	Associate	Secretarial	Total hours	Time cost £	Average hourly rate £
Strategy & Planning	1.00	7.50	-	-	8.50	-	-	17.00	6,300.00	370.59
Assets	9.80	7.50	7.50	-	-	-	-	24.80	12,347.50	497.88
<b>Total</b>	<b>10.80</b>	<b>15.00</b>	<b>7.50</b>	<b>-</b>	<b>8.50</b>	<b>-</b>	<b>-</b>	<b>41.80</b>	<b>18,647.50</b>	<b>446.11</b>
Current Charge out rates per hour (insolvency)	575.00	480.00	415.00	330.00	250.00	160.00	120.00			

## **Appendix A      Pre-administration costs**

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### **Narrative of work carried out for the period to 13 November 2014**

#### **Strategy & planning:**

- Preparing estimated outcomes based on whether the Company was placed into administration or creditor voluntary liquidation.
- Setting up electronic databases and case milestones.
- Drafting the content of the external case website and press release.
- Liaising with the Company to obtain information about its creditor and employees

#### **Assets:**

- Liaising with Addleshaw Goddard LLP regarding the preparation and review of the documents relation to the sale of business and assets to Newco.
- Planning for adequate insurance of assets upon appointment.
- Meetings with the landlords of the sites from which the Company operated to discuss the proposed sale of the business and assets.
- Negotiating with parties interested in acquiring the business, preparation for meetings with key stakeholders and providing updates to the Company's board and presentations to the Company's management team.





## Statement of affairs

Name of company  
UK Coal Surface Mines Limited

Company number  
08492512

In the  
High Court of Justice, Chancery Division, Leeds  
District Registry  
(full name of court)

Court case number  
1186 of 2014

(a) Insert name and address of  
registered office of the company

Statement as to the affairs of (a) UK Coal Surface Mines Limited, Harworth Park Blyth Road,  
Harworth, Doncaster, South Yorkshire DN11 8DB

on the (b) 14 November 2014, the date that the company entered administration.

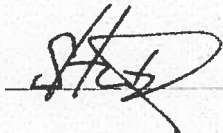
(b) Insert date

### Statement of Truth

I believe that the facts stated in this statement of affairs are a full, true and complete statement of the affairs of the above named company as at (b) 14 November 2014 the date that the company entered administration.

Full name STEPHEN HUTCHINSON

Signed



Dated

12-12-14

## A – Summary of Assets

### Assets

#### Assets subject to fixed charge:

Plant subject to chattel mortgage

#### Assets subject to floating charge:

Cash at bank

Petty cash

Deposits – Total

Coal stocks

Consumable stocks

Trade debtors

Intangible assets

Plant & vehicles

Cash bonding (Note 2)

Bradley Appeal costs

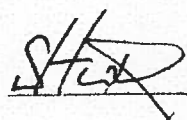
Pre-coaling assets

#### Uncharged assets:

Estimated total assets available for preferential creditors

Book Value £	Estimated to Realise £
4,133,062	-
4,168,821	4,168,821
1,650	1,650
340,000	340,000
659,811	-
44,793	-
2,865,239	2,865,239
253,000	-
1,188,305	-
9,570,000	-
825,706	-
9,693,631	-
33,744,018	7,375,710

Signature



Date

12-12-14

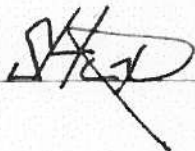
#### Notes:

1. Land options for potential surface mines are held by UK Coal Mining Holdings Limited. An agreement with UK Coal Surface Mines Limited (UKSML) provides that 90% of future receipts in respect of these options are receivable by UKSML.
2. The cash bonding is the cash held by third parties to cover potential liabilities should UKSML not restore and rehabilitate past and current surface mines. The provision for such costs in the books of UKSML on 14 November 2014 was £42,293,000.

## A1 – Summary of Liabilities

		Estimated to realise £
<b>Estimated total assets available for preferential creditors (carried from page A)</b>	£	<b>7,375,710</b>
<b>Liabilities</b>		
Preferential creditors:-	nil	
<b>Estimated deficiency/surplus as regards preferential creditors</b>	£	<b>7,375,710</b>
Estimated prescribed part of net property where applicable (to carry forward)	(600,000)	(600,000)
<b>Estimated total assets available for floating charge holders</b>	£	<b>6,775,710</b>
Debts secured by floating charges	£ Up to £59,000,000	
<b>Estimated deficiency/surplus of assets after floating charges</b>	£	<b>Unknown</b>
Estimated prescribed part of net property where applicable (brought down)	600,000	£ 600,000
<b>Total assets available to unsecured creditors</b>	£	<b>Unknown</b>
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)	£	(49,946,927)
<b>Estimated deficiency/surplus as regards non-preferential creditors (excluding any shortfall to floating charge holders)</b>	£	<b>Unknown</b>
Shortfall to floating charge holders (brought down)		
<b>Estimated deficiency/surplus as regards creditors</b>		
Issued and called up capital	£	(100)
<b>Estimated total deficiency/surplus as regards members</b>	£	<b>Unknown</b>

Signature



Date

12-12-14

**I The initial meeting of creditors and the creditors’ committee****Who will be at the meeting?**

One of the Administrators or a person nominated by them in writing will chair the meeting and answer creditors’ questions (Rule 2.36(1)). The directors do not have to attend unless required to do so by the Administrators (Rule 2.34(2)).

**What will happen at the meeting?**

It will be assumed that creditors will already have received and read the Administrators’ proposals. The meeting will give creditors an opportunity to put questions to the Administrators. The meeting will then consider and vote upon any modifications that individual creditors might put forward, following which a vote will be taken upon the whole proposals as modified.

Various other resolutions might be considered, in particular those dealing with the basis of the Administrators’ remuneration, unpaid pre-appointment costs and the appointment and composition of any creditors’ committee.

**Am I obliged to attend the creditors’ meeting?**

No. The law recognises that creditors are not always able to attend. You can ask someone to attend as proxy and vote on your behalf, or you can ask the chairman of the meeting to vote on your behalf, or you can choose not to be represented. If you do not attend in person or appoint a proxy your claim and entitlement to a dividend will not be affected.

**How do I ensure that my vote counts at the meeting?**

In order to vote, a creditor must have submitted written details of his claim and the chairman must have admitted that claim for voting purposes following the guidelines below. These details need to be submitted to the Administrators no later than 12.00 noon on the business day before the meeting (Rule 2.38(1)). You might also need to lodge a proxy.

The chairman can admit a claim for voting purposes even though it was submitted late if he is satisfied this was due to reasons beyond the creditor’s control (Rule 2.38(2)).

**Do I need to lodge a proxy form?**

If you are an individual creditor and not a corporate body (such as a limited company) you may vote by simply attending the meeting provided you have lodged a claim as explained above.

If you do not want to attend the meeting, you may nominate someone else, or the chairman of the meeting, to vote for you. They can vote either on your instructions or at their discretion. Do, however, remember that the chairman will be one of the Administrators or their staff and you might wish to consider specifying clearly how he should vote.

The enclosed proxy form or a substantially similar form must be completed then signed by the creditor or by someone authorised by him and the nature of the person’s authority to sign should be stated (Rule 8.2). If the creditor is a company, a director should normally sign. The proxy form must then be submitted at or before the meeting.

Where the chairman holds a proxy which includes a requirement to vote for a particular resolution and no other person proposes that resolution, the chairman must propose it unless the chairman considers that there is good reason for not doing so, and, if the chairman does not propose it, the chairman must as soon as reasonably practicable after the meeting notify the principal of the reason why not (Rule 2.36(3)).

Please remember that if the debt is owed to a limited company or other corporation and you wish to attend and vote at the meeting, you should complete and return the proxy form even if you are a director of the company. (Alternatively you can produce at the meeting a resolution of the directors authorising you to represent that company.) (Rule 8.7).

**Who decides whether my claim ranks for voting purposes?**

The chairman can accept or reject the whole or any part of your claim (Rule 2.39(1)). If he is in doubt whether your claim should be admitted, he should mark it as objected to and allow you to vote. However, if the objection is sustained, your vote will be declared invalid (Rule 2.39(3)). If your vote was critical to the outcome of the meeting, this could change the resolutions that were passed and/or result in a further meeting (Rule 2.39(4)).

**What happens if I disagree with the chairman’s decision?**

You are entitled to appeal to the court for an order reversing the chairman’s decision on your claim provided you do so within 21 days of the meeting (Rule 2.39(5)). If the court does reverse the chairman’s decision it can order that another meeting be held or make such other order as it thinks just (Rule 2.39(4)).

Creditors also have the right to appeal to the court if they believe that the administration unfairly harms their interests (Paragraph 74(1) Sch.B1 IA86).

It is recommended that you seek legal advice about the merits of taking these steps in any particular circumstances.

**How do I calculate my claim for voting purposes?**

Votes are calculated according to the amount of a creditor’s claim as at the date on which the Company entered administration, less any payments that have been made to him after that date in respect of his claim and any adjustments by way of set-off in accordance with Rule 2.85 as if that Rule were applied on the date that the votes were counted (Rule 2.38(4)).

**What majorities are needed to approve resolutions?**

A resolution to approve the proposals or any modification to them is passed at the creditors’ meeting if supported by a majority in excess of 50% in value of the creditors voting on the resolution (Rule 2.43(1)).

Any resolution is invalid if those voting against it include more than 50% in value of the creditors to whom notice of the meeting was sent and who are not, to the best of the chairman’s / Administrator’s belief, connected with the Company (Rule 2.43(2)).

**What happens if I cannot yet quantify my claim with certainty?**

A creditor cannot vote in respect of a debt for an unliquidated amount or any debt whose value is not ascertained, unless the chairman / Administrator agrees to put on the debt an estimated minimum value for voting purposes (Rule 2.38(5)).



**What happens if my debt is wholly or partly secured?**

A secured creditor whose debt is wholly or partly secured is entitled to vote only in respect of the balance (if any) of his debt after deducting the value of his security as estimated by him. However, if the Administrators have made a statement under Paragraph 52(1)(b) Sch.B1 IA86 and an initial creditors' meeting has been requisitioned by creditors under Paragraph 52(2) Sch.B1 IA86, a secured creditor is entitled to vote in respect of the full value of this debt without any deduction for the value of his security (Rule 2.40).

**What happens if I hold a negotiable instrument?**

A creditor shall not vote in respect of a debt on or secured by a current bill of exchange or promissory note unless he is willing: -

- a) to treat the liability to him on the bill or note of every person who is liable on it antecedently to the Company and against whom a bankruptcy order has not been made (or in the case of a company, which has not gone into liquidation) as security in his hands; and
- b) to estimate the value of the security and, for the purpose of his entitlement to vote (but not for dividend), to deduct it from his claim (Rule 2.41).

**What happens if I am a creditor under a hire-purchase, conditional sale agreement or leasing agreement?**

An owner of goods under a hire-purchase or chattel leasing agreement, or a seller of goods under a conditional sale agreement is entitled to vote in respect of the amount of the debt due and payable to him by the Company on the date the Company entered Administration. In calculating the amount of any debt for this purpose, no account shall be taken of any amount attributable to the exercise of any right under the relevant agreement, so far as the right has become exercisable solely by virtue of: -

- the making of an administration application
- a notice of intention to appoint an administrator or any matter arising as a consequence, or
- of the Company entering administration (Rule 2.42).

**Am I bound by the Administrators' proposals if they are approved at the meeting?**

The Administrators' proposals, when approved by the creditors' meeting, will dictate how the Company's affairs will be conducted in future and how creditors' claims will be addressed.

Once approved the proposals are binding on all creditors, including those not present or represented at the meeting. For this reason, it is important that creditors properly consider the proposals and decide whether and how they wish to vote.

**What are the functions of the creditors' committee?**

In addition to any functions conferred on the creditors' committee by any provision of the Insolvency Act 1986, the creditors' committee shall assist the Administrator in discharging his functions, and act in relation to him in such manner as may be agreed from time to time (Rule 2.52(1)).

In particular, it has the duty to agree the basis of the Administrator's remuneration (Rule 2.106(3) and approve the payment of unpaid pre-administration costs (Rule 2.67A)).

**How is the creditors’ committee formed?**

The creditors’ committee is established at a creditors’ meeting. It is not obligatory but the creditors decide whether they wish to have one (Paragraph 57(1) Sch.B1 IA86).

The committee must consist of at least three and not more than five creditors of the company elected at the meeting (Rule 2.50(1)).

Any creditor of the company is eligible to be a member of the committee, so long as his claim has not been wholly disallowed for voting purposes or wholly rejected for the purposes of distribution or dividend and the claim is not fully secured (Rule 2.50(2)). A body corporate may be a member of the committee, but it can only act as such through a properly appointed representative (Rule 2.50(3)).

No person may act as a member of the committee unless and until he has agreed to do so (Rule 2.51(2)). Unless the relevant proxy or authorisation contains a statement to the contrary, such agreement may be given by the holder or, in the case of a corporation, by its duly appointed representative present at the meeting establishing the committee (Rule 2.51(2)).

A person acting as a committee member’s representative must hold a letter of authority entitling him so to act (either generally or specially) and authenticated by or on behalf of the committee-member (Rule 2.55(2)).

No member may be represented by:

- another member of the committee
- a person who is at the same time representing another committee member
- a body corporate
- an undischarged bankrupt
- a disqualified director, or
- a person who is subject to a bankruptcy restrictions order (including an interim order), a bankruptcy restrictions undertaking, a debt relief restrictions order (including an interim order) or a debt relief restrictions undertaking (Rule 2.55(4)).

No person shall on the same committee act at one and the same time as representative of more than one committee-member (Rule 2.55(5)).

The creditors’ committee does not come into being, and accordingly cannot act, until the Administrator has issued a certificate of its due constitution (Rule 2.51(1)).



## **Appendix D      Our charging and disbursements recovery policy**

### **Overview of the Administrators' strategy and objectives**

In order to achieve the objective of the Administration and to maximise realisations for the benefit of the creditors, we have completed a sale of the business and certain assets of the Company to Newco, which has migrated significant preferential and unsecured claims.

We have also negotiated and completed a sale of other plant and machinery which was not included in the pre-pack sale, and have been able to discharge a chattel mortgage in favour of Mining Services.

We will now work to realise the value in the remaining assets of the Company, which include the recovery of costs associated with the Bradley appeal, and the option agreements the Company had entered into prior to our appointment.

### **Summary of legal and other professional firms**

The Administrators have instructed the following professionals / subcontractors: -

<b>Service provided</b>	<b>Name of firm / organisation</b>	<b>Reason selected</b>	<b>Basis of fees</b>
Legal advice	Addleshaw Goddard LLP	Expertise	Time costs
Chattel agents and valuers	Sanderson Weatherall LLP	Expertise	Fixed fee

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.

### **Office holders' charging and disbursement policy**

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

It is our policy to delegate tasks in the Administration to appropriate members of staff considering their level of experience and any requisite specialist knowledge, supervised accordingly, so as to maximise the cost effectiveness of the work performed. Matters of particular complexity or significance requiring more exceptional responsibility are dealt with by senior staff or ourselves.

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. 0.5 units).

## **Appendix D      Our charging and disbursements recovery policy**

### **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.

<b>Grade</b>	<b>Rate per hour (£)</b>
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.

<b>Grade</b>	<b>Maximum rate per hour (£)</b>
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

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 and / or the creditors' committee in the next statutory report.

Our firm's expenses policy allows for all properly incurred expenses to be recharged to the case. Disbursements are charged to the assignment as follows: -

## **Appendix D      Our charging and disbursements recovery policy**

### **Disbursements for services provided by the Administrators' own firms (Category 2 disbursements)**

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

We incurred the following Category 1 and 2 disbursements (excluding VAT) during the period 14 November 2014 to 28 November 2014:-

Printing	nil
Mileage	£130.02
Other (subsistence)	£5.21

## **Appendix D      Our charging and disbursements recovery policy**

### **Narrative of work carried out for the period 14 November 2014 to 28 November 2014**

The key areas of work have been:

#### ***Strategy and planning***

- Team briefing and strategy meetings led by senior staff.
- Setting up electronic files and case management databases.
- Drafting risk and quality compliance file notes and case milestones.

#### ***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.
- Discussions for strategy for dealing with future options agreements.
- Liaising with Newco and the Planning Inspectorate regarding the recovery of planning application costs in light of the 'Bradley' appeal.
- Liaising with health and safety offices regarding site matters.

#### ***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.

#### ***Accounting and treasury***

- Setting up post appointment bank accounts.
- Liaising with Lloyds to recover funds held at in the pre-appointment account, and to make arrangements for the transfer of funds paid by Eon into Newco's bank account.
- Obtaining approvals to various CHAPS payments to be made.
- Updating internal accounting system to record bank transactions and ensure reconciliation of the system with the bank account.

#### ***Tax and VAT***

- Providing notice of the appointment to HMRC.
- Initial meeting with PwC's VAT team to provide information on the Company.
- Seeking information from the Company regarding pre appointment VAT returns.
- 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.
- Provision of initial information to PwC's tax team.

#### ***Employee and pensions***

- 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.
- Internal discussion on the position of the PPF in relation to the Company.
- Drafting employee related forms including RP14 and submitting this form to the Redundancy Payments Office.
- Liaising with redundant employee regarding his preferential claim, and processing payment.

## **Appendix D      Our charging and disbursements recovery policy**

### ***Statutory and compliance***

- Liaising with Addleshaw Goddard LLP to obtain the appointment documentation and filing these appropriately.
- Drafting and sending statutory notices of the appointment to parties including Companies House, the Company's secretary, and the Company's creditors.
- Drafting letters to the directors of the Company, and requesting the preparation of the statement of affairs.
- Advertising the appointment in the London Gazette.
- Creating a website where creditors can download documents including the claim form and Form 2.12B.
- Liaising with the Bordereau supervisor to obtain adequate bonds.
- Preparing the draft proposals for achieving the purpose of administration.

## Appendix D Our charging and disbursements recovery policy

Analysis of time costs for the period from 14 November 2014 to 28 November 2014

Aspect of assignment	Partner	Director	Senior Manager	Manager	Senior Associate	Associate	Secretarial	Total hours	Time cost £	Average hourly rate £
Strategy & Planning	1.30	-	-	9.00	5.15	-	-	15.45	4,927.50	318.93
Trading	1.20	-	-	-	-	-	-	1.20	690.00	575.00
Assets	-	8.00	-	3.30	14.10	1.10	-	26.50	8,133.00	306.91
Creditors	-	-	-	6.10	10.10	0.30	-	10.50	2,060.00	196.19
Accounting and treasury	-	-	-	-	12.00	0.95	-	12.95	2,448.50	189.07
Statutory and compliance	1.20	19.50	2.25	3.75	21.20	1.05	-	48.95	16,411.75	335.28
Tax & VAT	-	-	2.50	6.25	5.65	-	-	14.40	5,434.25	377.38
Employees & pensions	-	-	0.30	18.85	16.00	-	-	35.15	10,759.50	306.10
<b>Total</b>	<b>3.70</b>	<b>27.50</b>	<b>5.05</b>	<b>41.25</b>	<b>84.20</b>	<b>3.40</b>	<b>-</b>	<b>165.10</b>	<b>50,864.50</b>	<b>308.08</b>
Current Charge out rates per hour										
- insolvency	575.00	480.00	415.00	330.00	250.00	160.00	85.00			
- specialist	1,300.00	1,140.00	960.00	630.00	465.00	225.00	130.00			