

SLBE Limited (in Administration)

(formerly TSP Engineering Limited)

Company Number: 10664034

Administrators' statement of proposals

Pursuant to paragraph 49 of schedule B1 to the
Insolvency Act 1986

17 March 2020

Abbreviations

The following abbreviations are used in this report:

Act	The Insolvency Act 1986
Ataer	Ataer Holding A.S.
SLB 2020	SLB 2020 Limited (formerly British Steel Limited) (in Compulsory Liquidation)
SLB Group	SLB 2020, including the steelworks at Scunthorpe, the UK mills at Teesside and Skinningrove, and the subsidiary businesses FN Steel, British Steel France and the Company
CC	Clifford Chance LLP
the Purchaser	TSP Engineering Limited (formerly Jingye Steel (UK) Engineering Limited)
Jingye	British Steel Limited (formerly Jingye Steel (UK) Limited)
MFA	Master Facilities Agreement
NDA	Non-disclosure agreement
OR	Official Receiver of SLB 2020
OSL	Olympus Steel Limited
PNC	PNC Financial Services UK Limited
Rules	The Insolvency (England & Wales) Rules 2016
the Company	SLBE Limited (formerly TSP Engineering Limited)
the Special Managers	Alan Hudson, Sam Woodward and Robert Hunter Kelly as Special Managers of SLB 2020
White Oak	White Oak Pantheon (U.K.) Limited

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1. Introduction, background and circumstances giving rise to the appointment

1.1 Introduction

On 9 March 2020 the Company entered administration and Alexander Paul Williams and Robert Hunter Kelly were appointed to act as Joint Administrators. This document, including its appendices, constitutes the Joint Administrators' statement of proposals to creditors pursuant to paragraph 49 of Schedule B1 to the Insolvency Act 1986 and Rule 3.35 of the Insolvency (England and Wales) Rules 2016.

Certain statutory information relating to the Company and the appointment of the Joint Administrators is provided at Appendix A.

Shortly after our appointment, the Company was renamed from TSP Engineering Limited to SLBE Limited. The purchaser of the Company's business and assets was renamed from Jingye Steel (UK) Engineering Limited to TSP Engineering Limited.

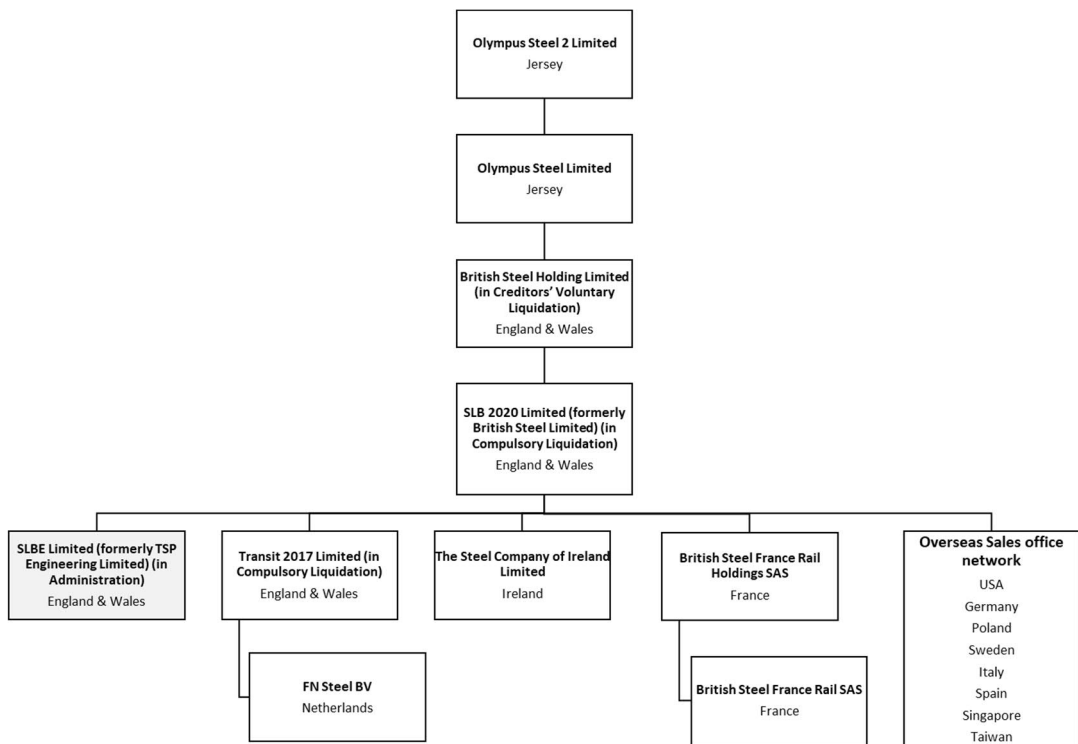
1.2 Background

1.2.1 Company Overview

The Company offers heavy and technical engineering solutions, including design, consultancy, project management, manufacturing and refurbishment. Additional services include electrical engineering, instrumentation and testing. The Company's customers are primarily from the nuclear, defence and security, oil and gas, steelmaking and construction industries. The Company employs c.200 staff, operating from a single site located in Workington, Cumbria.

The Company is owned by SLB 2020 Limited but operates as a separate standalone legal entity following a hive down of the business and assets to the Company from SLB 2020 in 2017.

A Group structure chart, as at the date of our appointment, is presented below:



The recent financial results of the Company, as provided by management, can be summarised as follows:

Period year or period ended	Type audited/draft	Turn-over £000	Gross profit £000	Gross profit %	Directors' remuneration £000	Net profit after tax £000	Accumulated reserves £000
10 months to 31 January 2020	Draft	7,711	5,064	66	Unknown	(2,303)	(1,072)
FY19	Draft	16,018	10,900	68	282	842	1,231
FY18	Audited	15,188	11,200	74	235	389	389

Sources: Audited financial statements – Companies House, Draft financial statements – company information, management accounts.

On 22 May 2019, the High Court appointed David Chapman, Official Receiver as liquidator of SLB 2020, on the petition of SLB 2020's directors. Simultaneously, the Court also appointed S J Woodward, A M Hudson and R H Kelly as Special Managers to support him. The Special Managers were appointed to help manage the affairs, business and property of SLB 2020, in accordance with the powers and duties contained in the order appointing them.

1.3 Circumstances Giving Rise to the Appointment of the Administrators

1.3.1 SLB 2020 Group Debt Facility

The Company is named as a guarantor to the wider SLB 2020 group debt structure (including £226.9m of junior secured debt owed to an SLB 2020 parent company, OSL).

The Company provided fixed and floating charge security to PNC (as security agent to the consortium of senior lenders to the SLB 2020 group) and to OSL over its business and assets to secure its obligations to the secured creditors under those agreements. PNC transferred its role as senior security agent to White Oak on 6 March 2020.

As at the date of the Administration, certain senior secured creditors had been paid out in full, leaving a residual principal debt, plus fees and interest, due to White Oak, which ranks ahead of the OSL debt of c.£226.9m.

The Company did not have sufficient funds to meet its guarantee obligations in respect of the wider group debt, which were payable on demand following the insolvency of SLB 2020.

The senior security agent can release the Company from the security granted under both the White Oak and OSL charges but must ensure that it has taken reasonable care to obtain fair market value for the assets sold. However, the security agent cannot release the Company from its obligations under the OSL guarantee – this would need consent from OSL.

1.3.2 Initial marketing and sales exercise relating to the Company

In June 2019, following the Special Managers appointment over SLB 2020, the Company was marketed for sale as an independent business on a going concern basis as part of a wider marketing process for SLB 2020 and its subsidiaries being run by the Special Managers.

During this process, the Special Managers and the Company's directors identified 22 potentially interested parties who were approached to consider making an offer for the Company. Out of the 22 parties, 9 signed an NDA and 2 made offers:

1. £1.1m for business and assets only (excluding cash in the business) from a trade party. As this was not a share sale, it was assumed that the transaction, if it proceeded, would need to be executed through a pre-pack insolvency process; and
2. £1.9m for a solvent share sale. It was assumed that this offer was made on the basis of the release of the guarantee and security previously described.

Ultimately, neither offer was pursued due to the emergence of Ataer Holding A.S., a bidder for SLB 2020 and certain other assets of the SLB 2020 group, who was insistent that the Company must be included in this group transaction. It was concluded that achieving a group disposal was considered to be a priority as it would produce a better return for creditors (including the Company's creditors) than attempting to sell the group on a break-up basis.

1.3.3 Trading conditions since

In the period since the 2019 marketing process, SLB 2020's insolvency gave rise to significant uncertainty, creating difficulties for the Company, as customers were wary of placing longer term orders until they had comfort regarding the future ownership of the Company.

The Special Managers worked with the Company to provide reassurances and comfort letters to customers and met with several key customers. However, the resultant delays to the awarding of key contracts had a negative impact on the Company's financial performance over the period.

A material uncertainty over the period was a commitment from the Company's main customer, which had been unable to award a large contract to the Company pending confirmation of the Company's future ownership. The Company formally won the bid for this contract in May 2019 but the insolvency of SLB 2020, and the requirement of the customer for a parent company guarantee, meant that the contract was not placed and work was unable to commence until January 2020.

The Company was balance sheet insolvent (based on its financial indebtedness including amounts owing to OSL). In addition, prior to the award of the significant contract referred to above, the Company's cashflow solvency was also in question, given its reliance on ongoing customer support and orders.

1.3.4 Jingye transaction

On 10 November 2019, the Official Receiver and Special Managers entered into a APA with Jingye, to acquire certain of the business and assets of SLB 2020, including the steelworks at Scunthorpe, the UK mills at Teesside and Skinningrove, and certain subsidiary businesses. The transaction completed on 9 March 2020.

Similar to the position with Ataer, at the signing of the APA Jingye insisted on including the Company in the overall SLB 2020 transaction, subject to confirmatory due diligence. However, the transaction with Jingye was structured so that the outcome of the disposal of the Company could not affect the completion of the wider SLB 2020 acquisition, other than to reduce the total consideration.

Jingye continued to reconfirm its desire to acquire the Company, but as an output of its due diligence the Purchaser confirmed that it was not willing to acquire the Company with the OSL guarantee in place and without express assurance that the Company would be sold free of its finance and intercompany indebtedness.

Therefore, in order for Jingye or for any other third party (if the Jingye transaction fell away) to be willing to acquire the Company's shares, OSL would need to agree to release the Company from its guarantee under the OSL finance agreements.

1.3.5 Pre-appointment considerations and alternative options considered by the Company

Considering the trading challenges and the overall uncertainty associated with the release of the guarantee obligations, the directors of the Company engaged with its legal advisors to obtain advice with regards to their duties as directors.

In particular, the directors sought advice with regards to their ability to drawdown on certain prepayments allowed under a major customer contract in order to resolve short-term liquidity issues. It was determined that it would not be appropriate to seek material prepayments from the customer in the circumstances without additional certainty around the Company's future, in particular, OSL's willingness to release the Company from its guarantee under the OSL finance agreements. It was determined that if OSL was not prepared to release the OSL guarantee (in a form that was satisfactory to the Special Managers), then a business and asset sale executed through an insolvency process would need to be pursued.

A scenario of taking no action was also considered. This would have had a number of effects:

- ▶ Firstly, the Jingye offer to purchase the Company, whether it be through a share sale or business and asset sale, had a time restriction which meant the offer would fall away unless the transaction was completed ahead of or co-terminus with the wider SLB 2020 transaction;
- ▶ Secondly, by being excluded from the sale to Jingye, reassurances provided to the Company's customers regarding the future ownership would fall away and there was a risk that customers would look to exercise termination clauses in respect of their contracts due to the fresh uncertainty;
- ▶ Thirdly, there was a view that if OSL was unwilling to release the guarantee (in a form that would have been satisfactory to the Special Managers) when it had an incentive to do so then it was unlikely that it would agree to a release further down the line; and
- ▶ Finally, if the Company held off on acting, it would likely experience greater liquidity and solvency issues as a result of the uncertainty caused by the amount of its guarantee liabilities and the insolvency of SLB 2020.

Therefore, it was concluded that taking no action would restrict the options available to the Company which could result in a worst outcome for the creditors of the Company as a whole.

2. Purpose, conduct and end of the administration

2.1 Purpose of the administration

The purpose of an administration is to achieve one of three objectives:

- a. To rescue the company as a going concern
- b. 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)
- c. To realise property in order to make a distribution to one or more secured or preferential creditors

Insolvency legislation provides that objective (a) should be pursued unless it is not reasonably practicable to do so or if objective (b) would achieve a better result for the company's creditors as a whole. Objective (c) may only be pursued if it is not reasonably practicable to achieve either objective (a) or (b) and can be pursued without unnecessarily harming the interests of the creditors of the company as a whole.

It was deemed not possible to rescue the Company as a going concern without the release of the guarantee obligation by OSL (in a form that was satisfactory to the Special Managers) that would have allowed a solvent sale of the shares in the Company to take place. OSL were not forthcoming in this regard.

Consequently, objective b) is being achieved through the completion of a sale of all of the Company's business and assets.

The sale of the Company's business and assets enables this objective to be achieved through delivering a better outcome to creditors than would have been achieved through a liquidation sale of assets. The outcome achieved through the sale was the best available outcome for creditors as a whole in the circumstances.

Further information relating to the transaction is provided at Section 2.2 below, and at Appendix D.

2.2 Conduct of the administration

2.2.1 Pre-packaged sale of the business and assets

On 9 March 2020, the Joint Administrators completed a sale of the Company's business and assets to Jingye Steel (UK) Engineering Limited for a total consideration of £3 million.

A detailed explanation of the transaction was sent to creditors on the same date as these proposals and is also attached as Appendix D to these proposals.

2.2.2 Principal benefits of the transaction

The principal benefits of the transaction can be summarised as follows:

- ▶ the transaction resulted in all of the Company's employees transferring to the purchaser, thereby mitigating the level of preferential claims against the Company;
- ▶ the transaction ensured the continued operation of the Company;
- ▶ the transaction generated enhanced returns to the secured creditors compared to alternative available options;

- ▶ the transaction resulted in the liabilities of all trade creditors and prepayments being transferred to the purchaser, thereby protecting the Company's supply chain and customers from undue stress and mitigating the level of unsecured claims against the Company; and
- ▶ the sale also allows for certain customer contracts to continue which may limit claims against the Company for damages.

2.2.3 Significant assets not included in the sale agreement

There are no assets that were not included in the sale agreement.

2.2.4 Administrators' receipts and payments

A summary of the Administrators' receipts and payments for the period from 9 March 2020 to 12 March 2020 is attached at Appendix C.

2.2.5 Approval of the Joint Administrators' proposals

The Joint Administrators are of the opinion that the Company has insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of the Prescribed Part and consequently, in accordance with the provisions of paragraph 52(1)(b) of Schedule B1 to the Act, they do not intend to seek a decision of the creditors on the approval of the proposals.

The Joint Administrators will be obliged to seek a decision of the creditors if requested to do so by creditors of the Company whose debts amount to at least 10% of the total debts of the Company. The request must be delivered within 8 business days of the date on which these proposals are delivered to creditors (or such longer period as the court may allow) and must include information required by Rule 15.18 of the Rules.

In accordance with Rule 15.19 of the Rules, the Joint Administrators may require a deposit as security for payment of the expenses associated with convening a decision procedure or deemed consent procedure and will not be obliged to initiate the procedure until they have received the required sum.

2.2.6 Future conduct of the administration

The Joint Administrators will continue to deal with the Administrations in line with the stated objective, namely to achieve a better result for the Company's creditors as a whole than would be likely if the Company was wound up (without first being in Administration).

Future tasks will include, but may not be limited to, the following:

- ▶ facilitating the assignment of leases to the purchaser;
- ▶ assisting with the assignment and novation of trading contracts to the purchaser;
- ▶ agreeing unsecured creditor claims and distributing the Prescribed Part (as applicable);
- ▶ if the Joint Administrators deem appropriate, to seek an extension and/or further extensions to the Administrations from the Company's creditors and/or the Court;
- ▶ seeking approval to the basis of remuneration and payment of pre-administration costs and Category 2 expenses;
- ▶ review and conclude the tax affairs of the Company (as appropriate);
- ▶ dealing with unsecured creditor queries;
- ▶ dealing with statutory reporting and compliance obligations;

- ▶ considering the conduct of the Company's directors and reporting on their conduct;
- ▶ finalising the Administration including payment of all Administration liabilities; and
- ▶ any other actions required to be undertaken by the Joint Administrators in order to fulfil the purpose of the Administration.

2.2.7 Distributions to Creditors

On 9 March 2020, the Joint Administrators made a distribution to the fixed charge secured creditor in the sum of £2,136,341.73 with respect to fixed charge realisations. On the same date, the Joint Administrators also made a distribution to the floating charge secured creditor in the sum of £226,278.51 with respect to floating charge realisations.

It is proposed that distributions will be made in the Administration to the floating charge holder and unsecured non-preferential creditors (by virtue of the Prescribed Part, where applicable).

We do not anticipate that there will be any preferential creditors.

2.2.8 The end of the administration

It is proposed that if at the end of the Administration the Company has no property which might permit a distribution to its creditors, the Joint Administrators will send a notice to that effect to the Registrar of Companies. On registration of the notice the Joint Administrators' appointment will come to an end. In accordance with the provisions of paragraph 84(6) of Schedule B1 to the Insolvency Act 1986 the Company will be deemed to be dissolved three months after the registration of the notice.

3. Statement of Affairs

The directors have not yet submitted a Statement of Affairs, given the limited time which has passed since the Joint Administrators' appointment.

Notices requiring the submission of a Statement of Affairs for the Company was issued to all current directors of the Company on 10 March 2020, with a requirement to submit the Statement of Affairs within 11 days of receipt of the notice (being a period which has not yet expired).

In the absence of a Statement of Affairs, we attach at Appendix B an estimate of the Company's financial position as at 29 February 2020 (in the form of a balance sheet provided by the Company's directors). We also attach a list of creditors as at 6 March 2020 (the most up to date information provided by the Company's directors) including, as far as is currently known, their names, addresses, amounts owed and details of any security held.

We provide below, for information, an indication of the current position with regard to creditors' claims. The figures have been compiled by Company management and have not been subject to independent review or statutory audit.

3.1 Secured creditors

White Oak, the Company's principal senior secured lender, had principal indebtedness at 9 March 2020 of c.£25.5m (prior to the distributions from the SLBE administration and other distributions from the liquidation of SLB 2020)

OSL, the Company's junior secured lender, who security ranks below that of White Oak, has total indebtedness at 9 March 2020 of approximately £227m.

3.2 Preferential creditors

All of the employees of the Company transferred to the purchaser as a result of the sale. The purchaser has agreed to meet any liabilities in respect of arrears of wages, holiday pay and payroll deductions.

We do not anticipate that there will be any preferential claims submitted against the Company.

3.3 Non-preferential creditors

The purchaser undertook to discharge all trading liabilities with the exception of an intercompany balances due from the Company to SLB 2020 (and its affiliates) and secured amounts owing to financial creditors.

Accordingly, we do not anticipate that there will be many unsecured non-preferential claims against the Company (other than intercompany balances outlined above which we estimate could be in the region of £3.4m).

4. Prescribed part

The prescribed part is a proportion of floating charge assets set aside for unsecured creditors pursuant to section 176A of the Insolvency Act 1986. The prescribed part applies to floating charges created on or after 15 September 2003.

The Joint Administrators estimate, to the best of their knowledge and belief, that:

- ▶ The value of the Company's net property at c.£0.5m.
- ▶ The value of the prescribed part at c.£0.1m, before the costs of dealing with the prescribed part.

The Joint Administrators do not intend to make an application to the court under section 176A(5) of the Insolvency Act 1986 for an order not to distribute the prescribed part.

5. Administrators' remuneration and disbursements and payments to other professionals

5.1 Remuneration

The statutory provisions relating to remuneration are set out in Chapter 4, Part 18 of the Insolvency (England and Wales) Rules 2016. Further information is given in the Association of Business Recovery Professionals' publication 'A Creditors' Guide to Administrators' Fees', a copy of which may be accessed from the web site of the Institute of Chartered Accountants in England and Wales at <https://www.icaew.com/en/technical/insolvency/creditors-guides> or is available in hard copy upon written request to the Joint Administrators.

In the event that a creditors' meeting is not requisitioned, and a creditors' committee is not formed, the Joint Administrators will seek to have their remuneration fixed by the secured creditors in accordance with Rule 18(4)(a) of the Rules. The Joint Administrators will ask for their remuneration to be fixed on the basis of time properly given by them and their staff in dealing with matters arising in the Administration, in accordance with the fee estimate dated 13 March 2020 which is being circulated to creditors at the same time as these proposals and can be found in Appendix E.

5.2 Disbursements

Disbursements are expenses met by and reimbursed to the joint administrators. They fall into two categories: Category 1 and Category 2. The fee estimate and statement of expenses dated 13 March 2020 includes details of the Category 1 and 2 disbursements which are expected to be incurred.

Category 1 disbursements are payments to independent third parties where there is expenditure directly referable to the administration. Category 1 disbursements can be drawn without prior approval.

Category 2 disbursements are expenses that are directly referable to the administration but not to a payment to an independent third party. They may include an element of shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis. Category 2 disbursements require approval in the same manner as remuneration. In the event that a creditors' decision is not requested and a creditors' committee is not formed, the Joint Administrators will seek the approval of the secured creditor(s) to charge Category 2 disbursements in accordance with the statement of expenses included in the fee estimate that will be provided to the secured creditors at the time they are requested to fix the basis of remuneration.

5.3 Payments to other professionals

The Joint Administrators have engaged Clifford Chance LLP to assist them by providing legal services. They were chosen on the basis of their experience in similar assignments.

Clifford Chance LLP were contracted to be paid on a time cost basis. No fees have been paid for post-administration costs to date.

6. Pre-administration costs

The Administrators are seeking approval for payment of unpaid pre administration costs totalling £294,507 plus VAT. The payment of unpaid pre-administration costs as an expense of the administration is subject to approval under Rule 3.52, and not part of the proposals subject to approval under paragraph 53. This means that they must be approved separately from the proposals.

A breakdown of the total pre administration costs incurred and amounts paid pre administration (if any) is attached at Appendix F. Further information is provided below.

6.1 Joint Administrators' costs

The work commenced on 5 February 2020 and was carried out under an engagement agreement between Ernst & Young LLP, the Company and SLB 2020 dated 5 February 2020.

The nature of the pre-Administration work conducted can be summarised as follows:

- ▶ providing advice to the Company's management in respect of its options in the event that OSL failed to release the Company from its guarantee obligations;
- ▶ provide advice to the Company regarding the decisions and timing of commencing an accelerated marketing process, depending on the position that different stakeholders adopt
- ▶ assist the Company in identifying potential purchasers for the Company's business and assets and in preparing a confidential information memorandum;
- ▶ attend meetings with the Company to present briefing information to certain key customers of the Company to obtain their support for the sale of the Company's business and assets;
- ▶ approach interested parties to establish the degree of interest from those parties, obtain confidentiality agreements and issue the information memorandum;
- ▶ assist the Company in managing the due diligence process including managing the virtual data room, summarising questions and providing answers provided by the Company;
- ▶ manage the receipt of offers from bidders and advise the Company in their identification of a preferred offer from the list of bidders;
- ▶ assist the Company in assessing the potential transaction alongside their existing legal advisors;
- ▶ assist in negotiating and structuring any final offer with the preferred bidder, including reviewing and providing comments on any sales agreement or related documentation produced by either SLB 2020's legal advisors or the preferred bidder; and
- ▶ undertake planning for the period immediately post-Administration in order to deal with all matters effectively.

6.2 Third party expenses

In addition to the above, the following third party pre-Administration expenses have been incurred prior to our appointment:

Clifford Chance LLP provided legal advice to the Joint Administrators in connection with the appointment. Clifford Chance LLP's unpaid pre-Administration costs total £71,896.60 (plus VAT).

The nature of the pre-Administration work conducted by Clifford Chance LLP can be summarised as follows:

- ▶ reviewing the appointment documents;
- ▶ undertaking discussions and liaison with counsel to Jingye, White Oak and PNC as to the appointment mechanics and timings;
- ▶ preparation of the asset purchase agreement with Jingye;
- ▶ reviewing the Joint Administrators' SIP16 statement;
- ▶ drafting their validity of appointment opinion; and
- ▶ providing legal advice in respect of the transfer of the Company's employees to the Purchaser.

The Joint Administrators also obtained advice from SIA Group in respect of the valuation of the Company's assets. The pre-administration costs incurred total £22,500 (plus VAT). These costs were paid as an expense of the SLBE 2020 liquidation.

The breakdown at Appendix F sets out:

- ▶ the fees charged by the Joint Administrators;
- ▶ the expenses incurred by the Joint Administrators
- ▶ the fees charged (to the Joint Administrators knowledge) by any other person qualified to act as an insolvency practitioner (and if more than one, by each separately); and
- ▶ the expenses incurred (to the Joint Administrators knowledge) by any other person qualified to act as an insolvency practitioner (and if more than one, by each separately).

In the event that the creditors' meeting is not requisitioned, and a creditors committee is not formed, the Joint Administrators will seek to have the unpaid pre-Administration costs approved by the secured creditors and, if applicable (although we currently consider it unlikely there will be any), the preferential creditors.

Appendix A Statutory information

Company Information

Company Name:	SLBE Limited (formerly TSP Engineering Limited)
Registered Office Address:	1 More London Place, London, SE1 2AF
Registered Number:	10664034
Trading Name(s):	TSP Engineering
Trading Address(es):	Curwen Road, Derwent Howe, Workington, United Kingdom, CA14 3YX

Details of the Administrators and of their appointment

Administrators:	Alexander Paul Williams and Robert Hunter Kelly
Date of Appointment:	9 March 2020
By Whom Appointed:	The appointment was made by White Oak Pantheon (U.K.) Limited
Court Reference:	High Court of Justice, CR-2020-001669

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 jointly.

Statement concerning the EC Regulation

The EC Council Regulation on Insolvency Proceedings does apply to this administration and the proceedings are main proceedings. This means that this Administration is conducted according to UK insolvency legislation and is not governed by the insolvency law of any other European Union Member State.

Share capital

Class	Authorised		Issued and fully paid	
	Number	£	Number	£
Ordinary	1	1	1	1

Directors and secretary (in the last 3 years) and their shareholdings

Name	Director or Secretary	Date appointed	Date resigned	Current shareholding
Allan James Bell	Director	19 September 2018	n/a	Nil
John Philip Coughlan	Director	10 March 2017	n/a	Nil
Stephen John Hutchinson	Director	26 July 2017	n/a	Nil
Richard David Napier	Director	10 March 2017	n/a	Nil
Paul Lawrence Simpson	Director/ Secretary	10 March 2017	n/a	Nil
Peter John Hogg	Director	10 March 2017	31 March 2017	Nil
Lorraine Sawyer	Director	26 July 2017	17 August 2018	Nil
Bryan Craig Scott	Director	10 March 2017	9 August 2017	Nil

Appendix B Estimated financial position of the Company as at 29 February 2020

An estimate of the financial position of the Company as at 29 February 2020, being the latest financial information available at the time, is provided below. This information is based on the values within the Company's records.

They are not estimated to realise values.

ASSETS	£'000
Fixed Assets	
Land, Buildings & Equipment	440
Current Assets	
Stock	284
Accrued Income	987
Debtors and Prepayments	1,056
Cash	938
Total assets	3,705
 LIABILITIES	
Current Liabilities	
Trade Creditors	(1,467)
Deferred Income	(117)
Long Term Liabilities	
Intercompany loan	(3,443)
Total liabilities	(5,027)
Net assets / (liabilities)	(1,322)

Note: The Company is also a guarantor in respect of funding provided to the SLBE 2020 group, although these liabilities are not included with the balance sheet above prepared by the Company's directors.

Estimated creditors of the Company as at 6 March 2020 based on Company records

A current list of the Company's creditors including, as far as it is currently known, their names, addresses, amounts owed and details of any security held is provided below. This information is based on the Company's books and records available to us and will be subject to change.

Name of Creditor	Address	Amount of Debt £	Security Held
Olympus Steel Limited	Charter Place, 23-27 Seaton Place, St Helier, Jersey, RH16 3DN	226,870,763.71	Fixed & floating
White Oak Pantheon (U.K) Limited	c/o Buzzacott LLP, St. Peter's House, 130 Wood Street, London, EC2V 6DL	25,469,971.64	Fixed & floating
Air Products PLC	2 Millennium Gate, Westmere Drive, Crewe CW1 6AP	2,590.68	
Allerdale Borough Council	Allerdale House, Workington, Cumbria, CA14 3YJ	Unknown	
Apollo Site Services	Wintec House, Winterton Road, Scunthorpe, North Lincolnshire, DN15 0AB	13,775.81	
Bartlett Engineering (South Wales) Ltd	Unit 7 Aberavon Road, Baglan Industrial Estate, Port Talbot, SA12 7DJ	1,148.16	
Beakbane Limited	Stouport Road, Kidderminster, Worcestershire, DY11 7QT	1,033.92	
Berry & Escott Engineering	4 King Square, Bridgwater, Somerset, TA6 3YF	32,616.48	
BID GROUP LTD	Unit C, Elland Close, Wingates Industrial Estate, Westhoughton, Bolton BL5 3XE	1,851.30	
Brammer Buck & Hickman	Dakota House, Concorde Business Park, M22 0RR	4,145.21	
British Metal Treatments	Block 9, Muirshiel Road, Port Glasgow, PA14 5XR	3,072.00	
COMMERCIAL LIMITED	Commercial House, Old Station Drive, Leckhampton, Cheltenham GL53 0DL	1,100.26	
CUMBRIA KENDAL SCAFFOLDING LIMITED	Mintsfeet Industrial Estate, Mintsfeet Road North, Kendal LA9 6LZ	4,659.84	
ERIKS Industrial Services Limited	Unit 4 Brunthill Road, Kingstown Industrial Estate, Carlisle CA3 0EH	4,606.33	
G4S Secure Solutions (UK) Limited	G4S PLC 5th Floor, Southside 105 Victoria Street London SW1E 6QT	15,388.75	
Graitec Limited	Riverside House, Brunel Road, Southampton, SO 3WX	22,282.80	
HMRC	Enforcement & Insolvency Service, Durrington Bridge House, Worthing, BN12 4SE	Unknown	
INTERNATIONAL PAINT LIMITED	The Akzonobel Building, Wexham Road, Slough, United Kingdom, SL2 5DS	421.18	

Estimated creditors of the Company as at 6 March 2020 based on Company records (continued)

Name of Creditor	Address	Amount of Debt £	Security Held
Konecranes Demag UK Ltd	Unit 1B Sills Road, Willow Farm Business Park, Castle Donnington, Leicestershire DE742US	8,997.60	
Lakeland Fluid Power Ltd	9A Sneckyeat Industrial Estate, Whitehaven CA28 8PF	5,361.11	
Monitor Coatings Ltd	2 Elm Road, West Chirton Industrial Estate, North Shields NE29 8SE	47,800.80	
Nalco Limited	Winnington Avenue, PO BOX 11, Northwich, CW8 4DX	2,311.20	
Nationwide Platforms Limited	15 Midland Court Central Park, Lutterworth, Leicestershire, LE17 4PN	1,188.00	
On Line People Limited	On Line House, Pelham Road, Immingham, North East Lincolnshire, DN40 1AB	11,904.73	
ORE Catapult Development Services Limited	Offshore House, Albert Street, Blyth, Northumberland, NE21 1LZ	Unknown	
Rhopoint Metrology Limited	Rhopoint House, Unit B Imberhorne Lane, East Grinstead, West Sussex, RH19 1QZ	954.72	
Safety-Kleen UK Limited	Profile West, 950 Great West Road, Brentford, Middlesex, TW8 9ES	1,316.52	
Santander Corporate & Commercial Banking	Leeds Corporate Centre, 44 Merrion Street, Leeds, L2 8JQ	Unknown	
SLB 2020 Limited	Administration Building, Brigg Road, Scunthorpe, North Lincolnshire, United Kingdom, DN16 1BP	3,440,000.00	
Steel Dynamics Ltd	Unit 10/11 Walker Industrial Estate, Walker Road, Blackburn, United Kingdom, BB1 2QE	2,466.00	
Technology Services Group Limited	Q11 Quorum Business Park, Benton Lane, Newcastle Upon Tyne, United Kingdom, NE12 8BU	3,374.52	
Thomas Graham & Sons Ltd	Unit 9 Bridge End Industrial Estate, Egremont CA22 2RD	46,949.70	
Thompson Power Tool Services UK Limited	5 Wincomblee Road, Walker Riverside, Newcastle Upon Tyne, Tyne And Wear, England, NE6 3PF	4,829.88	
Tyson H Burrige Ltd	Old Coach Works, Prospect Garage, Distington, Cumbria, CA14 5XJ	1,924.50	
Walter GB Limited	No 1 The Courtyard, Buntsford, Drive, Buntsford Gate Business, Park, Bromsgrove, Worcestershire, B60 3DJ	1,100.16	
XPO Transport Solutions UK Limited	Brigg Road, Scunthorpe, Lincolnshire DN16 1BP	8,999.49	

Appendix C Administrators' receipts and payments account for the period from 9 March 2020 to 12 March 2020

Estimated to
Realise as per
Directors'
Statement of
Affairs

£	Fixed charge realisations	£
n/a	Land & Buildings	1,750,001.00
n/a	Plant & Machinery	386,338.73
n/a	IP & Goodwill	2.00
		2,136,341.73
	Fixed charge distributions to creditors	
	Secured creditor	(2,136,341.73)
		(2,136,341.73)
	Floating charge realisations	
n/a	Plant, Machinery & Equipment	35,000.00
n/a	Stock	40,000.00
n/a	Debtors & Prepayments	151,275.51
n/a	Cash	-
n/a	Other realisations	3.00
		226,278.51
	Floating charge distribution to creditors	
	Secured creditor	(226,278.51)
		(226,278.51)
	Balance in hand	-
	Represented by:	
	Cash at bank	-
		-

Notes

1. Receipts and payments are stated net of VAT.
2. The receipts and payments account has been prepared on a cash basis and does not reflect future estimated receipts and payments.
3. The Joint Administrators are currently in the process of taking control of the Company's bank accounts and expect additional cash receipts shortly.

Appendix D Detailed Explanation of Pre-Pack Transaction

TO ALL KNOWN CREDITORS

13 March 2020

Ref: MLP/APW/RHK/SM/ST/CR

Email: slbe.administration@uk.ey.com

Dear Sirs

SLBE Limited (in Administration) (“the Company”)

Trading name(s): TSP Engineering

Former name: TSP Engineering Limited

Principal trading address(es): Curwen Road, Derwent Howe, Workington, United Kingdom, CA14 3YX

On 9 March 2020 the Company entered Administration and Robert Hunter Kelly and I were appointed as Joint Administrators. The appointment was made by the qualifying floating charge holder under the provisions of paragraph 14 of Schedule B1 to the Insolvency Act 1986. I attach formal notice of our appointment for your information.

Shortly after our appointment, the Company was renamed from TSP Engineering Limited to SLBE Limited. The purchaser of the Company’s business and assets was renamed from Jingye Steel (UK) Engineering Limited to TSP Engineering Limited.

As licensed insolvency practitioners, we are bound by the Insolvency Code of Ethics when carrying out all professional work relating to the Administration.

Sale of the business

On 9 March 2020 we completed a sale of the Company’s business and assets to Jingye Steel (UK) Engineering Limited (“the Purchaser”) for a total consideration of £3 million.

As part of the transaction, the Purchaser undertook to discharge all third-party trading liabilities (other than intercompany balances due to the Company’s parent and its affiliates and secured amounts owing to financial creditors) and TUPE transfer all employees with no redundancies, no changes to their terms & conditions and no impact on pension contributions.

In accordance with Statement of Insolvency Practice 16, a detailed explanation of the transaction is set out below.

Background and initial introduction to the Company

The Company offers heavy and technical engineering solutions, including design, consultancy, project management, manufacturing and refurbishment. Additional services include electrical engineering, instrumentation and testing. The Company’s customers are primarily from the nuclear, defence and security, oil and gas, steelmaking and construction industries. The Company employs c.200 staff, operating from a single site located in Workington, Cumbria.

The Company is owned by SLB 2020 Limited (formerly British Steel Limited) (in Compulsory Liquidation) (“SLB 2020”) but operates as a separate standalone legal entity following a hive down of the business and assets to the Company from SLB 2020 in 2017.

On 22 May 2019, the High Court appointed David Chapman, Official Receiver as liquidator of SLB 2020, on the petition of SLB 2020’s directors. Simultaneously, the Court also appointed S J Woodward, A M Hudson and R H Kelly as Special Managers to support him. The Special Managers were appointed to help manage the affairs, business and property of SLB 2020, in accordance with the powers and duties contained in the order appointing them.

We were introduced to the Company by SLB 2020 on 22 May 2019 as a result of our appointment as Special Managers of SLB 2020. Further information on the subsequent instructions that were issued to us in the lead up to the Administration and sale of the business and assets of the Company will follow in this letter.

SLB 2020 Group Debt Facility

The Company is named as a guarantor to the wider SLB 2020 group debt structure (including £226.9m of junior secured debt owed to an SLB 2020 parent company, Olympus Steel Limited (“OSL”).

The Company provided fixed and floating charge security to PNC Financial Services UK Limited (“PNC”) (as security agent to the consortium of senior lenders to the SLB 2020 group) and to OSL over its business and assets to secure its obligations to the secured creditors under those agreements. PNC transferred its role as senior security agent to White Oak Pantheon (U.K.) Limited (“White Oak”) on 6 March 2020.

The Company has the following registered charge(s):

Date of creation of charge	Date of registration of charge	Details of charge	Name of charge holder
30 June 2017	11 July 2017	Fixed and floating charge over the Land and Buildings at Workington and all of the property and undertaking of the company	PNC Financial Services UK Limited as security agent, subsequently White Oak Pantheon (U.K.) Limited
30 June 2017	11 July 2017	Fixed and floating charge over the Land and Buildings at Workington and all of the property and undertaking of the company	Olympus Steel Limited

As at the date of the Administration, certain senior secured creditors had been paid out in full, leaving a residual principal debt, plus fees and interest, due to White Oak, which ranks ahead of the OSL debt of £226.9m.

The Company did not have sufficient funds to meet its guarantee obligations in respect of the wider group debt, which were payable on demand following the insolvency of SLB 2020.

The senior security agent can release the Company from the security granted under both the White Oak and OSL charges but must ensure that it has taken reasonable care to obtain fair market value for the assets sold. However, the security agent cannot release the Company from its obligations under the OSL guarantee – this would need consent from OSL.

Initial marketing and sales exercise relating to the Company

In June 2019, following the Special Managers appointment over SLB 2020, the Company was marketed for sale as an independent business on a going concern basis as part of a wider marketing process for SLB 2020 and its subsidiaries being run by the Special Managers.

During this process, the Special Managers and the Company's directors identified 22 potentially interested parties who were approached to consider making an offer for the Company. Out of the 22 parties, 9 signed an NDA and 2 made offers:

1. £1.1m for business and assets only (excluding cash in the business) from a trade party. As this was not a share sale, it was assumed that the transaction, if it proceeded, would need to be executed through a pre-pack insolvency process; and
2. £1.9m for a solvent share sale. It was assumed that this offer was made on the basis of the release of the guarantee and security previously described.

Ultimately, neither offer was pursued due to the emergence of Ataer Holding A.S., a bidder for SLB 2020 and certain other assets of the SLB 2020 group, who was insistent that the Company must be included in this group transaction. It was concluded that achieving a group disposal was considered to be a priority as it would produce a better return for creditors (including the Company's creditors) than attempting to sell the group on a break-up basis.

Trading conditions since

In the period since the 2019 marketing process, SLB 2020's insolvency gave rise to significant uncertainty, creating difficulties for the Company, as customers were wary of placing longer term orders until they had comfort regarding the future ownership of the Company.

The Special Managers worked with the Company to provide reassurances and comfort letters to customers and met with several key customers. However, the resultant delays to the awarding of key contracts had a negative impact on the Company's financial performance over the period.

A material uncertainty over the period was a commitment from the Company's main customer, which had been unable to award a large contract to the Company pending confirmation of the Company's future ownership. The Company formally won the bid for this contract in May 2019 but the insolvency of SLB 2020, and the requirement of the customer for a parent company guarantee, meant that the contract was not placed and work was unable to commence until January 2020.

The Company was balance sheet insolvent (based on its financial indebtedness including amounts owing to OSL). In addition, prior to the award of the significant contract referred to above, the Company's cashflow solvency was also in question, given its reliance on ongoing customer support and orders.

Jingye transaction

On 10 November 2019, the Official Receiver and Special Managers entered into a sale of business and assets contract (“APA”) with Jingye Steel (UK) Limited (“Jingye”), to acquire certain of the business and assets of SLB 2020, including the steelworks at Scunthorpe, the UK mills at Teesside and Skinningrove, and certain subsidiary businesses. The transaction completed on 9 March 2020.

Similar to the position with Ataer, at the signing of the APA Jingye insisted on including the Company in the overall SLB 2020 transaction, subject to confirmatory due diligence. However, the transaction with Jingye was structured so that the outcome of the disposal of the Company could not affect the completion of the wider SLB 2020 acquisition, other than to reduce the total consideration.

Jingye continued to reconfirm its desire to acquire the Company, but as an output of its due diligence the Purchaser confirmed that it was not willing to acquire the Company with the OSL guarantee in place and without express assurance that the Company would be sold free of its finance and intercompany indebtedness.

Therefore, in order for Jingye or for any other third party (if the Jingye transaction fell away) to be willing to acquire the Company’s shares, OSL would need to agree to release the Company from its guarantee under the OSL finance agreements.

Pre-appointment considerations and alternative options considered by the Company

Considering the trading challenges and the overall uncertainty associated with the release of the guarantee obligations, the directors of the Company engaged with its legal advisors to obtain advice with regards to their duties as directors.

In particular, the directors sought advice with regards to their ability to drawdown on certain prepayments allowed under a major customer contract in order to resolve short-term liquidity issues. It was determined that it would not be appropriate to seek material prepayments from the customer in the circumstances without additional certainty around the Company’s future, in particular, OSL’s willingness to release the Company from its guarantee under the OSL finance agreements. It was determined that if OSL was not prepared to release the OSL guarantee (in a form that was satisfactory to the Special Managers), then a business and asset sale executed through an insolvency process would need to be pursued.

A scenario of taking no action was also considered. This would have had a number of effects:

- ▶ Firstly, the Jingye offer to purchase the Company, whether it be through a share sale or business and asset sale, had a time restriction which meant the offer would fall away unless the transaction was completed ahead of or co-terminus with the wider SLB 2020 transaction;
- ▶ Secondly, by being excluded from the sale to Jingye, reassurances provided to the Company’s customers regarding the future ownership would fall away and there was a risk that customers would look to exercise termination clauses in respect of their contracts due to the fresh uncertainty;
- ▶ Thirdly, there was a view that if OSL was unwilling to release the guarantee (in a form that would have been satisfactory to the Special Managers) when it had an incentive to do so then it was unlikely that it would agree to a release further down the line; and

- ▶ Finally, if the Company held off on acting, it would likely experience greater liquidity and solvency issues as a result of the uncertainty caused by the amount of its guarantee liabilities and the insolvency of SLB 2020.

Therefore, it was concluded that taking no action would restrict the options available to the Company which could result in a worst outcome for the creditors of the Company as a whole.

Considering a pre-pack sale

The directors and their advisors initially were of the view that proceeding with an accelerated marketing exercise could risk destabilising the business and that this could potentially precipitate the failure of the business. Some of the key considerations during the decision process included:

- ▶ Major customer contracts: it was agreed that all major customers would need to be involved in the marketing process and agree to transfer contracts to a purchaser's new company. These customers would need to confirm their support for the process and proposed purchaser, to provide certainty on trading post-transaction. In engaging with the customers, there was perceived to be a risk that the customers could choose to withdraw business (as they would be entitled to, based on their supply contracts with the Company). The directors considered that the business would be unviable without certain of the contracts remaining in place, which would be likely to have a detrimental impact on the marketing exercise if such contracts were withdrawn.
- ▶ Public relations: there was a risk of adverse press coverage affecting customer or supplier confidence in the Company.
- ▶ Offers: it was considered that an indicative offer for the business and assets received in the previous marketing exercise could reduce due to the financial pressures experienced by the Company since June 2019, for the reasons described above. Based on the offer at the time, this could result in the break-up of the Company resulting in a better return for the secured creditors than if the business were to be sold.

However, in the absence of a release from OSL, the directors and their legal advisors appreciated that a sale of the Company's business was likely to produce the best outcome for the Company's creditors. Such a sale would require a new marketing exercise. Therefore, the directors and their advisors engaged with all major customers immediately prior to the commencement of this marketing exercise. The outcome of these discussions were positive with the customers demonstrating an understanding that the circumstances were largely outside of the control of the Company.

During these engagements, the Company's major customers agreed to support a sale of the Company's business and assets through an insolvency process, if negotiations with OSL to release the guarantee in a form that was satisfactory to the Special Managers were not successful, subject to them confirming their support for the proposed purchaser.

Accordingly, the directors agreed to pursue preparations for a business and asset sale as a contingency plan whilst the Special Managers continued to advocate for the release of the OSL guarantee in a form that was satisfactory to them to allow a share sale to take place.

On 10 February 2020, EY entered into an engagement agreement with the Company and the Official Receiver (on behalf of SLB 2020). The Official Receiver agreed that EY's fees and disbursements associated with this engagement up to the point of any appointment could be included as an expense of the SLB 2020 liquidation due to the Company's liquidity restrictions and solvency position, but would be subject to the Court's approval.

The nature of the work conducted by EY prior to the Administrators' appointment can be summarised as follows:

- ▶ providing advice to the Company's management in respect of its options in the event that OSL failed to release the Company from its guarantee obligations;
- ▶ providing advice to the Company regarding the decision and timing of any accelerated marketing process, depending on the position that different stakeholders adopt;
- ▶ assisting the Company in identifying potential purchasers for the Company's business and assets and preparing a confidential information memorandum;
- ▶ attending meetings with the Company to present briefing information to certain key customers to obtain their support for any sale of the Company's business and assets;
- ▶ approaching interested parties to establish the degree of interest from those parties, obtaining confidentiality agreements and issuing the information memorandum;
- ▶ assisting the Company in managing the due diligence process including managing the virtual data room, summarising questions and providing answers from the Company;
- ▶ managing the receipt of offers from bidders and advising the Company in their identification of a preferred offer from the list of bidders;
- ▶ assisting the Company in assessing the potential transaction alongside their existing legal advisors;
- ▶ assisting in negotiating and structuring any final offer with the preferred bidder, including reviewing and providing comments on any sales agreement or related documentation produced by either SLB 2020's legal advisors or the preferred bidder; and
- ▶ undertaking planning for the period immediately post-Administration in order to deal with all matters effectively.

Consultation with major creditors

The secured creditors were consulted throughout the process. These parties, with the exception of OSL, responded positively throughout the process and consented to the transaction.

No further consultations with creditors took place given the undertaking from the preferred bidder to discharge the outstanding liabilities.

Statutory purpose of administration

The purpose of an administration is to achieve one of three objectives:

- a) To rescue the company as a going concern.
- b) 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).

- c) To realise property in order to make a distribution to one or more secured or preferential creditors.

The objective being pursued is b) 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).

The sale of the Company's business and assets enables this objective to be achieved through delivering a better outcome to creditors than would have been achieved through a winding up. The outcome achieved through the sale is the best available outcome for creditors as a whole in the circumstances.

It was deemed not possible to rescue the Company as a going concern without the release of the guarantee obligation by OSL. OSL were not forthcoming in this regard.

Marketing of the business and assets

The accelerated marketing process commenced on 13 February 2020 and concluded on 27 February 2020. We believe that the marketing process was compliant with the principles set out within the Statement of Insolvency Practice 16 ("SIP 16") and took account of the "marketing essentials" set out in the Appendix to that SIP 16.

As part of the marketing process, the directors of the Company considered the extent to which the business should be marketed.

Therefore, a list of 14 potential purchasers was agreed with the directors of the Company. A further 14 parties were considered but discounted (as they were highly unlikely to be interested in the Company's business). Due to the sensitive nature of the sector in which the business operates and the fact that the business had been marketed extensively previously, it was concluded that it would not be appropriate or necessary to market the business more widely.

Each of the 14 parties were approached to provide an overview of the business and its prospects and an overview of the intended transaction process with offers requested for 24 February 2020. Of the parties approached, 13 parties confirmed an interest and entered into non-disclosure agreements and received the information memorandum.

Of the parties approached, 4 formally confirmed they were not interested primarily on the basis of a lack of appetite for the business due to the investment size, target sector or wider strategic reasons not disclosed. The remaining 9 were provided access to a pre-populated virtual data room.

In the period to the deadline for offers, 6 parties dropped out of the process for reasons including not being in a position to acquire a business, not being able to meet the timescale, not able to justify the return on investment or the business not being the right strategic fit. We received 3 indicative offers and a further re-iteration of interest with a request to extend the deadline for their final offer.

Following receipt of the indicative offers, a deadline for full and final offers of 12:00 on Thursday 27 February 2020 was communicated. We received three full and final offers, with the additional interested party withdrawing their interest.

The offers were considered with regards to their value (i.e. the return to secured creditors and creditors as a whole compared to the other offers and if the Company were wound up and the assets sold on a break up basis), their deliverability (i.e. whether they had advisors and resource in place or the offer contained any conditions which we felt could reduce the likelihood of the transaction completing), and

timing (i.e. whether they stated that they were able to complete the transaction within the required timeframe). The offers are described below:

▶ **Confidential Party 1 (“CP1”)**

- ▶ Value: £10,000 cash consideration, plus a further £2,000,000 which was conditional on further due diligence to test their assumptions post-completion. The offer included all assets with the exception of ‘free’ cash. Any cash which related to customer prepayments was included in the transaction. CP1 undertook to discharge trading liabilities with the exception of the SLB 2020 intercompany debt, subject to due diligence.
- ▶ Deliverability: it was felt that the transaction could complete based on the reassurances provided with regards to having advisors in place and a shell company and bank account ready.
- ▶ Timing: there was some comfort in CP1’s ability to transact within our required timeframe given the above and reassurances provided within the offer letter regarding the availability of management and advisors their side to work in the period leading to the transaction.

▶ **Confidential Party 2 (“CP2”)**

- ▶ Value: £1 cash consideration. The offer included all assets with the exception of debtors and cash. No undertaking was provided to discharge existing trading liabilities of the Company.
- ▶ Deliverability: CP2 confirmed that they had advisors in place but their offer continued to reference a requirement to perform due diligence.
- ▶ Timing: given the requirement to perform further due diligence, it was considered that CP2 were unlikely to be able to meet the timeline and could only be viable if the timeline were to be pushed back by two weeks.

▶ **Jingye Steel (UK) Engineering Limited**

- ▶ Value: £3,000,000 cash consideration. The offer included all assets (including cash) and the buyer undertook to discharge all trading liabilities with the exception of the SLB 2020 intercompany debt and financial indebtedness. The offer was subject to the wider SLB 2020 transaction completing.
- ▶ Deliverability: it was felt that the transaction was likely to complete given that advisors were in place, the offer letter had limited conditions and there was no additional due diligence requirement.
- ▶ Timing: the Purchaser was able to complete in a short timescale.

For each offer, all employees were to be TUPE’d to the purchaser with no redundancies or changes to terms & conditions proposed.

The Purchaser’s offer was determined to result in a better outcome for creditors than the other offers put forward and a break-up outcome.

Valuation of the business and assets

SIA Group were instructed to value the property, plant and machinery and inventory. They have confirmed their independence and that they carry adequate professional indemnity insurance.

The outcome identified the three properties at Workington as being the main assets valued at £1.76m on the basis that a buyer could be found to purchase the Company as a whole for continued use in their working place (“In Situ”) as opposed to removing the equipment and remediating the premises (“Ex Situ”). It is estimated that the remediation cost on the premises to change the use of the property would significantly reduce any realisations which could be £nil on an Ex Situ basis.

The second main group of assets are the plant and machinery on site. As is the case with the property valuation, there is a material difference between the In Situ and Ex Situ valuation. These were £1.25m and £318k respectively.

Given the marketing process that has been undertaken on two separate occasions prior to the transaction, we are satisfied that the market has been tested and that market value for the business and assets has been obtained.

The transaction

As previously stated, the pre-pack sale was completed on 9 March 2020. Further details of the transaction are given below:

The Purchaser and related parties

The Purchaser is Jingye Steel (UK) Engineering Limited.

The Purchaser has no connection to the Company.

Prior to the transaction, we were not aware of any directors, former directors or associates of the Company who are involved in the financing, management or ownership of the Purchaser. The Purchaser has advised that it will retain the existing management team and will be appointing a number of the directors of the Company as directors of the Purchaser.

We are not aware of any guarantees given by the directors of the Company for amounts due from the Company to a prior financier, or that a prior financier is financing the new business.

The assets

The assets sold comprise the following:

Description of asset	SIA Group Valuation		Purchase consideration (£)
	In-Situ Valuation (£)	Ex-Situ Valuation (£)	
Property	1,760,000.00	nil	1,750,001.00
Business Intellectual Property	N/A	N/A	1.00
Contracts	N/A	N/A	1.00
Equipment	1,246,000.00	318,250.00	421,338.73
Goodwill	N/A	N/A	1.00
Information Technology	N/A	N/A	1.00
Stock	192,000.00	40,000.00	40,000.00
Business Claims	N/A	N/A	1.00
Debts	N/A	N/A	151,275.51
Cash	637,379.76	637,379.76	637,379.76
Total			3,000,000.00

The transaction is in respect of the business and assets of the Company.

Sale consideration

As previously stated, the sale consideration was £3,000,000 which was paid upon completion.

The sale proceeds have been apportioned as follows:

Category of asset	Allocated to fixed charge realisations	Allocated to floating charge realisations	Total
	£	£	£
Property	1,750,001.00	-	1,750,001.00
Business Intellectual Property	1.00	-	1.00
Contracts	-	1.00	1.00
Equipment	386,338.73	35,000.00	421,338.73
Goodwill	1.00	-	1.00
Information Technology	-	1.00	1.00
Stock	-	40,000.00	40,000.00
Business Claims	-	1.00	1.00
Debts	-	151,275.51	151,275.51
Cash	-	637,379.76	637,379.76
Total	2,136,341.73	863,658.27	3,000,000.00

The consideration has been allocated between the fixed and floating charges in accordance with the existing registered charges.

Significant assets not included in the sale agreement

There were no assets excluded from the sale.

Administrators' proposals and remuneration

In accordance with paragraph 49(5) of schedule B1 to the Insolvency Act 1986, we have prepared our Statement of Proposals. The proposals have been delivered to all creditors at the same time as this letter and give an indication of the likely dividend prospects.

We also set out our proposals for remuneration and will separately seek approval for the basis. The statutory provisions relating to remuneration are set out in Chapter 4, Part 18 of the Insolvency (England and Wales) Rules 2016 (the Rules). Further information is given in the Association of Business Recovery Professionals' publication 'A Creditors' Guide to Administrators' Fees', a copy of which may be accessed from the web site of the Institute of Chartered Accountants in England and Wales at <https://www.icaew.com/en/technical/insolvency/creditors-guides>, or is available in hard copy upon written request to the Joint Administrators.

Creditors' claims

Please note that debts incurred by the Company before our appointment will rank as unsecured claims against the Company. Any sums due to the Company arising after our appointment must be paid in full and without set-off against any debts incurred by the Company prior to our appointment.

The directors are required to submit a statement of affairs to us and you will appreciate that the full financial position is not yet known.

Should you believe that you are an unsecured creditor and wish to submit a claim against the Company then please email slbe.administration@uk.ey.com, detailing the nature of your claim.

Certain debts due from the company may be preferential in accordance with section 386 of the Insolvency Act 1986. If you consider that you have a claim in this category, please advise me immediately. If you hold any security for your claim or you consider that you have title to any assets in the company's possession, please forward details to me as soon as possible.

You may be entitled to VAT bad debt relief on debts arising from supplies more than six months old. This procedure does not involve the Administrators and claims should be made directly to HM Revenue and Customs.

Opting out

Under the provisions of Rule 1.39, creditors have the right to elect to opt out of receiving further documents relating to the administration.

If you do elect to opt out you will still receive the following documents:

- Any which the Insolvency Act requires to be delivered without expressly excluding opted-out creditors;
- Notice relating to a change in the administrators, or their contact details;
- Notice of dividend or proposed dividend; or
- A notice which the court orders to be sent to all creditors, or all creditors the particular category to which you belong.

Any election to opt-out will not affect your entitlement to receive dividends, if any are paid.

Unless the Rules provide to the contrary, opting-out will not affect your rights to vote in a decision procedure or participate in a deemed consent procedure, although you would not receive notice of such procedures.

Any opted-out creditors will be treated as opted out in respect of any consecutive insolvency procedure which might follow the administration.

You may opt-out by delivering an authenticated (e.g. signed) and dated notice to me stating that you are electing to be an opted-out creditor in relation to this administration. You may at any time revoke this election by delivering to me an authenticated and dated notice stating that you no longer wish to be an opted-out creditor.

Notification that future documents will be made available on a web site

I also wish to inform you that future documents in the administration, other than those described later in this letter, will be made available for viewing and downloading at the web address below without any further notification from me.

https://www.ey.com/en_uk/ey-slbe-limited-administration

I will not be obliged to deliver (i.e. send) any such documents to you, unless specifically requested by you.

You may at any time request a hard copy of all documents currently available for viewing on the web site and/or all future documents which may be made available there.

If you do wish to receive a hard copy of the document(s), please email slbe.administration@uk.ey.com or write to me, using the contact details at the top of this letter and a copy will be sent to you.

The following documents will still be delivered by post or email:

- Any document for which personal delivery is required
- Any notice of intention to declare a dividend
- Any document which is not delivered generally (e.g. which is not sent to all known creditors or members)

Other matters

If there are any matters concerning the Company's affairs which you consider may require investigation and consequently should be brought to our attention, please forward the details to me in writing as soon as possible.

If you require any further information or explanation, please do not hesitate to contact my assistant, Sam Taylor on 020 7951 6984.

Yours faithfully
for the Company



A P Williams
Joint Administrator

Enc: Notice of Administrator's Appointment

A P Williams is licensed in the United Kingdom to act as an insolvency practitioner by The Insolvency Practitioners Association and R H Kelly is licensed in the United Kingdom to act as an insolvency practitioner by The Institute of Chartered Accountants in Scotland.

The affairs, business and property of the Company are being managed by the Joint Administrators, A P Williams and R H Kelly, who act as agents of the Company only and without personal liability.

The Joint Administrators may act as data controllers of personal data as defined by the General Data Protection Regulation 2016/679, depending upon the specific processing activities undertaken. Ernst & Young LLP and/or the Company may act as a data processor on the instructions of the Joint Administrators. Personal data will be kept secure and processed only for matters relating to the Joint Administrator's appointment. The Office Holder Data Privacy Notice can be found at www.ey.com/uk/officeholderprivacy.

Notice of Administrators' Appointment – paragraph 46(3) of Schedule B1 to the Insolvency Act 1986

SLBE Limited (in Administration) (“the Company”)

Name of Court	The High Court of Justice
Court reference number	CR-2020-001669
Company registered number:	10664034
Nature of business	25620 – Machining 71121 - Engineering design activities for industrial process and production 71129 - Other engineering activities
Registered office of company	c/o Ernst & Young LLP, 1 More London Place, London, SE1 2AF, United Kingdom
Principal trading address (if different from above)	Curwen Road, Derwent Howe, Workington, United Kingdom, CA14 3YX
Any other name under which the company was registered in the previous 12 months	TSP Engineering Limited
Any other name(s) or style(s) under which the company carried on business or incurred debts	TSP Engineering
Date of appointment of administrators	9 March 2020
Name(s) and address(es) of administrator(s)	Alex Paul Williams Ernst & Young LLP 1 More London Place London, SE1 2AF Robert Hunter Kelly Ernst & Young LLP, 1 Bridgewater Place Leeds, LS11 5QR
Joint / Administrator(s) IP No(s)	22270 / 8582
Telephone number	020 7951 6984
Name of alternative person to contact with enquiries about the case	Sam Taylor

Notice to all creditors

On 9 March 2020 the Company entered administration and Robert Hunter Kelly and I were appointed as Joint Administrators. The appointment was made by the qualifying floating charge holder under the provisions of paragraph 14 of Schedule B1 to the Insolvency Act 1986.

Signed



Date

9 March 2020

A P Williams is licensed in the United Kingdom to act as an insolvency practitioner by The Insolvency Practitioners Association and R H Kelly is licensed in the United Kingdom to act as an insolvency practitioner by The Institute of Chartered Accountants in Scotland.

The affairs, business and property of the Company are being managed by the Joint Administrators, A P Williams and R H Kelly, who act as agents of the Company only and without personal liability.

The Joint Administrators may act as data controllers of personal data as defined by the General Data Protection Regulation 2016/679, depending upon the specific processing activities undertaken. Ernst & Young LLP and/or the Company may act as a data processor on the instructions of the Joint Administrators. Personal data will be kept secure and processed only for matters relating to the Joint Administrator's appointment. The Office Holder Data Privacy Notice can be found at www.ey.com/uk/officeholderprivacy.

Appendix E Estimate of remuneration to be charged

The Joint Administrators are seeking approval for their remuneration to be fixed on a time cost basis. In accordance with Rule 18.16(4) of the Insolvency (England and Wales) Rules 2016, they set out below their estimate of remuneration to be charged.

The estimate of remuneration is £175,000 plus VAT. An explanation of how this sum has been arrived at is set out below and a breakdown of the expected costs is attached on the following pages.

Explanation of the work proposed to be undertaken

Category of work	Description of work to be completed
Accounting & Administration	<ul style="list-style-type: none"> ▶ Overall management of the case, treasury and accounting functions, statutory compliance diaries and time cost reporting.
Bank and Statutory Reporting	<ul style="list-style-type: none"> ▶ Reporting to the Company secured creditors ▶ Preparing the Joint Administrators' Statement of Proposals, six monthly progress reports and final report.
Creditors	<ul style="list-style-type: none"> ▶ Correspondence with creditors. ▶ Processing distributions to the secured creditors and a prescribed part distribution
Employee Matters	<ul style="list-style-type: none"> ▶ Writing to employees regarding TUPE related matters. ▶ Dealing with any employee enquiries.
Immediate Tasks	<ul style="list-style-type: none"> ▶ Completion of work streams requiring immediate attention following the appointments, in order to execute the strategy outlined in the Proposals.
Investigations	<ul style="list-style-type: none"> ▶ Investigations into the Company's affairs in accordance with Statement of Insolvency Practice 2 "Investigations by Office Holders". ▶ The Joint Administrators' reports on the conduct of the directors under the Company Directors Disqualification Act 1986.
Legal Issues	<ul style="list-style-type: none"> ▶ Dealing with any ad hoc legal issues.
Other Matters	<ul style="list-style-type: none"> ▶ Arranging for the transfer of the Company's environmental permits to the purchaser
Property	<ul style="list-style-type: none"> ▶ Arranging for the novation or transfer of the leasehold property to the purchaser
Statutory Duties	<ul style="list-style-type: none"> ▶ Completion of statutory requirements of the administrations, including notifications to creditors and members, advertising the appointment, letter to creditors pursuant to Statement of Insolvency Practice 16, and sending to creditors and filing at Companies House.
VAT & Taxation	<ul style="list-style-type: none"> ▶ Preparing annual corporation tax and quarterly VAT returns, with input from EY VAT and tax specialists. ▶ Assessment of the VAT and tax treatment of transactions and agreements entered into during the administrations. ▶ Preparing claims for VAT bad debt relief.

Estimate of the Joint Administrators' remuneration

	Staff Grade						Total Hours	Time Cost (£)	Average Hourly Rate (£)
	Partner	Associate Partner	Director	Manager	Analyst	ATE			
Accounting and Administration	-	-	-	7.0	37.5	35.0	79.5	25,000	314
Bank & Statutory Reporting	1.0	7.0	2.0	15.0	27.5	15.0	67.5	29,795	441
Creditors (Mandatory)	-	2.0	-	5.0	10.0	3.0	20.0	8,355	418
Employee Matters	-	-	4.0	5.0	7.0	-	16.0	7,025	439
Immediate Tasks	-	1.0	-	2.0	3.0	-	6.0	2,905	484
Investigation/CDDA	1.0	5.0	3.0	25.0	45.0	-	79.0	32,720	414
Legal Issues	-	-	-	-	-	-	-	-	-
Other Matters	-	1.0	-	2.0	3.0	-	6.0	2,905	484
Property	-	2.0	-	6.0	2.0	-	10.0	5,680	568
Statutory Duties	1.0	7.0	2.0	22.0	40.0	5.0	77.0	33,195	431
VAT & Taxation	1.0	1.0	4.0	15.0	25.0	7.0	53.0	27,420	517
Total Hours	4.0	26.0	15.0	104.0	200.0	65.0	414.0		
Time Costs (£)	3,600	29,770	10,350	49,400	54,000	21,450		175,000	
Average Hourly Rate (£)	900	1,145	690	475	270	330			-

Details of expenses incurred and anticipated to be incurred

Expenses comprise sums paid or to be paid to third parties and sums paid or payable to the administrators' firm in respect of out of pocket expenses and costs which include an element of shared or allocated costs. Total expenses expected to be incurred are £101,220 plus VAT.

The expenses incurred and anticipated to be incurred from the Company's estate can be summarised into the following categories:

Estimated expenses

Category of expense	Description of expense / disbursement incurred or to be incurred	Estimated expense (£)
Bank charges	Charges associated with operation of the Company's bank accounts during the administration.	100
Legal fees	Legal advice regarding any such matters required to bring a conclusion to the Company's affairs and assist the Joint Administrators in obtaining approval for their fee basis and estimate from the Courts, if required to do so.	100,000
Statutory costs	Costs of completing statutory requirements of the administrations, including advertising and filing costs.	500
		100,600
<u>Category 1 disbursements</u>		
Specific Bond	A form of insurance required by insolvency law.	320
Postage and printing	Those costs incurred by the Joint Administrators in printing and posting the Joint Administrators' Statement of Proposals and subsequent progress reports and other written communication to all relevant creditors and shareholders.	300
		620
<u>Category 2 disbursements</u>		
	No Category 2 disbursements estimated	0
Total		101,220

Notes

- 1 Statement of Insolvency Practice 9 (SIP 9) defines expenses as amounts properly payable from the insolvency estate which are not otherwise categorised as office holders' remuneration or distributions to creditors.
- 2 SIP 9 defines disbursements as a type of expense which is met by, and reimbursed to, an office holder in connection with an insolvency appointment. Disbursements fall into two categories: Category 1 and Category 2.
 - Category 1 disbursements are payments to independent third parties where there is specific expenditure directly referable to the appointment
 - Category 2 disbursements are expenses which are directly referable to the appointment but not a payment to an independent third party. They may include shared and allocated costs.

Exceeding estimates of remuneration and expenses

These estimates may be exceeded, in which case an explanation will be provided in the appropriate progress report. The Joint Administrators will only draw remuneration in excess of the estimate with the prior agreement of the approving body, in accordance with Rule 18.30 the Insolvency (England and Wales) Rules 2016.

Estimate of return for creditors

We currently estimate the following returns for creditors:

Secured creditors

As at 9 March 2020, the Company's known secured lenders were OSL and White Oak.

White Oak

At the date of appointment, White Oak, being the senior security agent to the SLB 2020 Group, was owed c.£25.5m (principal indebtedness). This was reduced further following the conclusion of the sale of SLB 2020's business and assets to Jingye on 9 March 2020.

It is anticipated that White Oak will be paid out in full from the administration and the SLB 2020 liquidation.

OSL

At the date of appointment, OSL were owed c.£227m. We do not anticipate any distribution being made to OSL.

Preferential creditors

All of the Company's c.200 employees were transferred to the Purchaser in accordance with TUPE. The Joint Administrators therefore do not anticipate any preferential claims being received in respect of arrears of wages, holiday pay and payroll deductions.

Unsecured creditors

As part of the transaction, the Purchaser undertook to discharge all third-party trading liabilities (other than intercompany balances due to the Company's parent and its affiliates and secured amounts owing to financial creditors). Accordingly, we do not anticipate there being any non-preferential claims against the Company with the exception of £3.4 million consisting solely of the intercompany balance due to SLB 2020.

We anticipate distributions to non-preferential creditors will be limited to funds set aside pursuant to the Prescribed Part, as estimated in the Joint Administrators' Statement of Proposals.

Appendix F Statement of pre-Administration costs

Statement of pre-administration costs

	Administrator		Other IP		Details
	Remuneration £	Expenses £	Remuneration £	Expenses £	
Time costs	222,610.40	nil	nil	nil	Incurred by the Joint Administrators, as outlined in Section 6 of these proposals
Legal costs	71,896.60	nil	nil	nil	Time costs incurred by Clifford Chance LLP
Total costs incurred	294,507.00	nil	nil	nil	
Paid before the administration*					
Time costs	nil	(nil)	(nil)	(nil)	
Legal costs	nil	(nil)	(nil)	(nil)	
Unpaid pre-administration costs	294,507.00	nil	nil	nil	

Unpaid pre-administration costs are costs which had not been paid at the date of administration are still outstanding and are subject to approval under Rule 3.52 of the Insolvency (England and Wales) Rules 2016.

Unpaid pre-administration costs are not part of the proposals subject to approval under paragraph 53 of Schedule B1 of the Insolvency Act 1986. This means that they must be approved separately from the proposals. Further information on the way in which approval will be sought for unpaid pre-administration costs is set out in section 6 of this document.