

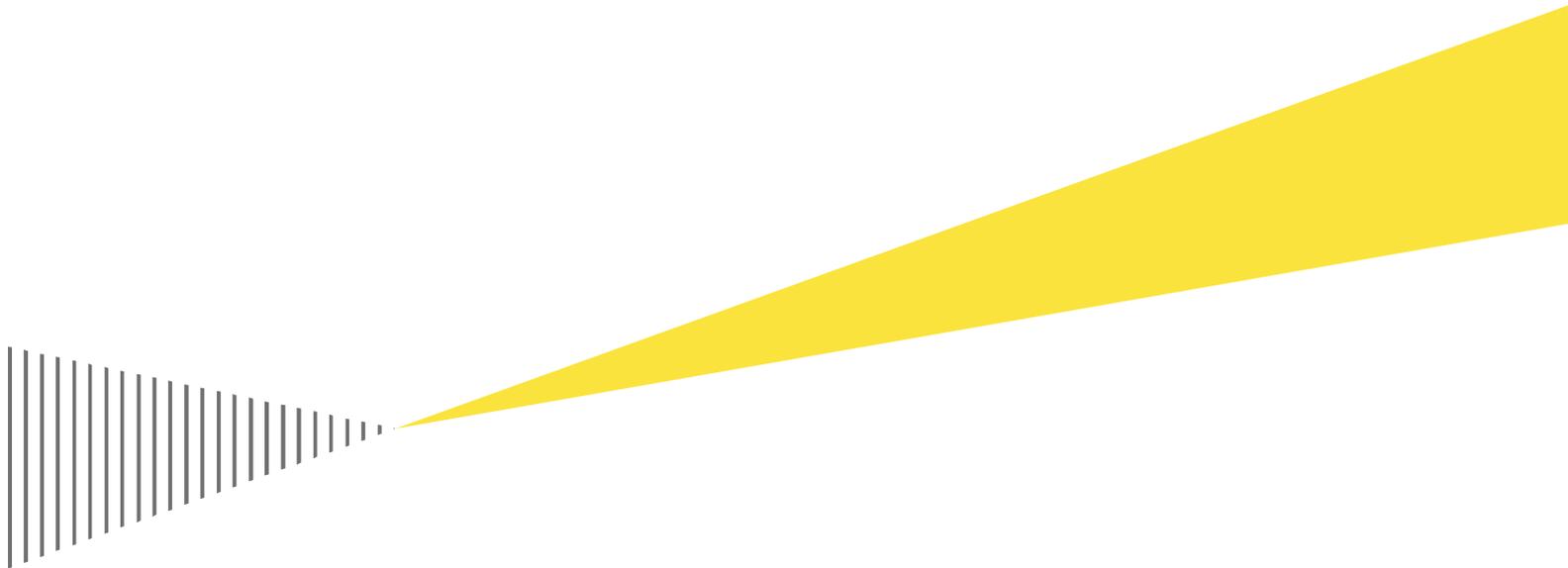
**Petroleum Pipe Company Limited  
In Administration (the "Company")**

Six Monthly Progress Report

In accordance with Rule 18.3 of The Insolvency Rules 2016

27 March 2019

Ernst & Young LLP



## Abbreviations

The following abbreviations are used in this report:

Act	the Insolvency Act 1986
BoS	Bank of Scotland plc
CDDA	Company Directors Disqualification Act 1986
date of appointment	29 August 2018
EY	Ernst & Young LLP
HMRC	HM Revenue and Customs
Joint Administrators	CP Dempster and GD Yuill
the Company	Petroleum Pipe Company Limited - in Administration
the Petrostem Group	Petrostem Group Limited (In Liquidation) and its subsidiary undertakings
the PPG Group	The Petroleum Pipe Group of companies, a structure chart for which is provided at Appendix B
the Proposals	Joint Administrators' Statement of Proposals, dated 19 October 2018
the Rules	the Insolvency (England and Wales) Rules 2016

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## **1. Introduction**

### **1.1 Introduction**

I write, in accordance with Rule 18.3 of the Insolvency Rules 2016, to provide creditors with a report on the progress of the Administration. This report covers the period from 29 August 2018 to 28 February 2019 and should be read in conjunction with the Proposals dated 19 October 2018.

On 29 August 2018 the Company entered Administration and CP Dempster and GD Yuill were appointed to act as Joint Administrators.

The appointment was made by the Company's Directors under the provisions of paragraph 22(2) 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.

CP Dempster and GD Yuill are UK licenced insolvency practitioners and, consequently, are bound by the Insolvency Code of Ethics when carrying out all professional work relating to the administration.

Statutory information about the company, the administration and the office holders is given at Appendix A.

### **1.2 Extensions to the Initial Period of Appointment**

There have been no extensions to the initial period of appointment. This will be reviewed in three months' time.

## 2. Progress since the Proposals dated 19 October 2018

### 2.1 Asset realisations

As outlined in the Proposals, the Company is one of the main trading entities within the PPG Group. Consequently, the main assets of the Company are trade debtor balances and production tubing / casing stocks.

#### 2.1.1 Trade debtors

The Statement of Affairs as at 28 August 2018 detailed trade debtor balances due to the Company of \$2.3m. However, this figure included a credit balance of \$60k in respect of GSP Offshore SRL (GSP) where the Company had yet to invoice the customer for further sales. This subsequent invoicing resulted in a balance due by GSP of \$423k which brought the total debtor balance to \$2.7m.

Of these balances, \$1.7m has been collected in the period covered by this report.

The Joint Administrators continue to pursue collection of the outstanding amounts, which are due by three customers:

- ▶ Bankers Petroleum (Bankers) (\$0.2m): The Company has been unable to fulfil all of the orders placed on it by Bankers prior to our appointment. Due to the Company's failure to deliver these orders and the consequential incremental costs incurred by Bankers, it has refused to make payment of the outstanding amount due. Whilst we have yet to receive full details of the increased costs suffered by Bankers in having the orders completed by another supplier, we have not assumed any recovery in respect of this debt.
- ▶ Lahor Limited (Lahor) \$1.7m): This balance was recorded in the books of PPC Limited, a related company. However, as all of the invoicing was undertaken by the Company, any amounts collected from this debtor would fall to the benefit of the Company. Accordingly, we are reporting progress here. Lahor is a Nigerian OCTG agent, and the majority of the \$1.7m outstanding balance dates back to June/July 2015 with only a small balance of \$10k dated in May 2018. We have appointed Nigerian lawyers to initiate recovery proceedings and letters of demand were issued in January 2019. Disappointingly, no response has been received and our legal agents have now sent a pre-legal action letter of claim.
- ▶ LBD International Limited (\$0.8m): Whilst a small part of this outstanding balance dates back to December 2015, the majority (\$0.6m) relates to invoices that were due for payment between January 2016 and March 2017, with the balance of \$200k having fallen due for payment in September 2018. Although the last payment received (\$130k) was in October 2018, we have received no substantive response to our requests for settlement of the remaining balance. We will therefore continue to pursue payment via our Nigerian legal agents.

#### 2.1.2 Outstanding customer orders

As detailed in the Proposals, several customer orders were outstanding for completion at the date of appointment. After careful consideration, the Joint Administrators determined that it was in the best interests of the creditors of the Company to seek to complete one of these customer orders, with Sea Dragon Energy Nile B.V.

Having agreed terms with the customer and the shipping company, the order has now been delivered and payment was received from the customer in January 2019. The net recovery from completing this order was \$0.5m.

### **2.1.3 Production tubing / casing stocks**

As at 28 August 2018, the Company held production tubing / casing stocks with a net book value of \$0.5m.

On 25 October 2018, a list of this stock was circulated to 30 interest parties. On 14 November 2018, the closing date for offers, offers from 8 separate parties were received.

During the period covered by this report, sales have completed with 2 parties with realisations totalling \$22k. We anticipate that further sales will complete shortly that will generate further realisation of c. \$40k.

No offers were received on a significant volume of ancillary or non-premium pipe. Interest in these assets has been low and therefore we now anticipate realising only a minimal scrap value from these assets.

We anticipate that all production tubing / casing stocks will be realised within the next 1-2 weeks.

### **2.1.4 IT equipment**

As detailed in the Proposals, the Company owned IT equipment and software for which the Joint Administrators anticipated the imminent completion of a sale of this IT equipment and software to Maxtube ME Limited, a related party, for a consideration of \$33k.

The sale completed in October 2018 and funds were received shortly thereafter. In addition to the consideration, the purchaser made a contribution of \$10k in respect of our costs in completing the sale.

The consideration received is in excess of an independent third-party valuation which had carried on the various assets.

### **2.1.5 Intergroup balances**

As at the date of appointment, the Company was due \$11.3m from related parties which are now subject to insolvency proceedings.

Accordingly, the Company has submitted a claim against the following:

- ▶ Petrostem Rentals Limited, a company in the Petrostem Group, for the sum of \$10.2m;
- ▶ Petrostem International Limited, a company in the Petrostem Group, for the sum of \$0.2m;
- ▶ PPC Limited, a company in the PPG Group, for the sum of \$0.5m; and
- ▶ Pipeline Supplies Bahrain W.L.L Limited, a company in the PPG Group, for the sum of \$0.3m.

These receivables will, therefore, represent a claim by the Company in the insolvencies of the above companies. The recovery from these balances will, therefore, depend on the outcome of those entities' insolvency processes.

The Company is also due amounts by Petroleum Pipe Americas Inc (\$0.1m) and Innospection Group Limited (\$0.1m), companies within the PPG Group and Innospection Group respectively. Whilst neither of these entities are the subject of insolvency proceedings, material recoveries from these balances are not expected.

### **2.1.6 Prepayments to customer contracts**

As at the date of appointment, the Company had paid \$2.0m to suppliers as deposits on stock purchases.

As noted above, we completed one customer order with a sales value of \$0.6m and the steel required to complete the order had been pre-paid in full by the Company prior to our appointment. This order accordingly utilised \$0.4m of these prepayments.

We have also been able to utilise \$0.3m of prepayments in completing certain customer orders outstanding to be completed by Pipeline Supplies (Bahrain) Limited (In Liquidation) ("PSB"), another PPG Group company. The Company will receive \$0.2m from PSB in relation to these prepayments.

Whilst we continue to investigate the options for recovering more of the pre-payment balances, these are proving difficult as the prepayments are not capable of being repaid by the suppliers, and many of the payments were in respect of non-standard specifications of steel pipe where there remain large balances outstanding to complete the orders. We will update creditors on progress in this area in our next report.

### **2.1.7 VAT receivable**

As at the date of appointment, the Company was due a refund of \$0.2m from HM Revenue and Customs (HMRC) in relation to pre-appointment VAT. However, HMRC were owed a sum estimated at \$0.1m in relation to unpaid PAYE and NIC deductions. HMRC are entitled to set these amounts against each other such that a net realisation of \$0.1m was anticipated from this VAT debtor.

Although the pre-appointment VAT return was submitted in December 2018, we have yet to hear from HMRC regarding the application of Crown Set-Off in respect of the PAYE/NIC liability. We will continue to chase HMRC and will update creditors on progress in our next report.

### **2.1.8 Foreign currency swap cancellation**

Shortly before our appointment, the Company instructed the cancellation of an "in the money" foreign currency swap transaction. The net funds arising therefrom of \$0.2m were received into a trust account held with Trinity Fiduciaries, and transferred to the Joint Administrators' bank account immediately on our appointment.

## 2.2 Expenditure

During the period covered by this report, we have incurred expenses totalling \$465,283 (net of VAT) excluding Administrators' fees. There is a breakdown of expenses incurred in this period and to date at Appendices C and D of this report.

At present, total expenses have not exceeded the original estimate provided with the Proposals.

An overview of the principal expenditure is detailed below.

### 2.2.1 Shipping / freight costs - \$244k

These costs have been incurred in obtaining release of goods in transit and in storage yards to assist in the recovery of pre-appointment debtor balances, stock realisations and one customer order that was completed post appointment.

### 2.2.2 Rent - \$0k

No costs have yet been paid in this regard although we continue to hold a provision in respect of yard costs.

### 2.2.3 Insurance - \$84k

The spend to date has exceeded our original estimate of \$25k. Whilst we estimate that c. \$30k of this cost will be recovered from other PPG Group companies, the anticipated costs of \$54k will remain higher than originally estimated. This is due to the completion of the post appointment sale discussed above and the wind-down of the Company's operations taking longer than we had originally anticipated. However, the increased costs are more than offset by the trading profit generated on the sale and the enhanced debtor recoveries which the orderly wind down enabled.

### 2.2.4 Legal fees - \$29k

We have increased our estimate of legal fees from \$45k to \$60k due principally to the engagement of lawyers in Nigeria to assist in the recovery of the book debts discussed at Section 2.1.1.

### 2.2.5 Bank charges - \$3k

The bank charges include an exchange rate loss arising from the difference between the standard exchange rate (£1 / \$1.3) used in the preparation of the receipts and payments accounts and the actual rate when funds were received. Accordingly, we now estimate that bank charges will be \$4k.

### 2.2.6 Software Licences - \$39k

The costs of \$39 exceed our original estimate by \$18k due principally to the current licenses being in arrears and the longer than anticipated wind down period noted above.

### 2.2.7 Employee costs - \$64k

These employee costs are \$2k higher than originally anticipated but are more than offset by the \$6k recovery of IT costs from other group companies.

## 2.3 Asset realisations for the PPG Group

The other insolvent entities within the PPG Group are not registered in England and Wales and are therefore subject to the insolvency proceedings in other jurisdictions. Accordingly, these entities are not within the remit of this report. Notwithstanding this, the Joint Administrators' recognise the inter-linked nature of the PPG Group and therefore detailed discussion of the insolvency proceedings and potential asset realisations for these entities is provided within the separate reports to the creditors of these companies which are available from the following website:

<https://www.ey.com/uk/en/services/transactions/restructuring/ey-ppg-petrostem-insolvencies>

## 2.4 Investigations

The Joint Administrators have performed a thorough review in to the conduct of the directors in the lead up to the insolvency of the Company. Matters reviewed have included:

- ▶ Analysis of funding provided to related parties in the years leading up to the insolvency of the Company;
- ▶ Review of transactions with related parties;
- ▶ Review of any disposals of assets in the lead up to the insolvency of the Company;
- ▶ A review of the movement in trade creditor balances (both in aggregate and individually) from 1 April 2017 to the date of our appointment;
- ▶ A review of individual cash receipts and payments in the period from 1 April 2017 to the date of our appointment;
- ▶ Review of the level of remuneration received by each of the directors in the three financial years ending 31 March 2016, 2017 and 2018, and the five months to August 2018;
- ▶ Review of board minutes for each of the Companies;
- ▶ Review of questionnaires provided by the Directors detailing the circumstances which led to the insolvency of the Company; and
- ▶ Review of the Companies' compliance with statutory deadlines in respect of filing of annual returns and accounts and payment of taxes.

On 28 November 2018 we submitted our conduct report to the Insolvency Service in respect of the Company. The contents of these reports are confidential

The Joint Administrators continue to investigate certain matters raised by our investigations and have formally written to the Directors in this regard. On receipt of their response, we will consider whether any further action is warranted.

No funding has been provided by any third parties to meet the costs of these investigations.

### 3. Outcome for creditors

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

#### 3.1 Secured creditors

The principal lender to the PPG Group is Bank of Scotland plc ("BoS"). As at 29 August 2018, the debt due by the PPG Group to BoS was \$30.7m. This debt comprises amounts directly owed by the Company to BoS, and amounts due to BoS under cross-guarantees granted in favour of BoS in relation to its lending to certain companies within the Petrostem and Maxtube Groups. The balance is comprised of:

- ▶ An overdraft facility (\$10m facility, drawn to \$10.8m);
- ▶ Term loan (\$0.5m);
- ▶ Revolving credit facility (\$15m);
- ▶ Guarantee facility (\$5m, drawn to \$4.3m of which \$2.8m relates to Maxtube Group, which continues to trade out with insolvency as a going concern); and
- ▶ Credit card facilities exposure of \$0.1m.

The Company has granted in favour of BoS a debenture covering all stock, trade debtors, intercompany debtors and other assets. Accordingly, all assets of the Company are secured to BoS.

The likely recovery to BoS in respect of the amounts due to it by the Company is currently estimated to be c\$1.9m.

#### 3.2 Preferential creditors

Preferential creditor claims have been quantified at \$22k in respect of claims for employees' holiday pay.

We currently estimate that preferential claims will be paid in full.

#### 3.3 Unsecured non-preferential creditors

The Company's records indicate that non-preferential creditors may aggregate to c. \$18.5m.

Creditor claims may be higher due to contingent claims and other non-priority creditor amounts not included in the Company's records.

As the Company's assets are secured to BoS, we do not expect any recovery for unsecured non-preferential creditors of the Company.

### 3.4 Creditor claims

Please note that debts incurred by the Company before our appointment will rank as unsecured non-preferential claims. If you have a claim, please forward details together with supporting documentation (e.g. invoices, statements and agreements) to Ernst & Young LLP, 1 Bridgewater Place, Leeds, LS11 5QR, marked for the attention of John Louden, or, alternatively, to the following email address: [ppcgroup@uk.ey.com](mailto:ppcgroup@uk.ey.com).

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.

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 relevant company prior to our appointment.

### 3.5 The 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.

As the debenture granted in favour of BoS was created on 19 June 2000, the Prescribed Part provisions do not apply to the administration of the Company. Accordingly, there will be no Prescribed Part available for distribution to the unsecured non-preferential creditors of the Company.

## 4. Joint Administrators' receipts and payments

A summary of the Administrators' receipts and payments for the period from 29 August 2018 to 28 February 2019 is attached at Appendix C.

## 5. Joint Administrators' remuneration, expenses, 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 website 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 certain circumstances, creditors are entitled to request further information about our remuneration or expenses, or to apply to court if they consider the costs to be excessive (Rules 18.9 and 18.34 of the Insolvency (England and Wales) Rules 2016). Further information is provided in 'A Creditors' Guide to Administrators' Fees' referred to above.

The Joint Administrators' remuneration was fixed on the basis of time properly given by the Joint Administrators and their staff in dealing with matters arising in the Administration at the hourly rates set out below (and in accordance with the fee estimate dated 19 October 2019) by a resolution of the preferential creditors and secured creditor on 21 December 2018.)

In addition, the Joint Administrators were permitted to draw, as an interim claim, their remuneration for the period from the date of their appointment to Friday 5 October 2018 and thereafter the Joint Administrators may draw their remuneration four weekly in arrears subject to the provision in advance of a statement of such costs.

Grade	Hourly rate (\$)	Equivalent hourly rate (£)
Partner	855	658
Executive Director / Director	700	538
Senior Manager	590	454
Manager	490	377
Senior (Level 3)	450	346
Senior (Level 1 / 2)	355	273
Analyst	210	162
Intern	185	142

To 28 February 2018, the Joint Administrators have incurred time costs (based on the above hourly rates) of \$268,159. Of this sum, \$96,995 has been paid in the period to 28 February 2019.

Our remuneration is not expected to exceed the amount provided for in the fee estimate.

Attached at Appendix D and E is a detailed analysis of time spent and charge out rates for each grade of staff for the various areas of work carried out to 28 February 2019 as required by the Association of Business Recovery Professionals' Statement of Insolvency Practice No. 9.

## 5.2 Joint Administrators Statement of expenses incurred

During the period covered by this report, we have incurred expenses totalling \$465,283 (excluding VAT and excluding \$96,995 in respect of the Joint Administrators' fees). There is a breakdown of these expenses at Appendix D of this report.

At present, total expenses have not exceeded the original estimate provided with the Proposals.

## 5.3 Disbursements

Appendix D also includes a breakdown of the Joint Administrators' Category 1 and 2 disbursements.

On 21 December 2018, the Joint Administrators received the approval of the secured creditor and preferential creditors to charge and draw disbursements in accordance with the charging policy set out in Appendix H and estimate provided with the Proposals.

## 5.4 Payments to other professionals

The Joint Administrators have engaged the services of the following during the course of the liquidations:

Name of firm	Nature of service	How contracted to be paid
Pinsent Masons	Legal advisors - UK and UAE	Time costs
Carey Olsen	Legal advisors - Jersey and Cayman Islands	Time costs
ANM Group	Asset safeguarding and realisation strategy	Time costs

## 6. Other Matters

### 6.1 Future conduct of the Administration

The Joint Administrators will continue to manage the affairs, business and property of the Company to achieve the purpose of the Administration. This will include, inter alia:

- ▶ Realising the remaining assets of the Company, most notably the books debts and stock (production tubing / casing);
- ▶ Dealing with corporation tax and VAT matters, which includes filing statutory returns;
- ▶ Dealing with unsecured creditor enquiries;
- ▶ Distributing realisations to the secured and preferential creditors of the Company;
- ▶ Ensuring all statutory reporting and compliance obligations are met; and
- ▶ Finalising the Administration, including payment of all Administration liabilities.

### 6.2 The end of the administration

The Administration of the Company will end automatically after twelve months following the date of the Joint Administrators' appointment, although this period can be extended by either the creditors or an application to Court.

It is proposed that the Administration will end either through a subsequent liquidation or via dissolution depending on whether there are any assets remaining at the end of the Administration.

Currently, the Joint Administrators do not anticipate that there will be any assets remaining at the end of the Administration. Accordingly, it is proposed that if at the end of the Administration the Company has no property which might permit a distribution to its creditors other than by way of the Prescribed Part, 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.

### 6.3 Matters to be brought to the attention of the Joint Administrators

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.

### 6.4 Reporting

I will report to you again at the conclusion of the Administration or in six months' time, whichever is the sooner.

The report will be made available on the following website:

<https://www.ey.com/uk/en/services/transactions/restructuring/ey-ppg-petrostem-insolvencies>

Should you wish to discuss any aspect of this report, please contact John Louden on 0113 298 2315.

Yours faithfully  
for the Company

A handwritten signature in blue ink, appearing to read 'Gavin Yuill', is positioned above the printed name.

Gavin Yuill  
Joint Administrator

C P Dempster and G D Yuill are licensed in the United Kingdom to act as Insolvency Practitioners by The Institute of Chartered Accountants of Scotland.

The affairs, business and property of the Company are being managed by the Joint Administrators, C P Dempster and G D Yuill, 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](http://www.ey.com/uk/officeholderprivacy).

## Appendix A Statutory information

### Company Information

Company Name:	Petroleum Pipe Company Limited - in Administration
Registered Office Address:	c/o Ernst & Young LLP 1 Bridgewater Place Water Lane Leeds LS11 5QR
Registered Number:	03022675
Date of incorporation:	16 February 1995
Trading Name(s):	n/a
Trading Address(es):	9-11 Grosvenor Gardens, London, SW1W 0BD Morgan Properties, 7 Queens Garden, Aberdeen

### Details of the Administrators and of their appointment

Administrators:	Colin Peter Dempster and Gavin David Yuill
IP number:	8908 and 14218
Date of Appointment:	29 August 2018
By Whom Appointed:	The appointment was made by the Company's Directors
Court Reference:	High Court of Justice, Business and Property Courts of England and Wales: CR-2018-007196

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.

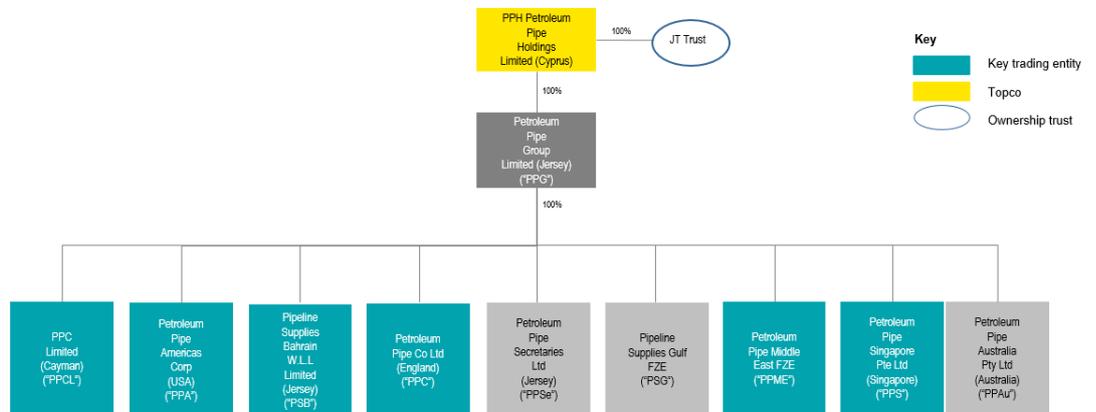
### Share capital

Class	Authorised		Issued and fully paid	
	Number	\$000	Number	\$000
Ordinary (£1 translated to USD)	10,000,000	15,253	1,500,000	2,288

**Directors and their shareholdings**

<b>Name</b>	<b>Director or Secretary</b>	<b>Date appointed</b>	<b>Date resigned</b>	<b>Current shareholding</b>
Richard Mark Farnfield	Director	20 September 2004	-	-
Richard Gordon Morrice	Director	29 March 1999	-	-
Andrew John Martin	Director	8 October 1997	31 March 2018	-
Petroleum Pipe Secretaries Limited	Company secretary	9 October 2008	-	-

## Appendix B The PPG Group structure



## Appendix C Joint Administrators' receipts and payments account for the period from 29 August 2018 to 28 February 2019

Estimated to realise as per Directors' Statement of Affairs US\$	Receipts	Period to 5	Period 5	Total US\$
		October 2018 US\$	October 2018 to 28 February 2019 US\$	
1,345	Cash at Date of Appointment	1,140	-	1,140
688,097	Pre-appointment debtors	688,110	1,020,426	1,708,536
51,670	Stock	-	22,054	22,054
183,728	VAT receivable	-	-	-
	Cancellation of Exchange rate swap	191,991	-	191,991
	Recovery of IT costs	-	5,671	5,671
	Sale of IT equipment	-	43,497	43,497
	Bank Interest	-	37	37
	Balance on Administrators' Trading account (see separate account for breakdown)	(242,923)	392,874	149,951
	<b>Total Receipts</b>	<b>638,318</b>	<b>1,484,559</b>	<b>2,122,877</b>
	<b>Payments</b>			
	Administrators' fees and expenses	-	96,995	96,995
	Legal fees and expenses	-	29,094	29,094
	Statutory advertising	-	110	110
	Consultant's fees and expenses	-	1,300	1,300
	<b>Total Payments</b>	<b>-</b>	<b>127,499</b>	<b>127,499</b>
	<b>Net Receipts / (Payments) for the period</b>	<b>638,318</b>	<b>1,357,060</b>	<b>1,995,378</b>
	<b>Represented by:</b>			
	Bank balances at at 5 October 2018			
	Royal Bank of Scotland	829,296	-	2,028,040
	Inter-company - PPC Limited (In Liquidation)	(193,030)	-	(53,026)
	VAT Recoverable	2,052	-	20,364
		<b>638,318</b>	<b>-</b>	<b>1,995,378</b>

### Summary of Joint Administrators' trading account for the period from 29 August 2018 to 28 February 2019

	Period to 5	Period 5	Total US\$
	October 2018 US\$	October 2018 to 28 February 2019 US\$	
<b>Receipts</b>			
Trading sales	-	584,730	584,730
<b>Total Receipts</b>	<b>-</b>	<b>584,730</b>	<b>584,730</b>
<b>Payments</b>			
Shipping / Freight charges	193,030	50,839	243,869
Wages / Salaries	14,759	49,762	64,521
Software Licence	10,258	28,835	39,093
Insurance	24,512	59,171	83,683
Sundry Expenses	234	-	234
Bank charges	130	3,249	3,379
<b>Total Payments</b>	<b>242,923</b>	<b>191,856</b>	<b>434,779</b>
<b>Balance on Administrators' trading account</b>	<b>(242,923)</b>	<b>392,874</b>	<b>149,951</b>

1. Payments are likely to require reapportionment between the four entities within the PPG Group which are subject to insolvency proceedings (e.g. where multiple entities utilise staff, yard space, etc. but are paid for by one entity) and as such are subject to amendment once final costs are known.
2. Receipts and payments are stated net of VAT or other applicable goods and services taxes.
3. These accounts do not reflect estimated future realisations or associated costs.
4. The following exchange rates have been applied to the above: GB£:US\$, 1.3; and US\$:AED, 3.673

## Appendix D Summary of Joint Administrators' expenses incurred for the period from 29 August 2018 to 28 February 2019

Payments made from the estate which are not disbursements (see notes 1 and 2 at the end of this table)

\$	Per Estimate Dated 19 October 2018	Paid to 28 February 2019	Outstanding	Total
Shipping / freight charges	275,000	243,868	20,000	263,868
Employee costs	62,500	64,522	Nil	64,522
Motor & travel	2,500	234	1,000	1,234
Software license	21,000	39,093	5,000	44,093
Rent	150,000	Nil	50,000	50,000
Utility charges	4,000	Nil	2,000	2,000
Agents' fees	10,000	1,300	8,700	10,000
Legal fees	45,000	29,094	31,000	60,094
Storage	5,000	Nil	5,000	5,000
Insurance	25,000	83,683	Nil	83,683
Statutory costs	3,000	110	1,500	1,610
Bank charges	800	3,379	1,000	4,379
Corporation tax	1,500	Nil	1,500	1,500
<b>Total</b>	<b>605,300</b>	<b>465,283</b>	<b>126,700</b>	<b>591,983</b>

Category 1 disbursements (see Note 2)

\$	Per Estimate Dated 19 October 2018	Paid in Period	Outstanding	Total
Accommodation and subsistence costs	5,000	Nil	2,500	2,500
Travel costs (excluding mileage)	2,000	Nil	1,000	1,000

Specific Bond	150	Nil	150	150
Postage and printing	500	Nil	500	500
<b>Total</b>	<b>7,650</b>	<b>Nil</b>	<b>4,150</b>	<b>4,150</b>

**Category 2 disbursements (note 2)**

\$	Per Estimate Dated 19 October 2018	Paid in Period	Outstanding	Total
Mileage	Nil	Nil	Nil	Nil
<b>Totals</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>

**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, disbursements and expenses**

As required by the Rules, the Proposals included the Joint Administrators' estimate of remuneration, disbursement 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.

## Appendix E Joint Administrators' time costs for the period from 29 August 2018 to 28 February 2019

	Staff Grade						Total Hours	Time Cost	Average Hourly Rate	Cumulative time cost to date (\$)
	Partner	Director	Senior Manager	Manager	Executive	Analyst				
								(\$)	(\$)	(\$)
Accounting and Administration	1.0	0.8	2.9	-	64.9	6.3	75.9	27,489	362	27,489
Bank & Statutory Reporting	10.0	5.1	62.2	-	1.0	-	78.3	49,173	628	49,173
Creditors	-	6.8	3.7	-	4.0	-	14.5	8,363	577	8,363
Debtors	2.0	4.1	31.1	-	2.5	-	39.7	23,817	600	23,817
Employee Matters	-	3.3	13.3	6.5	9.2	-	32.3	16,608	514	16,608
Immediate Tasks	0.5	9.7	1.1	22.5	-	-	33.8	18,892	559	18,892
Investigation/CDDA	2.5	13.2	14.0	-	19.0	-	48.7	26,383	542	26,383
Job Acceptance & Strategy	-	1.1	-	-	-	-	1.1	770	700	770
Other assets	-	3.7	4.5	-	-	-	8.2	5,245	640	5,245
Other Matters	-	12.5	12.2	14.6	-	-	39.3	23,102	588	23,102
Property	-	-	11.3	-	3.0	-	14.3	7,732	541	7,732
Statutory Duties	1.5	2.4	0.2	8.5	30.5	-	43.1	18,073	419	18,073
Trading	-	1.9	19.4	0.2	-	4.4	25.9	13,798	533	13,798
VAT & Taxation	-	0.4	10.2	-	8.7	1.6	20.9	9,723	465	9,723
Stock and Fixed Assets	-	0.9	3.8	27.1	8.0	-	39.8	18,991	477	18,991
<b>Total Hours</b>	<b>17.5</b>	<b>65.9</b>	<b>189.9</b>	<b>79.4</b>	<b>150.8</b>	<b>12.3</b>	<b>515.8</b>			
<b>Time Costs (\$)</b>	<b>14,963</b>	<b>46,130</b>	<b>112,041</b>	<b>38,906</b>	<b>53,534</b>	<b>2,583</b>		<b>268,159</b>		
<b>Average Hourly Rate (\$)</b>	855	700	590	490	355	210		520		
<b>Cumulative time cost to date (\$)</b>	<b>14,963</b>	<b>46,130</b>	<b>112,041</b>	<b>38,906</b>	<b>53,534</b>	<b>2,583</b>				<b>268,159</b>
<b>Category 1 Disbursements (\$)</b>										
Accommodation	1,280									
Airfares	966									
Bonding	104									
Ground transportation: taxi	18									
Subsistence	13									
	<b>2,381</b>									
<b>Category 2 Disbursements (\$)</b>										
	-									
	<b>2,381</b>									

Note: Time is charged in 6 minute intervals

## Appendix F Joint Administrators' time costs for the period from 29 August 2018 to 28 February 2019 and a comparison with the fee estimate dated 19 October 2018

	Per fee estimate dated 19 October 2019			Actual in this reporting period			Total to 28 February 2019		
	Total hours	Time costs (\$)	Average hourly rate (\$)	Total hours	Time costs (\$)	Average hourly rate (\$)	Total hours	Time costs (\$)	Average hourly rate (\$)
Accounting and Administration	95.0	34,250	361	75.9	27,489	362	75.9	27,489	362
Bank & Statutory Reporting	50.0	27,225	545	78.3	49,173	628	78.3	49,173	628
Creditors	95.0	37,525	395	14.5	8,363	577	14.5	8,363	577
Debtors	90.0	45,490	505	39.7	23,817	600	39.7	23,817	600
Employee Matters	33.0	16,275	493	32.3	16,608	514	32.3	16,608	514
Immediate Tasks	34.8	19,247	553	33.8	18,892	559	33.8	18,892	559
Investigation/CDDA	37.0	18,210	492	48.7	26,383	542	48.7	26,383	542
Job Acceptance & Strategy	-	-	-	1.1	770	700	1.1	770	700
Other assets	25.0	12,950	518	8.2	5,245	640	8.2	5,245	640
Other Matters	17.0	9,935	584	39.3	23,102	588	39.3	23,102	588
Property	45.0	22,400	498	14.3	7,732	541	14.3	7,732	541
Statutory Duties	90.0	42,675	474	43.1	18,073	419	43.1	18,073	419
Trading	118.0	60,465	512	25.9	13,798	533	25.9	13,798	533
VAT & Taxation	40.0	20,625	516	20.9	9,723	465	20.9	9,723	465
Stock and Fixed Assets	65.0	31,200	480	39.8	18,991	477	39.8	18,991	477
<b>Total</b>	<b>834.8</b>	<b>398,472</b>	<b>477</b>	<b>515.8</b>	<b>268,159</b>	<b>520</b>	<b>515.8</b>	<b>268,159</b>	<b>520</b>

## Appendix G Joint Administrators' time costs – explanation of the work done and ongoing

Category of work	Description of work done and ongoing
Accounting & Administration	<ul style="list-style-type: none"> <li>▶ Overall management of the case, treasury and accounting functions.</li> </ul>
Bank and Statutory Reporting	<ul style="list-style-type: none"> <li>▶ Regular reporting to the Company's secured creditor.</li> <li>▶ Preparing the Joint Administrators' Statement of Proposals, six monthly progress reports and final report.</li> </ul>
Creditors	<ul style="list-style-type: none"> <li>▶ Receipt and recording of creditor claims.</li> <li>▶ Correspondence with creditors.</li> <li>▶ Processing distributions to the secured and preferential creditors.</li> </ul>
Debtors	<ul style="list-style-type: none"> <li>▶ Reviewing the Company's debtor's ledger, collating information on the outstanding balances and realising the book debts.</li> <li>▶ Reviewing the amounts due by related parties, investigating how best to realise value from these balances and negotiating recoveries where possible.</li> </ul>
Employee Matters	<ul style="list-style-type: none"> <li>▶ Dealing with any employee enquiries.</li> <li>▶ Processing employee claims.</li> </ul>
Immediate Tasks	<ul style="list-style-type: none"> <li>▶ Completion of work streams requiring immediate attention following the appointments, in order to execute the strategy outlined in the Proposals.</li> </ul>
Investigations	<ul style="list-style-type: none"> <li>▶ Investigations into the Company's affairs in accordance with Statement of Insolvency Practice 2 "Investigations by Office Holders".</li> <li>▶ The Joint Administrators' reports on the conduct of the directors under the Company Directors Disqualification Act 1986.</li> </ul>
Legal Issues	<ul style="list-style-type: none"> <li>▶ Dealing with any ad hoc legal issues.</li> </ul>
Other Assets	<ul style="list-style-type: none"> <li>▶ Realising value from the Company's other assets (excluding debtors, property, stock and fixed assets).</li> <li>▶ Assessing, quantifying and seeking to realise value from assets not recorded in the management accounts of the Company at the date of appointment.</li> </ul>
Property	<ul style="list-style-type: none"> <li>▶ Liaising with the landlords of the Company's offices and yards and exiting the properties when appropriate.</li> </ul>
Statutory Duties	<ul style="list-style-type: none"> <li>▶ Completion of statutory requirements of the administrations, including notifications to creditors and members, advertising the appointment, reporting to creditors on a 6-monthly basis and at the conclusion of the administration together with appropriate filing at Companies House.</li> </ul>
Stock and Fixed Assets	<ul style="list-style-type: none"> <li>▶ Marketing for sale the production tubing and casing stocks together with the negotiation and completion of sales thereafter.</li> </ul>
Trading	<ul style="list-style-type: none"> <li>▶ Reviewing outstanding customer orders and liaising with suppliers and customers thereto with a view to completing these orders where acceptable terms can be agreed and completion of the orders would support the strategy set out in the Proposals.</li> <li>▶ Reviewing the pre-payments made to suppliers in connection with customer orders and negotiating recovery of these balances where possible.</li> <li>▶ Managing staff to support the Joint Administrators in completion of their various duties.</li> </ul>
VAT & Taxation	<ul style="list-style-type: none"> <li>▶ Preparing corporation tax and VAT returns.</li> <li>▶ Assessment of the VAT and tax treatment of transactions and agreements entered into during the administrations.</li> </ul>

## Appendix H Statement of Joint Administrators' charging policy for remuneration and disbursements pursuant to Statement of Insolvency Practice No.9

The Joint Administrators have engaged managers and other staff to work on the Administration. The work required is delegated to the most appropriate level of staff taking account of the nature of the work and the individual's experience. Additional assistance is provided by accounting and treasury executives dealing with the Company's bank accounts and statutory compliance diaries. Work carried out by all staff is subject to the overall supervision of the Joint Administrators.

All time spent by staff working directly on case-related matters is charged to a time code established specifically for this engagement. Time is recorded in units of six minutes. Each member of staff has a specific hourly rate, which is subject to change over time. The average hourly rate for each category of staff over the period is shown below:

Grade	Hourly rate (\$)	Equivalent hourly rate (£)
Partner	855	658
Executive Director / Director	700	538
Senior Manager	590	454
Manager	490	377
Senior (Level 3)	450	346
Senior (Level 1 / 2)	355	273
Analyst	210	162
Intern	185	142

Note: Equivalent hourly rate is based on exchange rate of £1 / \$1.30

### Administrators' charging policy for disbursements

Statement of Insolvency Practice No. 9 divides disbursements into two categories.

Category 1 disbursements are defined as specific expenditure relating to the administration of the insolvent's affairs and referable to payment to an independent third party. Such disbursements can be paid from the insolvent's assets without approval from the Creditors' Committee or the general body of creditors. In line with Statement of Insolvency Practice No. 9, it is our policy to disclose Category 1 disbursements drawn but not to seek approval for their payment. We are prepared to provide such additional information as may reasonably be required to support the disbursements drawn.

Category 2 disbursements are charges made by the office holder's firm that include elements of shared or overhead costs. Statement of Insolvency Practice No. 9 provides that such disbursements are subject to approval as if they were remuneration. It is our policy, in line with the Statement, to seek approval for Category 2 disbursements before they are drawn.

Details of Category 1 or Category 2 expenses incurred to date are included at Appendix D.

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