

Petrostem (UK) Limited
In Administration (the "Company")

Six Monthly Progress Report

In accordance with Rule 18.3 of The Insolvency Rules 2016

28 August 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	Petrostem (UK) Limited – In Administration
the Petrostem Group	The Petrostem Group of Companies, a structure chart for which is provided at Appendix B
the PPG Group	Petroleum Pipe Group Limited (In Liquidation) and its subsidiary undertakings
the Proposals	Joint Administrators' Statement of Proposals, dated 19 October 2019
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 Rules, to provide creditors with a report on the progress of the Administration. This report covers the period from 1 March 2019 to 28 August 2019 and should be read in conjunction with the Proposals dated 19 October 2018 and the six month progress report to 28 February 2019.

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

In accordance with paragraph 76 of Schedule B1 to the Insolvency Act 1986, the Administration of the Company was due to end automatically on 28 August 2019. With the consent of creditors, the initial period of appointment has been extended to 28 August 2020.

2. Progress since the six month report to 28 February 2019

2.1 Purpose of the Administration

As detailed in the Proposals and the previous progress report, the Joint Administrators' strategy in respect of the insolvency of the Company is to:

- ▶ Cease to trade the business to which the Joint Administrators have been appointed (subject to the point noted below in relation to trade debtors);
- ▶ Collect in the trade debtor balances due to the Company. In order to protect the collection of these trade debtor balances, the Joint Administrators determined that it was appropriate to allow existing customers to continue to use existing equipment on hire whilst a managed handover of their rental contracts to a new supplier over an agreed period is arranged. No new rentals will, however, be commenced.
- ▶ Market for sale the individual assets, primarily the Company's rental assets (drilling pipe).

To assist with the insolvency process, 20 of the Petrostem Group's employees were retained, of which 1 was employed by the Company. That employee was made redundant in December 2018.p

2.2 Asset Realisations for the Company

As detailed in the Proposals, the Company is one of the trading entities within the Petrostem Group. Consequently, the main assets of the Company are trade debtor balances and rental stock.

2.2.1 Fixed assets

As detailed in our previous progress report, the Company's fixed assets located at the premises of DFC Oilfield Supplies Ltd ("DFC") were sold to DFC for \$8k in January 2019. No further realisations are anticipated.

2.2.2 Rental assets

As previously reported, on 23 January 2019 the sale of the Company's rental assets completed, generating net sale proceeds of \$0.4m. No further realisations are anticipated.

2.2.3 Trade debtor balances

As at the date of our appointment, trade debtor balances due to the Company aggregated \$0.3m. Accrued income, comprising uninvoiced amounts due in respect of the rental of assets to 28 August 2018, totalled \$0.2m, which were invoiced in full shortly after the date of appointment.

With the exception of a small bad debt of approximately £2k, these balances have been collected in full.

As detailed in the Proposals, the Joint Administrators' strategy in relation to the collection of trade debtor balances from ongoing rentals was to seek to agree with the customer a managed handover of their rental contract. This was considered the best approach to facilitate full settlement of any receivable balances. Consequently, the Company has invoiced post-appointment rentals aggregating \$0.3m which have now been collected in full.

There are no further trade debtor balances to be collected.

2.2.4 Cash on appointment

The Company held no cash in non-BoS bank accounts at the date of appointment.

Petty cash of \$1k was held and has now been deposited into the Company's post-appointment bank accounts.

2.2.5 VAT receivable

The Joint Administrators have submitted a VAT return up to the date of appointment, based on the Company's records, which shows that the Company is due a refund of \$43k. HMRC issued a cheque for this amount on 11 September 2019, after the period of this report. Therefore, this amount does not appear in the receipts and payments account in Appendix C, but will be included in the account provided in our next report.

2.3 Expenditure

In our last report we set out details of the expenses of \$167k (net of VAT) incurred in the period from 29 August 2018 to 28 February 2019. In the period from 1 March 2019 to 28 August 2019, we have incurred further expenses of \$133k (net of VAT) and have settled the preferential creditors in the sum of \$7k giving total expenditure of \$140k (net of VAT, and excluding the Joint Administrators' fees and expenses). 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 incurred have not exceeded the original estimate provided with the Proposals.

An overview of the principal expenditure incurred in the period from 1 March 2019 to 28 August 2019 is detailed below.

2.3.1 Rent - \$12k

Rental of \$9k was paid in the period, with a further £3k payable to Petrostem Rentals Limited (In Liquidation), which paid one month's rent on the Company's behalf. The total rent paid during the administration is therefore £15k, \$31k lower than originally estimated. No further rent will be incurred.

2.3.2 Utilities - \$16k

Utilities costs of \$16k were payable to DFC as agreed between DFC and the Company, being £3k higher than originally estimated. No further amounts are due to DFC in this regard.

2.3.3 Agents' fees - \$76k

Agents' fees relate to commission paid following the completion of the sale of the Company's rental assets. Whilst the amount incurred to date exceeds the estimate of \$60k, agents' fees require reapportionment between the four entities within the Petrostem Group which are subject to insolvency proceedings and, as such, this amount is likely to decrease.

2.3.4 Equipment rental, storage and repairs - \$28k

The rental of all equipment has now ceased and all requisite repairs completed. Accordingly, no further expenditure is anticipated in this regard.

2.4 Asset realisations for the Petrostem Group

The other insolvent entities within the Petrostem Group are not registered in England and Wales and are therefore subject to 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 Petrostem 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>

2.5 Investigations

As set out in our previous report, the Joint Administrators performed a thorough review into the conduct of the directors in the lead up to the insolvency of the Company and on 28 November 2018 submitted their conduct report to the Insolvency Service in respect of the Company. The contents of such reports are confidential.

The Joint Administrators continue to investigate certain matters raised by our investigations and are in correspondence with the Directors and their advisers in this regard. When we have received and reviewed all of the requested information, we will consider with our legal advisers 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.

3.1 Secured creditors

The principal lender to the Petrostem Group is Bank of Scotland plc (BoS). BoS has now submitted a formal claim against the Company of \$28.0m. This debt comprises amounts directly owed by the Petrostem Group to BoS and amounts due to BoS by the Petrostem Group under cross-guarantees granted in favour of BoS in relation to its lending to certain companies within the PPG and Maxtube Groups.

The Company has granted in favour of BoS an English law debenture covering the whole property and undertaking of the Company. Accordingly, all assets of the Company are secured to BoS.

We are currently reviewing the make-up of BoS's claim and expect to adjudicate on it shortly.

The likely recovery to BoS in respect of the amounts due to it by the Company is currently estimated to be c.\$0.4m.

3.2 Preferential creditors

Preferential creditor claims of \$7k in respect of claims for employees' holiday pay have now been paid in full.

3.3 Unsecured non-preferential creditors

The Company's records indicate that non-preferential creditors may aggregate to \$4.8m.

As noted at Section 3.4 below, on 31 January 2019 we wrote to all known creditors of the Company and advised them that any claims in the insolvency of the Company required to be notified to the Joint Administrators by 22 March 2019. We have now adjudicated on all claims except one. We now, therefore, anticipate that the total level of unsecured non-preferential creditors of the Company will be \$4.8m.

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

As the Company's assets are secured to BoS, we do not expect any recovery for unsecured non-preferential creditors of the Company from its insolvency process, other than by virtue of the Prescribed Part (further detail is provided at Section 3.5).

3.4 Creditor claims

On 31 January 2019, we wrote to all known creditors of the Company and advised them that any claims in the insolvency of the Company required to be notified to the Joint Administrators by 22 March 2019 and that a dividend was intended to be declared by 22 May 2019.

On 23 May 2019 we wrote to all known creditors of the Company to advise that, in accordance with Rule 14.33(2) of the Rules, the intended dividend was being postponed for the reasons set out in that letter.

As detailed at Section 3.1, we expect to adjudicate on BoS's claim shortly. Subsequent to our adjudication of that claim, we will write to the unsecured non-preferential creditors of the Company to provide them with a revised timescale for payment of a dividend.

If you have not yet submitted a formal claim in the Administration and would like to participate in the interim dividend please complete and return a proof of debt form along with any supporting documentation (invoices, statements, contracts, etc.) to John Louden at this office or by email to petrostemgroup@uk.ey.com. The proof of debt form can be downloaded from the following web site:

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

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. The relevant charge for the Company was created on 25 June 2015.

The Joint Administrators do not currently 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.

The value of the prescribed part is estimated to be c.£75k based on present information.

4. Administrators' receipts and payments

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

5. 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 2018) 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 August 2019, the Joint Administrators have incurred time costs (based on the above hourly rates) of \$382,973. Of this sum, \$271,445 has been paid in the period to 28 August 2019.

Time costs incurred to date currently exceed the fee estimate (\$271k - see Appendix F). The principal reason for this is that the time spent in realising the Company's rental assets was significantly higher than estimated as a result of the complexities of that sale and the resultant significant delays in agreeing a contractual position with the purchaser.

We anticipate that our remuneration will exceed the fee estimate by c. \$180k (to \$450k). We will not draw remuneration in excess of the fee estimate without the prior approval of the secured and preferential creditors of the Company. The Joint Administrators propose to review the quantum of fees once the outcome of the realisations process is fully known.

Attached at Appendices E, F and G 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 August 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 \$133k (net of VAT, and excluding the Joint Administrators' fees and disbursements and payment of preferential creditors). There is a breakdown of expenses incurred in this period and to date at Appendix D of this report.

At present, 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.

To 28 August 2019, the Joint Administrators have incurred Category 1 and 2 disbursements of \$5,614, of which \$5,577 has been paid to the Joint Administrators' in the period to 28 August 2019.

5.4 Payments to other professionals

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

Name of firm	Nature of service	How contracted to be paid
Pinsent Masons LLP	Legal advisors - UK and UAE	Time costs
CMS Cameron McKenna Nabarro Olswang LLP	Legal advisors - UK	Time costs
Dean Foster (former director of the Petrostem Group)	Asset marketing and realisation	Combination of day rate and commission
ANM Group	Asset safeguarding and realisation strategy	Time costs

Details of the fees paid to date are included in the receipts and payments account attached at Appendix C.

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:

- ▶ Dealing with corporation tax and VAT matters, which includes filing statutory returns;
- ▶ Adjudicating on the claim of BoS and distributing realisations to BoS in its capacity as a secured creditor of the Company;
- ▶ Completing our investigations into the conduct of the directors in the lead up to the insolvency of the Company;
- ▶ Agreeing unsecured creditor claims and distributing the Prescribed Part;
- ▶ 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

Following the extension of the Administration of the Company as noted in paragraph 1.2 above, the Administration will end automatically on 28 August 2020, although this period can be extended by an application to Court.

If the only distribution to unsecured creditors is from the Prescribed Part, as is expected, then the Joint Administrators are required to distribute the Prescribed Part during the Administration, rather than placing the Company into liquidation simply for this purpose.

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 Gordon Wilson on 0131 777 2305.

Yours faithfully
for the Company



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.

Appendix A Statutory information

Company Information

Company Name:	Petrostem (UK) Limited – in Administration
Registered Office Address:	c/o Ernst & Young LLP 1 Bridgewater Place Water Lane Leeds LS11 5QR
Registered Number:	03581607
Date of incorporation:	15 June 1998
Trading Name(s):	n/a
Trading Address(es):	DFC House, Claymore Drive, Bridge of Don, Aberdeen, AB23 8GB Salyan Highway, Garadag, Baku City, Azerbaijan

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-2018-007195

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.

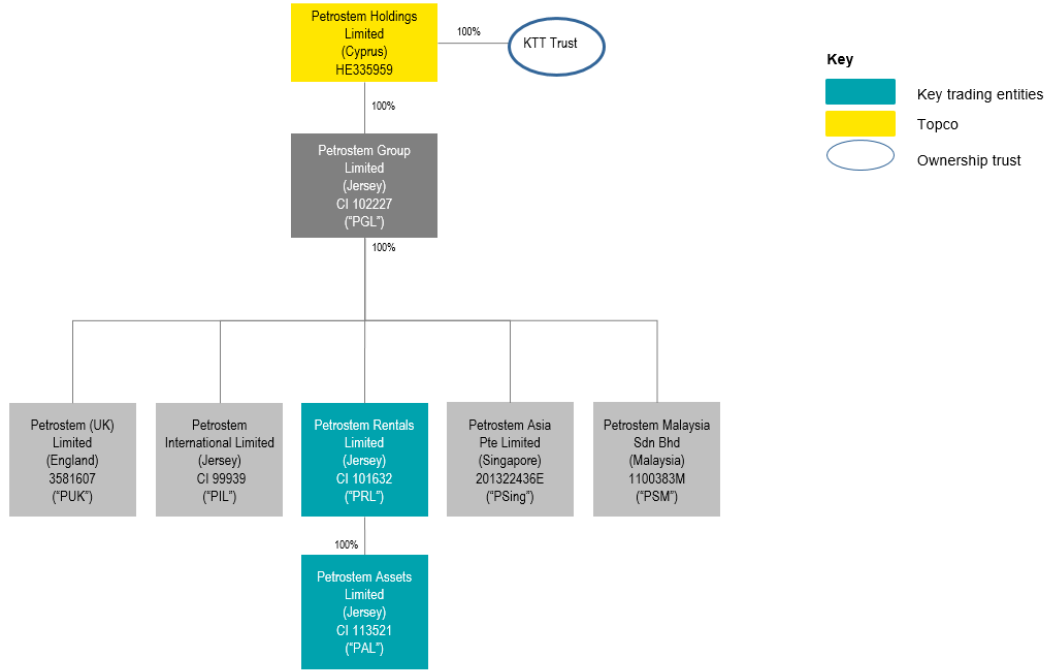
Share capital

Class	Authorised		Issued and fully paid	
	Number	£000	Number	£000
Ordinary (£1)	10,000	10,000	10,000	10,000

Directors and their shareholdings

Name	Director or Secretary	Date appointed	Date resigned	Current shareholding
Richard Gordon Morrice	Director	23 March 1999	-	-
Julian Charles Tyacke	Director	28 February 2018	-	-
Peter Duthie	Director	3 May 2016	11 January 2018	-
Petroleum Pipe Secretaries Limited	Company secretary	9 October 2008		-

Appendix B The Petrostem Group Structure



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

Estimated to realise as per Directors' Statement of Affairs US\$	Period from 29 Aug 2018 to 28 Feb 2019 US\$	Period from 1 Mar 2019 to 28 Aug 2019 US\$	Total period from 29 Aug 2018 to 28 Aug 2019 US\$
Receipts			
- Cash at Bank	672	-	672
672 Cash in Hand - petty cash	-	-	-
200,000 Stock and rental equipment	444,975	1	444,976
Other fixed assets	-	7,800	7,800
42,274 Pre-appointment debtor collections	264,612	522	265,134
- Accrued income	171,284	38,936	210,220
46,696 VAT receivable	-	-	-
- Bank interest received	200	292	492
- Interaccount transfers	201,527	-	201,527
- Trading surplus / (deficit) (see separate account)	85,550	135,501	221,051
289,642	1,168,820	183,052	1,351,873
Payments			
Net wages and salaries	83,670	-	83,670
Employers' NIC	11,043	-	11,043
Pension contributions	2,510	-	2,510
Office and yard costs	3,000	12,000	15,000
Utilities	-	16,250	16,250
Joint Administrators' fees	-	271,445	271,445
Joint Administrators' disbursements	-	5,577	5,577
Agents' fees and expenses	26,699	75,695	102,394
Legal fees	6,314	-	6,314
IT	1,035	1,101	2,136
Insurance	4,099	-	4,099
Sundry expenses	163	-	163
Public notices	224	-	224
Storage	-	11	11
Bank charges and interest	92	276	368
Preferential creditors	-	7,301	7,301
Interaccount transfers	201,702	-	201,702
	340,550	389,656	730,206
Net Receipts / (Payments) for the period	828,270	(206,604)	621,666
Represented by:			
Cash in hand	-	-	-
Bank balances as at end of each period			
Royal Bank of Scotland	1,005,137		726,068
Bank of Scotland	42,383		0
VAT receivable / (payable)	(74,858)		37,658
Refund due to customer for overpayment	-		(1,203)
Intragroup - PSA	(97,300)		(97,300)
Intragroup - PGL	-		8,632
Intragroup - PRL	455		(10,191)
Intragroup - PIL	(47,547)		(41,998)
	828,270		621,666

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

	Period from 29 Aug 2018 to 28 Feb 2019 US\$	Period from 1 Mar 2019 to 28 Aug 2019 US\$	Total period from 29 Aug 2018 to 28 Aug 2019 US\$
Trading receipts			
Post-appointment trading income	114,049	163,217	277,267
	114,049	163,217	277,267
Trading payments			
Equipment rental	28,500	18,915	47,415
Equipment storage and repairs	-	8,800	8,800
	28,500	27,716	56,216
Trading surplus / (deficit)	85,550	135,501	221,051

1. Payments are likely to require reapportionment between the four entities within the Petrostem 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.
5. The difference between interaccount receipts and payments represents (i) bank transfer fees and/or (ii) exchange differences.

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

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

\$	Estimate Dated 19 October 2018	Paid to 28 August 2019	Outstanding	Total
Sub-rental costs	95,000	47,415	45,085	92,500
Inspection and repair costs	25,000	8,800	63,000	71,800
Employee costs	75,000	97,223	Nil	97,223
Employee expenses	1,500	Nil	Nil	Nil
Software license	3,500	2,136	8,900	11,036
Rent	46,500	15,000	Nil	15,000
Utility charges	13,000	16,250	Nil	16,250
Agents' fees	57,500	102,394	(70,000)	32,394
Legal fees	20,000	6,314	8,686	15,000
Storage	1,000	11	989	1,000
Insurance	52,500	4,099	28,401	32,500
Statutory costs	2,000	387	1,500	1,887
Bank charges	500	368	132	500
Corporation tax	2,000	Nil	2,000	2,000
Total	395,000	300,397	88,693	389,090

Category 1 disbursements (see Note 2)

\$	Estimate Dated 19 October 2018	Paid to Date	Outstanding	Total
Accommodation and subsistence	2,500	2,201	-	2,201
Travel costs (excl. mileage)	4,000	3,035	-	3,035
Specific Bond	210	273	-	273
Postage and printing	500	68	37	105
Total	7,210	5,577	37	5,614

Category 2 disbursements (note 2)

\$	Estimate Dated 19 October 2018	Paid in Period	Outstanding	Total
Mileage	Nil	Nil	Nil	Nil
Totals	Nil	Nil	Nil	Nil

Notes

- 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.
- 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 August 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	2.3	14.1	5.7	23.1	7.5	53.7	23,353	435	73,383
Bank & Statutory Reporting	1.0	2.9	21.1	-	-	-	25.0	15,334	613	38,774
Creditors	7.5	1.7	10.7	-	29.0	-	48.9	24,211	495	39,171
Debtors	-	0.1	0.7	1.5	-	-	2.3	1,218	530	36,095
Employee Matters	-	0.1	-	-	3.5	-	3.6	1,313	365	10,957
Immediate Tasks	-	-	-	-	-	-	-	-	-	15,808
Investigation/CDDA	6.0	0.1	-	-	-	-	6.1	5,200	852	22,969
Job Acceptance & Strategy	-	0.4	-	-	-	-	0.4	280	700	840
Legal Issues	-	-	0.2	-	-	-	0.2	118	590	118
Other assets	-	-	-	-	-	-	-	-	-	3,298
Other Matters	-	-	1.4	-	-	-	1.4	826	590	19,741
Property	-	-	-	-	-	-	-	-	-	490
Statutory Duties	0.5	-	-	-	4.0	-	4.5	1,848	411	17,672
Trading	-	0.1	11.2	-	-	-	11.3	6,678	591	35,250
VAT & Taxation	-	-	4.3	5.1	-	-	9.4	5,036	536	9,653
Prescribed Part Distribution	-	-	-	-	-	-	-	-	-	-
Stock and Fixed Assets	-	-	0.1	-	4.0	-	4.1	1,479	361	58,755
Total Hours	16.0	7.7	63.8	12.3	63.6	7.5	170.9			
Time Costs (\$)	13,680	5,390	37,642	6,027	22,578	1,575		86,894		
Average Hourly Rate (\$)	855	700	590	490	355	210		508		
Cumulative time cost to date (\$)	29,070	37,380	98,353	113,778	101,282	3,108				382,973
Category 1 Disbursements (\$)										
Accommodation	1,681									
Airfare	2,277									
Ground transportation - taxi	475									
Subsistence	520									
Ground transportation - rail	283									
Bonding	273									
Postage	105									
	5,614									
Category 2 Disbursements (\$)	-									
	5,614									
Note: Time is charged in 6 minute intervals										

Appendix F Joint Administrators' time costs for the period from 29 August 2018 to 28 August 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 August 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	33,800	356	53.7	23,353	435	169.5	73,383	433
Bank & Statutory Reporting	40.0	22,000	550	25.0	15,334	613	62.6	38,774	619
Creditors	70.0	25,975	371	48.9	24,211	495	83.2	39,171	471
Debtors	80.0	34,800	435	2.3	1,218	530	78.6	36,095	459
Employee Matters	18.0	7,990	444	3.6	1,313	365	26.7	10,957	410
Immediate Tasks	42.2	16,163	383	-	-	-	41.2	15,808	384
Investigation/CDDA	37.0	18,210	492	6.1	5,200	852	38.1	22,969	603
Job Acceptance & Strategy	-	-	-	0.4	280	700	1.2	840	700
Legal issues	-	-	-	0.2	118	590	0.2	118	590
Other assets	10.5	6,878	655	-	-	-	4.6	3,298	717
Other Matters	12.5	8,200	656	1.4	826	590	33.8	19,741	584
Property	4.0	2,260	565	-	-	-	1.0	490	490
Statutory Duties	55.0	26,375	480	4.5	1,848	411	43.1	17,672	410
Trading	72.0	39,010	542	11.3	6,678	591	64.2	35,250	549
VAT & Taxation	10.0	4,725	473	9.4	5,036	536	18.3	9,653	527
Stock and Fixed Assets	52.0	25,060	482	4.1	1,479	361	120.1	58,755	489
Total	598.2	271,445	454	170.9	86,894	508	786.4	382,973	487

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"> ▶ Overall management of the case, treasury and accounting functions.
Bank and Statutory Reporting	<ul style="list-style-type: none"> ▶ Regular reporting to the Company's secured creditor. ▶ Preparing the Joint Administrators' Statement of Proposals, six monthly progress reports and final report.
Creditors	<ul style="list-style-type: none"> ▶ Receipt and recording of creditor claims. ▶ Correspondence with creditors. ▶ Processing distributions to the secured, preferential and unsecured creditors. ▶ Calculating the Companies' net property and Prescribed Part.
Debtors	<ul style="list-style-type: none"> ▶ Reviewing the Company's debtor's ledger, collating information on the outstanding balances and realising the book debts. ▶ Reviewing the amounts due by related parties, investigating how best to realise value from these balances and negotiating recoveries where possible.
Employee Matters	<ul style="list-style-type: none"> ▶ Dealing with any employee enquiries. ▶ Processing employee claims.
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' report 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 Assets	<ul style="list-style-type: none"> ▶ Realising value from the Company's other assets (excluding debtors, property, stock and fixed assets). ▶ Assessing, quantifying and seeking to realise value from assets not recorded in the management accounts of the Company at the date of appointment.
Property	<ul style="list-style-type: none"> ▶ Liaising with the landlords of the Company's offices and yards and exiting the properties when appropriate.
Statutory Duties	<ul style="list-style-type: none"> ▶ Completion of statutory requirements of the administration, 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
Stock and Fixed Assets	<ul style="list-style-type: none"> ▶ Marketing for sale the drill pipe and related tools/accessories together with the negotiation and completion of sales thereafter.
Trading	<ul style="list-style-type: none"> ▶ Reviewing outstanding rental contracts and liaising with suppliers and customers thereto with a view to agreeing a managed handover of those rental contracts, as outlined in the Proposals. ▶ Managing staff retained to support the Joint Administrators in completion of their various duties.
VAT & Taxation	<ul style="list-style-type: none"> ▶ Preparing corporation tax and VAT returns. ▶ Assessment of the VAT and tax treatment of transactions and agreements entered into during the Administration.

Appendix H Statement of 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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