

The Insolvency Act 1986

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

Name of Company HLC (Neath Port Talbot) Limited	Company number 03528745
In the High Court of Justice, Chancery Division, Leeds District Registry [full name of court]	Court case number 991 of 2005

(a) Insert full name(s)  
and address(es) of  
administrator(s)

We (a) T M Burton, C P Dempster and A J DavisonErnst & Young LLP, 50 George Square, Glasgow, G2 1RR

administrator(s) of the above company attach a progress report for the period

from

To

(b) Insert date

(b) 19 September 2005

(b) 18 March 2006

Signed



Joint / Administrator(s)

Dated

13 April 2006**Contact Details:**

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

Stacey McGinn	
Ernst & Young LLP, Ernst & Young LLP, 50 George Square, Glasgow, G2 1RR	
	Tel: 0141 626 5068
DX Number:	DX Exchange:



When you have completed and signed this form please send it to the Registrar of Companies at:

Companies House, Crown Way, Cardiff, CF14 3UZ

DX 33050 Cardiff

13 April 2006

TMB/MM/DMS/HLC/FP16.1

Direct Line: 0141 626 5383  
Direct Fax: 0141 626 5003

Dear Sirs

**HLC (Neath Port Talbot) Limited - in Administration ("the Company")**

Further to my letter dated 10 November 2005 enclosing a copy of my Statement of Proposals to creditors, I write in accordance with Rule 2.47 of the Insolvency Rules 1986 to provide creditors with a progress report on the Administration.

As you may recall, the Company entered Administration on 19 September 2005. Tom Burton, Andrew Davison and I were appointed to act as Joint Administrators. The appointment was made by the Governor and Company of the Bank of Scotland ("the Bank") under the provisions of paragraph 14(1) of Schedule B1 to the Insolvency Act 1986. Under the terms of the appointment, any act required or authorised to be done by the Joint Administrators can be done by either of them. Further statutory information is contained at Appendix 1 to this report.

This report covers the period from 19 September 2005 to 18 March 2006, being the end of the first six month period of the Administration. This report should be read in conjunction with the Joint Administrators' previous report and proposals dated 10 November 2005.

**Summary of Progress since last report****Trading**

As previously advised Neath Port Talbot County Borough Council ("the Council") together with HLC (Waste Management Services) Limited ("WMS") took control of the site and excluded the Administrators. This continues to be the position.

**Debtors**

Since our appointment we have collected £217,346.32 which represents almost all of the book debts due to the Company at our appointment. There remains 2 small balances which we are continuing to pursue.

**Legal Issues**

The current position is highly complex with regard to ownership of the property and assets.

Under the Council's interpretation of the legal position the Company (and the Administrators) have no further interest in the Materials Recycling and Energy Centre ("MREC") other than the "estimated fair value" compensation payment in terms of the Principal agreement.

The Bank's view is that its security rights over the MREC assets prevail over the contractual rights in the documentation.

There has been a significant level of correspondence between the respective legal representatives of the Bank, the Council, WMS and the Administrators. Proceedings have been issued by the Bank.

and we believe it is likely that litigation will be required to resolve the fundamental differences of opinion amongst the various parties.

#### **Receipts and Payments Account**

I attach at Appendix 2 receipts and payments account for the Company for the six month period since the date of my appointment.

#### **Joint Administrators' Remuneration**

In line with the proposals to creditors, the Bank have agreed that the Administrators' remuneration be fixed by reference to the time properly given by the Administrators and their staff in attending to matters arising in the Administration. The Bank has approved a payment on account of Administrators fees in the sum of £100,000 (excluding VAT) for the period from 19 September 2005 to 2 December 2005, which has been drawn by the Administrators along with £6,185 of expenses (excluding VAT).

#### **Secured Creditors**

As previously advised, the Bank holds both fixed and floating charges over the assets of the Company. The debt due to the bank at the date of our appointment was approximately £38m with interest continuing to accrue on this debt which is secured by the Bank's charges until their debt is fully repaid.

#### **Preferential Creditors**

Pursuant to Section 251 of the Enterprise Act 2002, preferential status under Schedule 6 to the Insolvency Act 1986 has been abolished for PAYE, NIC and VAT. Certain categories of preferential debt remain including contributions to occupational pension schemes and the remuneration of employees. We are unaware of any debts that would be treated as preferential in terms of Schedule 6.

#### **Non-preferential Creditors**

As previously advised, the Company's secured lenders have validly registered a debenture and chattel mortgage. The debenture was executed prior to 15 September 2003. Consequently:

- (a) section 176(A) of the Insolvency Act 1986, as amended, regarding the Prescribed Part does not apply in this Administration; and
- (b) the valuation of the Company's net property does not apply.

We do not anticipate any dividend to unsecured creditors of the Company regardless of the outcome of the legal dispute.

#### **Conclusion**

Although we believe it unlikely, if there are sufficient asset recoveries to enable a dividend to be paid to unsecured creditors, then we propose to take steps to place the Company into Creditors Voluntary Liquidation. This will enable us to bring the Administration to a close and to make a distribution to unsecured creditors via an appropriate insolvency process. If this were to occur, the Company will move into Creditors' Voluntary Liquidation upon the filing in court by the Joint Administrators of a notice pursuant to Paragraph 83 of Schedule B1 to the Insolvency Act 1986.

In that event, it is proposed that the Liquidators will be T M Burton, C P Dempster and A J Davison of Ernst & Young LLP. In accordance with Paragraph 83(7) of Schedule B1 to the Insolvency Act 1986, and Rule 2.117(3) of the Insolvency Rules 1986, creditors may nominate a different person as the proposed liquidator, provided that the nomination is made after the receipt of these proposals and before the proposals are approved. It should be noted in this regard that a person must be authorised to act as an insolvency practitioner in order to be appointed as a liquidator. Should it become clear that there are insufficient asset recoveries to enable a distribution to unsecured creditors, we would exit the Administration via a notice to the Registrar of Companies,

the Court, the directors and to all creditors together with a final progress report. The Administration would cease at that time with the Company deemed to be dissolved within three months of that date.

In Summary there has been little substantive progress since our last report on 10 November 2005, other than providing greater certainty that the disputes between the Bank and the Council over the MREC will be decided by court proceedings.

Yours faithfully  
HLC (Neath Port Talbot) Limited (In Administration)



C P Dempster  
Joint Administrator

Enclosed:      Appendix 1:      Statutory Information  
                 Appendix 2:      Joint Administrators' Receipts and Payments Accounts  
                 Appendix 3:      Form 2.24B

The affairs, business and property of the Companies are being managed by the Joint Administrators, T M Burton, C P Dempster and A J Davison, who act as agents of the Companies only and without personal liability.

The Institute of Chartered Accountants of Scotland authorises T M Burton, C P Dempster and A J Davison to act as Insolvency Practitioners under section 390(2)(a) of the Insolvency Act.

**HLC (Neath Port Talbot) Limited (In Administration)****Statutory Information**

<b>Name of court:</b>	High Court of Justice, Chancery Division, Leeds District Registry
<b>Court reference numbers:</b>	991 of 2005
<b>Full name of companies:</b>	HLC (Neath Port Talbot) Limited
<b>Registered office address:</b>	5 <sup>th</sup> Floor, Northwest Wing, Bush House, Aldwych, London, WC2B 4EZ
<b>Registered numbers:</b>	03528745
<b>Administrators' names</b>	T M Burton, C P Dempster and A J Davison
<b>Administrators' address</b>	Ernst & Young LLP, Ten George Street, Edinburgh EH2 2DZ
<b>Date of appointment:</b>	19 September 2005
<b>Appointor(s):</b>	The Governor and Company of the Bank of Scotland
<b>Changes in office holder:</b>	N/A
<b>Statement of functions<sup>1</sup></b>	Any of the functions to be performed or powers exercisable by the administrators may be carried out/exercised by any one of them acting alone or by any or all of them acting severally.

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<sup>1</sup> In accordance with paragraph 100 of Schedule B1 to the Insolvency Act 1986

**HLC (Neath Port Talbot) Limited (In Administration)**

Joint Administrators' Receipts and Payments for the Period  
19 September 2005 to 18 March 2006

**Receipts**

Post Appointment Debtors	4,284
Pre Appointment Debtors	206,875
VAT Received	38,332
Bank Interest Received	2,361
Cash on Appointment	46
Total Receipts	<u>251,897</u>

**Payments**

Purchases	9,194
Postage and Stationery	22
Security	360
Insurance	500
Consultancy Fees	750
Legal Fees	41,069
Public Notices	129
Specific Bod	36
Administrators Fees	106,185
VAT	26,846
Total Payments	<u>185,092</u>

**Net Receipts**

66,805