Petroleum Pipe Group Limited

Pipeline Supplies Bahrain W.L.L Limited

both in Liquidation (together "the Companies")

Report for the purpose of a meeting of creditors on 4 October 2018

3 October 2018

Ernst & Young LLP

Building a better working world

Abbreviations

The following abbreviations are used in this report:

BoS	Bank of Scotland
Court	The Royal Court of Jersey
date of appointment	28 August 2018
EY	Ernst & Young LLP
FYXX	Financial year ending 31 March 20XX
Joint Liquidators	CP Dempster, GD Yuill and SA Gardner
PPC Cayman	PPC Limited – in Voluntary Liquidation
PPC UK	Petroleum Pipe Co Limited – in Administration
PPG	Petroleum Pipe Group Limited – in Liquidation
PSB	Pipeline Supplies Bahrain W.L.L Limited – in Liquidation
the Banking Group	together, the PPG Group, the Petrostem Group and the Maxtube Group
the Companies	together, PPG and PSB
the Innospection Group	Innospection Group Limited and its subsidiary undertakings
the Law	Companies (Jersey) Law 1991
the Major Creditors	Salzgitter Mannesmann International (USA) Inc. Salzgitter Mannesmann International GmbH Longulf Trading (UK) Limited Traxys North America LLC
the Maxtube Group	Maxtube Holdings Limited and its subsidiary undertakings
the MRS Group	Machine Rebuilding & Sales Limited and its subsidiary undertakings
the Petrostem Group	Petrostem Group Limited (In Liquidation) and its subsidiary undertakings
the Pioneer Group	Pioneer Group Ventures Limited and its subsidiary undertakings
the PPG Group	The Petroleum Pipe Group of companies, a structure chart for which is provided at Appendix C
YTD19	Three month period to 30 June 2018

Contents

1. Introduction and purpose of the meeting

1.1 Introduction

On 28 August 2018, the Royal Court of Jersey (‘the Court’) ordered that, pursuant to Article 155 of the Companies (Jersey) Law 1991 (‘the Law’), Petroleum Pipe Group Limited (‘PPG’) and Pipeline Supplies Bahrain W.L.L Limited (‘PSB’) (together, ‘the Companies’) be placed into Just and Equitable Winding Up and that CP Dempster, SA Gardner and GD Yuill be appointed Joint Liquidators for the purposes of such winding up.

Certain statutory information relating to the Companies and the appointment of the Joint Liquidators is provided at Appendix A and a copy of the Act of Court is provided at Appendix B.

The Companies are part of the Petroleum Pipe Group of Companies (‘the PPG Group’). On or around 28 August 2018, two other companies within the PPG Group also entered insolvency. Specifically:

- On 28 August 2018, PPG, as sole shareholder of PPC Limited (‘PPC Cayman’), a PPG Group company registered in the Cayman Islands, resolved to appoint Voluntary Liquidators to PPC Cayman and KW Hutchison, CP Dempster and GD Yuill were appointed as Joint Voluntary Liquidators. A petition to convert this voluntary liquidation to an Official Liquidation was submitted to the Grant Court of the Cayman Islands on 2 October 2018.

- On 29 August 2018, Petroleum Pipe Co Limited (‘PPC UK’), a PPG Group company registered in England, was placed into administration under the supervision of the Court in England and Wales, and CP Dempster and GD Yuill were appointed as Joint Administrators.

SA Gardner, 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 liquidations, administration and voluntary liquidations.

1.2 Purpose of the meeting

By the Act of Court under which we were appointed Joint Liquidators, the Court instructed the Joint Liquidators to convene a meeting of creditors for the purposes of laying before that meeting an account of the circumstances giving rise to the insolvency of the Companies, the Joint Liquidators’ proposed strategy in relation to the liquidations and the progress of the liquidations to date. This document, including its appendices, provides that account.

As stated above, the Companies are part of the PPG Group. Due to the inter-relationships between each company in the PPG Group and their common management, throughout this report we refer to the activities of the whole PPG Group. This wider context of the PPG Group’s activities is integral to understanding the circumstances giving rise to the insolvency of the Companies and the subsequent appointment of the Joint Liquidators.

Where relevant, we have provided further detail relating to the specific circumstances of PPG and PSB separately.

1.2.1 Liquidation Committee

In accordance with Article 162 of the Law, a creditors' meeting may elect a Liquidation Committee of no less than 3 and not more than 5 persons to exercise the functions conferred to it by the Law.

Any creditor of the Companies may nominate themselves to be a member of the Liquidation Committee. Should more than 5 persons nominate themselves, the body of creditors who attend the meeting of creditors' shall elect those creditors who will form the committee by way of a vote.

There is no prescribed schedule for the Liquidation Committee to meet with the Joint Liquidators during the course of the liquidation. However, the Joint Liquidators would expect to meet with the committee quarterly with written updates provided on a regular basis.

The Joint Liquidators believe the Liquidation Committee has an important role to play in these Liquidations and, accordingly, encourage creditors to consider standing for election.

2. Circumstances giving rise to the appointment of Joint Liquidators

2.1 Background

The PPG Group was formed in 1976 and its principal activity is a stockist and distributor of casing and tubing to the international oil and gas and geothermal industries. It acquires casing and tubing from steel mills (primarily in China) which it then supplies to oil and gas companies (typically exploration and production businesses).

The PPG Group trades worldwide, but predominantly in the Middle East.

PPG is principally a non-trading holding company of the PPG Group. Its only assets comprise its shareholdings in nine wholly-owned subsidiaries (a structure chart has been provided at Appendix C), intragroup receivable balances due from certain of those entities, and intergroup balances due from the Petrostem, Pioneer, Innospection and MRS Groups (‘the Connected Groups’). These other groups of companies are related to the PPG Group through their ultimate ownership structure.

PPG is wholly owned by PPH Petroleum Pipe Holdings Limited (a holding company incorporated in Cyprus). Its ultimate owner is the JT Trust, an irrevocable trust established in Jersey on 9 December 2014 and re-domiciled to the Dubai International Financial Centre on 29 December 2016 under an instrument of second amendment.

PSB is one of nine wholly owned subsidiaries of PPG. Through a local sponsor in Bahrain, it benefits from one key customer contract with Tatweer Petroleum Bahrain Field Development Company W.L.L. (‘Tatweer’) based in Bahrain. This is PSB’s sole customer contract and, accordingly, its assets comprise only trade debtor balances due from Tatweer.

The PPG Group’s key customer is Occidental based in Oman to whom it supplies pipe under a contractual arrangement which expires on 31 December 2019. This customer accounts for c. 55% of the annual revenue of the PPG Group. Trading with Occidental is mainly conducted by PPC Cayman.

The PPG Group has a network of stock yards and offices across the globe. Each of these yards and offices is leased from or storage costs paid to either the Connected Groups or third parties.

The PPG Group’s headcount on the date of appointment totalled 34. PPG and PSB do not themselves directly employ any of the PPG Group’s workforce.

2.2 Financial performance

2.2.1 Historical trading performance

The recent financial results of the PPG Group can be summarised as follows:

Historical trading performance summary

$m	FY14	FY15	FY16	FY17	FY18
Revenue	290.1	319.9	141.3	116.9	97.0
Cost of Sales	(257.7)	(274.1)	(109.4)	(97.2)	(91.7)
Gross profit	32.4	45.8	31.9	19.7	5.4
Gross profit margin	*11.2%*	*14.3%*	*22.6%*	*16.9%*	*5.5%*
Overheads	(21.5)	(37.5)	(22.5)	(18.7)	(17.4)
EBITDA	10.9	8.3	9.4	1.0	(12.0)
Depreciation	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Interest	(3.2)	(2.4)	(1.5)	(0.8)	(0.3)
Taxation	0.2	-	-	-	-
Net profit	7.8	5.8	7.7	0.1	(12.4)

Source: Annual audited accounts provided by Anderson Anderson & Brown LLP to FY17 (FY17 draft) and PPG Group Management Accounts for FY18

After an 11 year period in which the PPG Group's revenues consistently exceeded $200m and averaged $278m, its revenues fell sharply from FY15 as a result of the downturn in the oil and gas sector from late 2014. Indeed, over the three year period from FY15 to FY18, the PPG Group's revenues fell by $223m (70%) to $97m, driven principally by the reduction in drilling activity over that period.

Whilst the PPG Group benefitted from a strong gross margin in FY16 as a result of the impact of its strategy to acquire surplus stock packages from competitors and end users at discounts, margins returned to more normal levels from FY17.

Management took measures to address the overhead cost base of the PPG Group. However, this was insufficient to maintain the overall profitability of the PPG Group. Consequently, the PPG Group recorded an EBITDA loss of $12m in FY18. This EBITDA loss and gross margins in FY18 were impacted by lower margins on sales to Occidental and KOC and disposal of stock at lower prices to raise funding.

2.2.2 Forecast trading performance

Forecast trading performance summary

$m	FY18	FY19	YTD19	YTD19
	Actual	Forecast	Forecast 3m	Actual 3m
Revenue	97.0	135.7	27.8	32.4
Cost of Sales	(91.7)	(119.2)	(24.8)	(32.1)
Gross profit	5.4	16.5	3.0	0.3
Gross profit margin	*5.5%*	*12.2%*	*10.5%*	*0.8%*
Overheads	(17.4)	(13.8)	(3.5)	(2.8)
EBITDA	(12.0)	2.7	(0.6)	(2.5)
Depreciation	(0.1)	-	-	-
Interest	(0.3)	(0.8)	(0.2)	(0.1)
Taxation	-	(0.1)	-	-
Net profit	(12.4)	1.9	(0.8)	(2.6)

Source: PPG Group Management accounts for FY18 and YTD19

Notwithstanding the FY18 financial performance, the PPG Group believed that improving market conditions in the oil and gas sector would allow it to return to profitability.

In February 2018, it, therefore, prepared trading projections for FY19 – FY21. These trading projections set out an EBITDA forecast of $2.7m for FY19 driven by an anticipated increase in revenue of $39m (40%). This forecast revenue growth exceeded Middle East market forecasts for production tubing and casing.

Actual results in the three months to 30 June 2018 show an EBITDA loss of $2.5m, a shortfall of $2m to forecast levels. These results were primarily impacted by losses on stock sales to raise funding to meet working capital requirements to allow completion of outstanding customer orders following the withdrawal of credit insurance to certain suppliers.

2.2.3 Historical and forecast cash flows

Historical and future cash flow summary

$m	FY14	FY15	FY16	FY17	FY18	FY19
	Actual	**Actual**	**Actual**	**Actual**	**Actual**	**Forecast**
EBITDA	10.9	8.3	9.4	1.0	(12.0)	2.7
Working capital	(16.8)	0.4	40.2	(6.8)	3.6	10.1
Operating cash flow	(5.9)	8.7	49.6	(5.8)	(8.4)	12.8
Taxation	0.2	-	-	-	-	(0.1)
Capex	(0.3)	-	-	-	-	-
Financing cash flows						
BoS term loan	(6.8)	(2.0)	(7.5)	(5.0)	(1.3)	(2.5)
NBF Loan	-	-	-	-	-	(1.4)
Interest	(3.2)	(2.4)	(1.5)	(0.8)	(0.3)	(0.8)
JT Loans	4.0	10.7	(2.0)	(2.6)	7.0	
Major Creditors	-	-	-	40.7	8.9	-
Intergroup	2.2					
Maxtube Group		*2.5*	*(1.1)*	*2.6*	*(3.6)*	-
Petrostem Group		*(0.6)*	*1.4*	*(52.2)*	*(38.8)*	*(4.0)*
MRS		*(2.0)*	*(3.8)*	*(0.3)*	*6.3*	-
Innospection Group		*1.0*	-	*(0.3)*	*(0.9)*	-
Pioneer Group		-	*(2.3)*	*(0.7)*	*(1.2)*	-
Bright Morning Inv.		-	-	*(3.6)*	*3.6*	-
Dividends	(5.5)	-	-	-	-	-
Total financing	(9.3)	7.3	(16.8)	(22.2)	(20.1)	(8.7)
Movement in retained earnings	-	-	-	-	2.0	-
Net cash inflow / (outflow)	(15.2)	16.0	32.9	(28.0)	(26.4)	4.0
Opening cash	19.1	3.9	19.9	52.8	24.9	2.3
Closing cash	3.9	19.9	52.8	24.9	(1.5)	6.3

Source: Annual audited accounts provided by Anderson Anderson & Brown LLP to FY17 (FY17 draft), PPG Group Management Accounts for FY18; PPG Group financial projections for FY19

Notes:

1. *An analysis of the intergroup inflow of $2.2m in FY14 has not been provided.*
2. *The closing cash balance at 31 March 2018 and the opening balance for the FY19 forecast are different – as the FY19 forecast was prepared on the basis of a forecast cash balance at 31 March 2018.*
3. *Whilst we await confirmation of this, we anticipate that this movement in retained earnings in FY18 relates to the impact of adjustments to retained earnings brought forward not reflected in the PPG Group's management accounts at 31 March 2018.*

PPG's cash position was typically strong throughout FY14 – FY16, supported by an average EBITDA of $9.5m over that period. FY16 cash flows were also supported by a significant reduction in working capital levels, with falling turnover in that year driving a reduction in trade debtors of $61.2m.

A material reduction in its cash flow position, however, is noticeable from FY17. Indeed, PPG Group recorded an operating cash outflow over FY17 and FY18 of $14.2m. This operating cash outflow was driven by PPG Group's declining trading performance and an increase in stock attributable to the transfer to it of $15m of Petrostem Group's rental assets. This stock transfer took place following consultation with BoS as consideration for the re-allocation of funds to Petrostem Group by PPG in order to reduce or eliminate Petrostem Group's overdrawn balance.

Both prior to and over this two year period, PPG Group benefitted from extended credit terms afforded to it by four creditors - Salzgitter Mannesmann International (USA) Inc, Salzgitter Mannesmann International GmbH, Longulf Trading (UK) Limited and Traxys North America LLC (together, "the Major Creditors"). An increase in credit totalling $49.6m was provided over the period to FY18. Whilst this credit was typically (but not exclusively) contractually due by the PPG Group, the beneficiary of the majority of this credit (as set out below) was the Petrostem Group. Accordingly, whilst this credit was reflected on the balance sheet of the PPG Group, interest charges were typically recorded in the financial statements of Petrostem Group.

The cash flow summary presented above also highlights that the PPG Group provided funding aggregating $95.6m to Connected Groups over the three year period from FY16 to FY18. Of this funding, $89.6m was provided to Petrostem Group and was broadly applied by it to fund trading losses ($22.3m), fund investment in its rental assets ($23.2m) and meet the cash flow needs of the Pioneer and Innospection Groups ($30.5m). Note that an element of the cash provided to the Connected Groups was funded by Julian Tyacke.

Note that the PPG Group's cash flow forecast for FY19:

- Reflected a net cash inflow from positive working capital movements of $10.1m driven by a forecast reduction in average customer collection periods from 110 days to 70 days, and an assumption that advance payments to mill suppliers would not be required.

- Reflected the provision of funding to the Petrostem Group of $4.0m; but

- Excluded forecast payments of $12.6m to the Major Creditors of PPG Group, which were forecast separately on a consolidated basis for the Banking Group. Accordingly, the total debt repayment obligations of the PPG Group in FY19 were $17.5m.

2.3 Circumstances giving rise to the appointment of the Joint Liquidators

2.3.1 Options considered by the Group

In light of the above noted financial performance of the PPG Group, the Banking Group consistently operated close to their agreed overdraft facility with BoS, who also agreed to the deferral of its scheduled term loan repayments at certain points in order to provide the Banking Group with flexibility whilst it sought to address its financial position.

The directors considered various options in order to try to address its deteriorating financial situation and engaged the services of FRP Advisory in May 2018 to assist therewith. These options are discussed below.

2.3.1.1 Trade on

In an attempt to address its deteriorating financial position, the PPG Group implemented a number of operational changes including redundancies and budget cuts which resulted in an improved forecast EBITDA of $2.7m for FY19. Trading performance in the three months to 30 June 2018 was, however, materially behind expectations, with an EBITDA loss of $2.5m recorded in that period.

As illustrated by the PPG Group's forecast cash flows, even a return to the forecast level of profitability in FY19 would have been insufficient to service the PPG Group's debt repayment obligations, which it estimated to be $17.5m in FY19.

The PPG Group considered approaching its Major Creditors to agree a standstill in respect of their debt repayment obligations. It, however, assessed that such discussions would be unsuccessful. Further, in isolation, such a standstill would not have been a cure for the PPG Group's financial position – as the PPG Group required funding to meet its ongoing trading losses and working capital requirements.

In its FY19 cash flow forecast the PPG Group anticipated that it would not require to make payments in advance of delivery to its steel suppliers. In reality this was not achieved (for factors including the withdrawal of credit insurance to certain key suppliers) and the PPG Group required further funding to meet its working capital requirements. In particular, the PPG Group received a large order (c. $22m) from its principal customer which required the acquisition of pipe with a value of c. $14m from Chinese mills who require payment in advance of delivery (and / or a letter of credit to that value). The PPG Group was unable to fund this working capital requirement.

Accordingly, the directors of the PPG Group concluded that PPG, PSB and certain other subsidiaries were insolvent.

2.3.1.2 Refinance

The PPG Group considered a possible refinancing and, indeed, engaged a third party to assist therewith. An offer was received by the Banking Group from an independent third party in early August, which was rejected as it was incapable of being accepted (in light of the completion timescales proposed). Ultimately the extent of the debts of the PPG Group led to discussions with other parties being unsuccessful.

2.3.1.3 Solvent sale of business

The PPG Group fully considered whether a sale of the whole Group or its key trading subsidiaries as a going concern was viable, and this was explored by the third party appointed to seek a refinancing of the Banking Group. However, it was concluded that it was unreasonable to expect a third party to acquire the business as a whole in light of its current financial performance and the extent of its debts. A debt forgiveness as part of such a sale was also, for the reasons set out above, considered unachievable.

2.3.1.4 Pre-packaged sale of business

A pre-packaged sale of the trade and assets of the PPG Group to an independent third party immediately on insolvency was also considered. However, the PPG Group concluded that this was unachievable as its key customer contracts were all capable of being terminated on insolvency, and these key customers had in place alternate suppliers to whom the PPG Group assessed business would be preferred in the event of such an approach.

2.3.1.5 Insolvency

Based on the above, the PPG Group assessed that all options other than a full insolvency and managed wind-down of the PPG Group were unavoidable. Accordingly, the directors of the Companies made arrangements to place the Companies into Just and Equitable Winding Up by means of an Act of the Royal Court of Jersey.

2.4 Initial Introduction to the PPG Group

EY were introduced to the PPG Group in November 2017 by the Bank of Scotland plc ('BoS'). Following that introduction, we were engaged on 1 December 2017 by BoS to undertake an independent business review of the Banking Group. That original engagement was subject to an addendum dated 16 March 2018 and an extension of scope dated 12 June 2018.

Our scope of work included a review of the short term cash flow forecast of the Banking Group, an analysis of their balance sheets as at 31 October 2017, financial diligence in respect of their medium term trading forecasts, the provision of an illustrative outcome statement for BoS as at 31 October 2017, and an assessment of options available to BoS. Note that a detailed analysis of the historical trading and cash flow position of the Banking Group was not part of our scope of work.

In total, EY received a fee of £0.6m in respect of this engagement. In line with our Code of Professional Ethics, we have carefully considered whether this engagement constitutes a conflict of interest which precludes us from acting as Joint Liquidators of PPG and PSB. We are satisfied that it does not.

3. Purpose and conduct of the liquidation

3.1 Purpose of the liquidation

As set out above, the directors of the Group concluded that the trading performance of the PPG Group rendered all options other than an insolvency and managed wind-down of the full PPG Group as not viable.

Accordingly, on 28 August 2018, we were appointed Joint Liquidators of PPG and PSB and Joint Voluntary Liquidators of PPC Cayman; whilst on 29 August 2018, we were appointed Joint Administrators of PPC UK. All other entities within the PPG Group, with the exception of PSG (discussed below), will be wound-down on a managed basis by their existing directors, subject to the supervision of the Joint Liquidators of PPG. We discuss at Section 3.2.1 below the likely return to PPG from its shareholding in these subsidiaries.

The Joint Liquidators also formed the opinion that it was not appropriate to continue to trade the business of PPG or PSB in insolvency. This was predominantly due to the fact that the PPG Group's key customer contracts were capable of being terminated on insolvency. Further, the nature of the business with long lead times between order and fulfilment, the negative working capital cycle of the PPG Group and the risks of cancelled orders or interruptions to supplies were too great to be able to trade the business for any meaningful period post insolvency. To do so would likely have been detrimental to the position of the creditors of the PPG Group.

The Joint Liquidators will, however, complete certain outstanding customer orders of PSB and PPC Cayman in order to generate incremental recoveries for their creditors and to protect against potential breach of contract claims from their customers.

Accordingly, the Joint Liquidators strategy in respect of the insolvency of the PPG Group, including PPG and PSB, is to:

- Cease to trade the business of each of the entities to which the Joint Liquidators have been appointed (with the exception of the completion of certain orders, as discussed above);
- Collect in the debtor balances due to the PPG Group; and
- Market for sale their stock of production tubing and casing (and, in the case of PPC Cayman, drilling pipe and related tools).

To assist in the above the Joint Liquidators have retained nine of the PPG Groups' employees. These employees are not employed directly by the Companies, but instead are employed either by PPC UK or Petroleum Pipe Middle East FZE. We will carefully assess the staffing requirements on an ongoing basis and will make further headcount reductions as appropriate. However, we currently anticipate retaining this team for 2-3 months to support the liquidations.

3.2 Asset realisations – PPG

The principal assets of PPG are its shareholdings in its nine wholly owned subsidiaries, and intragroup and intergroup receivables (which aggregated $27.1m and $63.0m respectively at 31 May 2018), each of which are discussed below.

3.2.1 Investments in subsidiaries

As set out above, each of the entities within the PPG Group, with the exception of PSG, will be wound-down in insolvency (in the case of PSB, PPC Cayman and PPC UK) or on a managed basis by their existing directors, subject to the supervision of the Joint Liquidators of PPG. Accordingly, based on the balance sheet position of these entities as at 31 May 2018, with the exception of PSG, the Joint Liquidators do not currently anticipate that material sums will be realised from the shareholdings of PPG's subsidiaries. Clearly, the balance sheet position of these entities at the date of our appointment may be different to that as at 31 May 2018, and we will update our assessment of potential recoveries from the shareholdings of these subsidiaries on review of the directors' Statement of Affairs.

In respect of PSG, shortly after the appointment of the Joint Liquidators, a sale of PPG's shareholding in PSG and of certain trade names of PPG (PPC, Petroleum Pipe, Pipeline Supplies) was completed to Maxtube ME Limited, a new company formed specifically as a subsidiary of Maxtube Group to acquire the Contracts (as defined below).

The consideration was $22k together with full reimbursement of cash and deposits held by PSG at the completion date (which aggregated $36k). In addition, the current debt due by PSG to PPG of $19m was waived.

The consideration received for the trade names was supported by an independent third party valuation. We assessed that in a solvent wind-down the likely net asset recoveries to PPG from its shareholding in PSG would be $Nil. Accordingly, we are satisfied that the consideration received from Maxtube ME Limited represents fair value. This transaction was also fundamental to completing the novation of the Occidental contract (see below) which we estimate will provide significant benefit to creditors.

Note that we understand that the consideration received in respect of the sale of PPG's shareholding in PSG is secured to BoS.

3.2.2 Intragroup and intergroup balances

A summary of the intragroup and intergroup balances due to PPG as at 31 May 2018 is provided below.

Clearly, the intragroup and intergroup receivables at the date of our appointment may be different to the below balances at 31 May 2018. On review of the directors' Statement of Affairs we will update our assessment of these balances.

Intragroup receivable balances

	At 31 May 2018 ($m)	Comments
Petroleum Pipe Co Limited (In Administration)	6.2	Subject to UK administration proceedings – no recovery anticipated
Petroleum Pipe Singapore Pte Limited ('PPS')	1.0	Discussed below
Petroleum Pipe Australia Pty Limited	0.6	Now dissolved – no recovery
Pipeline Supplies Gulf FZE	19.3	See Section 3.2.1 above – no recovery
Total	27.1	

With the possible exception of amounts due by PPS, the Joint Liquidators anticipate no recovery from these intragroup receivable balances. Based on its balance sheet at 31 May 2018, a recovery of $0.1m may be achieved from PPS.

Intergroup receivable balances

	At 31 May 2018 ($m)	Comments
Petrostem Group Limited (In Liquidation)	26.6	Subject to Jersey liquidation proceedings – see below
Petrostem (UK) Limited (In Administration)	4.8	Subject to UK administration proceedings – see below
Petrostem International Limited (In Liquidation)	6.8	Subject to Jersey liquidation proceedings – see below
Petrostem Rentals Limited (In Liquidation)	4.3	Subject to Jersey liquidation proceedings – see below
Maxtube Middle East Limited	0.1	Repaid in full prior to insolvency
MRS Group	8.0	
Pioneer Group	4.1	
Innospection Group	8.4	
Total	63.0	

Each of the four Petrostem Group entities which have receivable balances due to PPG are subject to insolvency proceedings. Each of these receivable balances will, therefore, represent a claim by PPG in the insolvency of the respective Petrostem Group entity. The recovery from these balances will, therefore, depend on the outcome of each individual insolvency process and is unlikely to be material.

The balance sheet of MRS shows a significant net liabilities position, such that a material recovery of amounts due by it to PPG is unlikely.

Based on an initial review of Pioneer and Innospection Groups, the Joint Liquidators understand them to be significantly insolvent on a balance sheet basis (Pioneer – net liabilities $27.5m; Innospection – net liabilities $11.2m) and that crystallisation of the debts due to PPG Group by these groups would result in the insolvency of both Pioneer and Innospection Groups with negligible returns for PPG Group.

In light of that, we have been approached by the Pioneer and Innospection Groups with a proposed settlement offer in relation to the amounts due to both the PPG and Petrostem Groups (Pioneer Group - $32.7m; Innospection Group - $10.6m). This proposal is to settle the amounts due at the higher of $0.3m and the amount determined as payable by Pioneer and Innospection Groups based on a proposed valuation of their assets.

This proposal would involve the Joint Liquidators undertaking a valuation of the assets of Pioneer and Innospection, which will include an independent valuation by a third party of their fixed assets and stock. The Joint Liquidators will compare these asset values to the debts of these groups to estimate a dividend for creditors in an insolvency. The debts due by Pioneer and Innospection Groups to the PPG and Petrostem Groups and are proposed to be settled at the higher of $0.3m and the dividend calculated as above.

In addition to the above valuation, the Joint Liquidators would:

- Review the historic and forecast financial performance of the Pioneer and Innospection Groups to confirm (or otherwise) that these Groups are insolvent without a material further cash injection.

- Review the application of the funding provided by the PPG and Petrostem Groups to the Pioneer and Innospection Groups to assess whether a right of action against the directors of these groups exists.

Cash in settlement of the debt is proposed to be paid as follows: a) $0.1m on confirmation of the debt payable by Pioneer and Innospection Groups (based on the proposed formula set out above, and split between the PPG and Petrostem Groups proportionately); and b) the remaining balance following completion of the Joint Liquidators assessment of whether there is a right of action against the directors of the Pioneer and Innospection Groups.

We propose to discuss this proposal with the Liquidation Committee (assuming one is formed).

3.3 Asset realisations – PSB

3.3.1 Intragroup debtors

Based on its balance sheet at 31 May 2018, PSB is due $10.6m by PPG. As detailed above, PPG is now subject to liquidation proceedings. This balance will, therefore, represent an unsecured claim in the insolvency of PPG. As set out at Section 4.3 below, the recoveries for unsecured creditors of PPG are unlikely to be material.

Clearly, the intragroup receivables at the date of our appointment may be different to the below balances at 31 May 2018. On review of the directors' Statement of Affairs we will update our assessment of these balances.

3.3.2 Trade debtors and uncompleted orders

As discussed at Section 2.1 above, PSB's sole customer was Tatweer. As at 28 August 2018, Tatweer was due $0.1m to PSB, which we anticipate will be collected in full.

As at the date of the Joint Liquidators' appointment, nine separate orders with Tatweer were outstanding to complete by PSB. Based on the information provided by PSB, the Joint Liquidators estimate that completion of these outstanding orders could realise a net profit in excess of $0.5m for the creditors of PSB. Further, completion of these outstanding orders will mitigate against a potential breach of contract claim by Tatweer for the failure to deliver these contracts and the suppliers of pipe to these contracts. Whilst the process of completing these orders is complex, the Joint Liquidators, in consultation with the key creditors of PSB, determined that it is in the best interests of creditors to look to complete these orders.

Based on the current delivery schedule, the Joint Liquidators expect that the majority of these orders will be delivered to Tatweer in October / November 2018. Invoices will be issued subsequently, with cash expected to be collected in December 2018 / January 2019.

3.4 Asset realisations – PPC Cayman

PPC Cayman is registered in the Cayman Islands. Accordingly, PPC Cayman is subject to liquidation proceedings in Cayman Islands (and not Jersey) and is not, therefore, within the remit of this report to creditors. Notwithstanding this, the Joint Liquidators recognise the inter-linked nature of the PPG Group, the indirect interest which certain creditors of PPG and PSB have in the insolvency of PPC Cayman, and that several of the significant claims by unsecured creditors against PPG are guarantee claims where the principal obligor is PPC Cayman. As such, for transparency, we discuss below in outline the principal assets of PPC Cayman.

3.4.1 Transactions in advance of insolvency

As discussed at Section 2.1 above, the principal customer of the PPG Group was Occidental in Oman. On or around 26 August 2018, PPC Cayman assigned its contracts with Occidental Mukhaizna LLC, Occidental of Oman Inc and Occidental Oman Gas Company LLC (“the Occidental Contracts”) to Maxtube ME Limited for a consideration based on the gross profit generated from these contracts until their expiry on 31 December 2019 (subject to a minimum payment of 50% of the net profit) and, if the contracts are extended, until 27 August 2023. This assignment of the Occidental Contracts was implemented by the directors of PPC Cayman prior to its insolvency.

Maxtube ME Limited is part of the Maxtube Group and is connected to the PPG Group as both it and PPC Cayman are ultimately owned by Julian Tyacke (through a beneficial trust in both cases).

Notwithstanding the fact that this transaction does not directly impact PPG and PSB, for transparency we discuss this transaction below.

As noted above, the Occidental Contracts were a key asset of the PPG Group. Whilst this transaction was implemented by the directors of PPC Cayman prior to its insolvency, as prospective Joint Voluntary Liquidators of that entity, we carefully considered its proposed terms and reached the conclusion that the terms of this transaction were in the best interest of the creditors of the PPG Group for the following reasons:

- We consider that the Occidental Contracts were not capable of being traded on in insolvency nor sold to a third party as they are terminable on insolvency;
- The quantum of working capital funding required would render service of the Occidental Contracts infeasible and be potentially detrimental to the outcome for creditors given the associated supply chain risks;
- Assignment of the Occidental Contracts will facilitate a greater return from collection of the trade debtor balances due by Occidental by mitigating Occidental’s right of set off for incremental costs in the event of the insolvency of PPC Cayman;
- PPC Cayman will continue to benefit from the profit derived from the Occidental Contracts, with ongoing income from Maxtube ME Limited estimated at $1.3m in the period to 31 December 2019 and an additional $2.5m should the contract be extended to 27 August 2023; and
- The assignment will remove any potential claim from Occidental in respect of breach of its supply contract and potentially reduce claims from suppliers (should outstanding

purchase orders be novated) which may improve the outcome for the wider body of creditors.

3.4.2 Trade debtors

As at 28 August 2018, trade debtor balances due to PPC Cayman aggregated $6.9m.

Of these balances $5.0m was due from Occidental, of which $3.6m has been received.

The remaining balances of $1.9m relate to two other debtors and are unlikely to be collectable.

3.4.3 Outstanding orders with Occidental

As at the date of the Joint Liquidators' appointment, seven separate orders with Occidental were outstanding to complete by PPC Cayman. Based on the information provided by PPC Cayman, the Joint Liquidators estimate that completion of these outstanding orders could realise a net profit in excess of $1.0m for the creditors of PPC Cayman. Whilst the process of completing these orders is complex, the Joint Liquidators determined that it is in the best interests of creditors to look to complete these orders.

Based on the current delivery schedule, the Joint Liquidators expect that the majority of these orders will be delivered to Occidental in October 2018. Invoices will be issued subsequently, with cash expected to be collected in December 2018 / January 2019.

3.4.4 Drill pipe rental assets and production tubing / casing stocks

As at 28 August 2018, PPC Cayman held drill pipe rental assets and production tubing / casing stocks with a net book value of $11.6m and $0.7m respectively.

PPC Cayman's drill pipe rental assets were transferred to it from Petrostem in FY17. As these assets were of a similar nature to the rental assets of Petrostem, the Joint Liquidators determined it was appropriate to market these rental assets for sale with Petrostem's rental assets.

With assistance from ANM Group Limited (a firm of specialist plant and equipment disposal agents with experience of dealing with assets located in the Middle East) and Dean Foster (a director of Petrostem Group, with detailed knowledge of the rental assets), the Joint Liquidators launched a sale process in respect of these rental assets and those of the Petrostem Group on 7 September 2018. On that date, a list of these assets, separated into eight individual asset packages, was issued to 41 interested parties across a range of market interests, with a deadline for offers of 11 September 2018.

The short closing date for offers was set for specific reasons, including to minimise the transition period for rental assets to new suppliers.

On the closing date, offers from 11 interested parties were received, each of whom submitted offers over one or more of the eight asset packages. No offers were received from parties connected with the PPG Group or Petrostem. The Joint Liquidators accepted (subject to conditions) offers from five separate interested parties across the eight asset packages. Unfortunately one offer has subsequently been withdrawn. Each of these offers were submitted subject to inspection of the rental assets and / or certification. Accordingly, there remains completion risk associated with these offers. However, if completed at current levels, these offers would generate net sale proceeds of c. $2.0m for PPC Cayman. We anticipate completion of each of the remaining four sales taking place during October 2018.

The withdrawn offer noted above also relates to rental assets of PPC Cayman. We are currently considering our options in respect of these rental assets, but anticipate separating these assets into smaller packages and seeking a further sale once the other rental asset sales have completed.

PPC Cayman also holds stock of production tubing and casing with a net book value of $0.7m. We are currently preparing these stock items for sale, and anticipate launching a sales process in respect thereof in early / mid October 2018.

3.4.5 Intragroup and intergroup balances

As at 31 May 2018, PPC Cayman was due $24.1m by other entities within the PPG Group and $40.4m by Petrostem Group. With the exception of $0.7m due by PPS, each of the entities with an outstanding debt due to PPC Cayman is now subject to insolvency proceedings. Each of these receivable balances will, therefore, represent a claim by PPC Cayman in the insolvency of the respective entities. The recovery from these balances will, therefore, depend on the outcome of each individual insolvency process.

Clearly, the intragroup and intergroup receivables at the date of our appointment may be different to the below balances at 31 May 2018. On review of the directors' Statement of Affairs we will update our assessment of these balances.

3.5 Asset realisations – PPC UK

PPC UK is registered in England and Wales and is subject to administration proceedings in the UK. Accordingly, PPC UK is not within the remit of this report to creditors. Further, the assets of PPC UK are secured to BoS. Notwithstanding this, for transparency, we discuss below in outline the principal assets of PPC UK.

3.5.1 Trade debtors

As at 28 August 2018, trade debtor balances due to PPC UK aggregated $2.1m. Of these balances, $0.5m has been collected.

3.5.2 Production tubing / casing stocks

As at 28 August 2018, PPC UK held production tubing / casing stocks with a net book value of $0.5m. We are currently preparing these stock items for sale, and anticipate launching a sales process in respect thereof in early / mid October 2018.

3.5.3 Intergroup balances

As at 31 May 2018, PPC UK was due $10.2m by Petrostem Group. Each of the entities that has receivable balances due to PPC UK are now subject to insolvency proceedings. As such, these receivables will, therefore, represent a claim by PPC UK in the insolvency of the respective entities. The recovery from these balances will, therefore, depend on the outcome of each individual insolvency process.

Clearly, the intragroup and intergroup receivables at the date of our appointment may be different to the below balances at 31 May 2018. On review of the directors' Statement of Affairs we will update our assessment of these balances.

3.5.4 Foreign currency swap cancellation

Shortly before our appointment, PPC UK 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.

3.6 Connected party transactions

We are aware that the PPG Group entered into a number of transactions with connected parties in the five years prior to the insolvency of PPG and PSB. We are currently preparing a summary of these transactions before considering what further assessment is appropriate.

We anticipate discussing the output of the above in due course with the Liquidation Committee (assuming one is formed).

4. Statement of Affairs

The directors submitted their Statement of Affairs relating to the Companies on 1 October 2018. A summary of the Statement of Affairs for the Companies is included at Appendix J for reference. The full Statement of Affairs for each will be made available on the website we have established in relation to the insolvency of the Companies, the website address for which is https://www.ey.com/uk/en/services/transactions/restructuring/ey-ppg-petrostem-insolvencies

Whilst we have not reviewed these Statement of Affairs in detail we would note that a number of creditor claims have yet to be quantified and may be different to that indicated. We further note that the claim by BoS is shown as a secured debt in each of the Statement of Affairs. We discuss at Section 4.1 below the security held by BoS.

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.

4.1 Secured creditors

The principal lender to the PPG Group is Bank of Scotland plc ("BoS"). As at 28 August 2018, the debt due by the PPG Group to BoS was $30.7m. This debt comprises amounts directly owed by the PPG Group to BoS, and amounts due to BoS by the PPG Group 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 details of the security held by BoS in relation to the Companies is as follows:

- PPG – 2012 Jersey Law security interest agreement specifically covering PPG's shareholding in PSB and all other shareholdings; and
- PSB – debenture effectively covering UK located assets. As PSB only trades with customers out with the UK, in effect, this debenture does not provide BoS with security over the key assets of PSB.

It remains too early to estimate the likely recovery to BoS in respect of the amounts due to it by the PPG Group.

4.2 Priority creditors

Neither PPG nor PSB employed any employees. Accordingly, we currently estimate priority creditors of $Nil in respect of claims for employees' salaries and holiday pay.

We are also currently not aware of any other priority creditors under the Law.

4.3 Unsecured non-priority creditors

The records of PPG and PSB indicate that claims of non-priority creditors may aggregate $114.8m and $4.7m respectively.

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

In light of the level of creditor claims against PPG in comparison to its realisable assets, we do not expect a material recovery for creditors of PPG from its insolvency process.

Based on the information available to us, creditors of PSB may recover c. 1% of the amounts due to them from its insolvency process.

4.4 Creditor claims

Please note that debts incurred by either PPG or PSB before our appointment will rank as unsecured claims against the respective company. If you have a claim against either company, please forward details together with supporting documentation (e.g. invoices, statements and agreements) to Ernst & Young LLP, G1, 5 George Square, Glasgow, G2 1DY, marked for the attention of Sanjay Chita or, alternatively, to the following email address: ppcgroup@uk.ey.com.

Certain debts due from the Companies may have priority in accordance with Article 166 of the Law. 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 either Companies' possession, please forward details to me as soon as possible.

Any sums due to either 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.

5. Costs of the liquidation, the Joint Liquidators' remuneration, disbursements and payments to other professionals

5.1 Cost of the liquidation

In accordance with Article 165 of the Law, all costs, charges and expenses properly incurred in a winding up, including the remuneration of the liquidator, are payable out of the Companies' assets in priority to all other claims.

5.2 Remuneration and disbursements

By order of the Act of Court, the Joint Liquidators are permitted to charge their remuneration and any reasonable costs, charges and expenses of the Joint Liquidators in accordance with Article 165 of the Law.

The above, in accordance with Article 163 of the Law, is subject to agreement between the Joint Liquidators and the Liquidation Committee or, if there is no Liquidation Committee, between the Joint Liquidators and the creditors or, failing such an agreement, as is fixed by the Court.

The Joint Liquidators have engaged managers and other staff to work on the Liquidations. 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 Companies' bank accounts and statutory compliance diaries. Work carried out by all staff is subject to the overall supervision of the Joint Liquidators.

All time spent by staff working directly on case-related matters is charged to a time code established each entity. 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 at Appendices F and G. The current hourly rates are shown below.

The Joint Liquidators will write to the relevant body separately in due course to agree the basis of the Joint Liquidators' remuneration. It is, however, the Joint Liquidators' intention to request that their remuneration is fixed on the basis of the time properly incurred by the Joint Liquidators and their staff and the following hourly rates:

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

The Joint Liquidators further intend to seek permission to draw their remuneration four weekly in arrears, with a one-off initial payment covering their remuneration from 28 August 2018 to Friday 21 September 2018 (such remuneration to be fixed on the basis outlined above).

To 21 September 2018, the Joint Liquidators have incurred time costs (based on the above hourly rates) of $27,788 and $56,431 in respect of PPG and PSB respectively. Attached at Appendices F and G is a detailed analysis of these time costs.

The time has principally been spent in relation to the following activities:

- Fulfilling the statutory obligations required of the Joint Liquidators including preparation of this report, notifying the Joint Liquidators' appointment to all known creditors and addressing correspondence received from creditors;
- Negotiating the sale of PPG's shareholding in PSG and trade names to Maxtube ME Limited; and
- Undertaking all activities associated with evaluating and implementing the completion of PSB's outstanding customer orders with Tatweer.

To date, the Joint Liquidators have not drawn any fees in relation to their time costs.

Appendices F and G also include a statement of the Joint Liquidators' policy for charging disbursements. In the event that a Liquidation Committee is not formed, the Joint Liquidators propose that they be permitted to charge and draw disbursements in accordance with the charging policy set out in those appendices.

5.3 Payments to other professionals

By order of the Act of Court, the Joint Liquidators are permitted to engage other such professional advisors as the Joint Liquidators may deem appropriate or necessary and providing for their fees and expenses (whether incurred before or after the date on which the Companies were placed into liquidation in accordance with Article 155 of the Law) to be settled in accordance with Article 165 of the Law.

The Joint Liquidators 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
Dean Foster (former director of the Petrostem Group)	Asset marketing and realisation	Combination of day rate and commission

The Joint Liquidators have selected ANM for three key reasons:

- ANM is well-known to the Joint Liquidators and we have worked together successfully on a number of projects over the years.
- ANM has the requisite experience of the international oil and gas industry including experience of selling assets overseas. Their credentials include a drilling pipe / accessories rental business, but they also have recent experience with 8 other oilfield services businesses.
- The specific individual that the Joint Liquidators are working with at ANM Group has lived and worked in the Middle East for several years. His work experience over that period includes some significant oil and gas related projects.

In addition, the Joint Liquidators have commissioned the services of Dean Foster, a former director of the Petrostem Group, who has deep experience of the drilling sector and also the Petrostem Group's rental assets. Dean is responsible for actively marketing and encouraging interest in the rental assets.

6. Other matters

6.1 Future conduct of the liquidations

The Joint Liquidators will continue to manage the affairs, business and property of the Companies to achieve the purpose of the liquidations. This will include, inter alia:

- Completing certain outstanding customer orders held by PSB, and undertaking all actions necessary in relation thereto;
- Collecting in the trade debtor balances due to PSB;
- Realising any other assets of the Companies, including intragroup and intergroup;
- In their capacity as Joint Liquidators of PPG, to supervise the managed wind-down of the other subsidiaries of PPG which are not subject to insolvency proceedings;
- Dealing with tax matters, which includes filing returns;
- Dealing with creditor enquiries;
- Carrying out investigative procedures, including investigating the conduct of the Directors leading up to the Joint Liquidators' appointment;
- Distributing realisations to the secured and priority creditors of the Companies;
- If appropriate, agreeing unsecured creditor claims and making distributions to unsecured creditors;
- Ensuring all statutory reporting and compliance obligations are met; and
- Finalising the liquidations, including payment of all liquidation liabilities.

6.2 The end of the liquidations

At the end of the liquidations the Joint Liquidators shall apply to the Court to close the liquidations and will send a notice to that effect to the Jersey Registrar of Companies. The Companies will be dissolved shortly after registration of the notice.

6.3 Matters to be brought to the attention of the Joint Liquidators

In accordance with Article 184 of the Law, the Joint Liquidators are required to report possible misconduct to the Attorney General.

If there are any matters concerning the Companies' 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

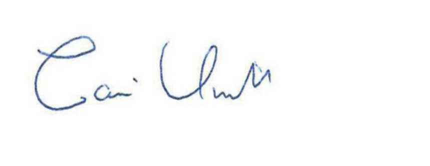
6.4 Reporting

The Joint Liquidators shall provide a report regarding the conduct of the liquidations of the Companies covering each six month period from the date of appointment. The report will be provided within one month of each six month period (i.e. by 28 March 2019 in respect of the report covering the six months to 28 February 2019).

Notice of the report will be provided by post with the report itself 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 Gavin Yuill on 0141 226 9054.

Yours faithfully
for the Companies



Gavin Yuill
Joint Liquidator

C P Dempster and G D Yuill are licensed in the United Kingdom to act as an Insolvency Practitioner by The Institute of Chartered Accountants of Scotland. S A Gardner is licensed in the United Kingdom to act as an Insolvency Practitioner by The Institute of Chartered Accountants in England and Wales.

The Joint Liquidators 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 Liquidators. Personal data will be kept secure and processed only for matters relating to the Joint Liquidators appointment. The Office Holder Data Privacy Notice can be found at www.ey.com/uk/officeholderprivacy.

Appendix A Statutory information

Company Information

Company Name:	Petroleum Pipe Group Limited – in Liquidation Pipeline Supplies Bahrain W.L.L Limited – in Liquidation
Registered Office Address:	c/o Ernst & Young LLP Liberation House Castle Street St Helier Jersey, JE1 1EY
Registered Number:	93767 114076
Trading Name(s):	n/a

Details of the Liquidators and of their appointment

Liquidators:	C P Dempster, G D Yuill and S A Gardner
Date of Appointment:	28 August 2018
By Whom Appointed:	The appointment was made by an Act of the Royal Court of Jersey
Court Reference:	220 of 2018.

All powers and obligations granted or imposed upon the Joint Liquidators by Acts of the Royal Court of Jersey, the Law or otherwise may be exercised by the Joint Liquidators on a joint and several basis such that both act together or one may act without the other (and by so doing will bind the other) in the exercise of their said powers and obligations.

Share capital

Petroleum Pipe Group Limited (in Liquidation) is wholly owned by PPH Petroleum Pipe Holdings Limited, a company registered in Cyprus.

Pipeline Supplies Bahrain W.L.L Limited (in Liquidation) is wholly owned by Petroleum Pipe Group Limited (In Liquidation).

Directors and their shareholdings

Petroleum Pipe Group Limited

Name	Date appointed	Date resigned	Current shareholding
Richard Gordon Morrice	20 June 2006	n/a	-
Julian Charles Tyacke	27 June 2006	n/a	-
John Alan Simpson	31 July 2010	n/a	-
Richard Mark Farnfield	31 July 2006	n/a	-
Peter Robin Schulte	27 November 2006	26 August 2016	-
Peter Duthie	17 May 2008	1 December 2017	-

Pipeline Supplies Bahrain W.L.L Limited

Name	Date appointed	Date resigned	Current shareholding
Richard Gordon Morrice	25 June 2010	n/a	-
Julian Charles Tyacke	16 January 2012	n/a	-
Craig Brand	10 September 2012	n/a	-
Paul John Moir	10 September 2012	n/a	-

Appendix B Act of the Royal Court of Jersey

In the Royal Court of Jersey

Samedi Division **2018/220**

In the year two thousand and eighteen, the twenty-eighth day of August.

Before Timothy John Le Cocq, Esquire, Deputy Bailiff of Jersey, assisted by Jurats Rozanne Barbara Thomas and Jane Ronge.

IN THE MATTER OF THE REPRESENTATION OF JULIAN CHARLES TYACKE AND IN THE MATTER OF AN APPLICATION PURSUANT TO ARTICLE 155 OF THE COMPANIES (JERSEY) LAW 1991

Upon reading the Representation of Julian Charles Tyacke (hereinafter "the Representor") and upon hearing the Advocate for the Representor, the Advocate for Salzgitter Mannesmann International GmbH and Salzgitter Mannesmann International (USA) Inc, the Advocate for Longulf Trading (UK) Limited and a representative of the Viscount's Department, the Court ordered that:-

1. Petroleum Pipe Group Limited ("PPGL"), Pipeline Supplies Bahrain WLL Limited ("PSBL"), Petrostem Group Limited ("PGL"), Petrostem International Limited ("PIL") and Petrostem Rentals Limited ("PRL") (collectively, the "Jersey Companies"), shall be wound up pursuant to Article 155 of the Companies (Jersey) Law 1991 (the "1991 Law");
2. Stuart Arthur Gardner of Ernst & Young LLP, Liberation House, Castle Street, St. Helier, Jersey, JE1 1EY, Colin Peter Dempster of Ernst & Young LLP, Atria One, 144 Morrison Street, Edinburgh, United Kingdom, EH3 8EX and Gavin David Yuill of Ernst & Young LLP, G1 5 George Square, Glasgow, United Kingdom, G2 1DY be appointed as Joint Liquidators;
3. the Court shall give such directions and make such orders as may be proper in all the circumstances to ensure that the winding up of the Jersey Companies shall proceed in an orderly manner in particular to prescribe to the said Joint Liquidators such powers as are set out in Part 21 of the 1991 Law and/or as the Court shall deem necessary, including but not limited to:
   (a) calling a meeting of creditors;

(b) publishing such notices as the Joint Liquidators deem necessary or expedient with a view to inviting claims;

(c) requiring the directors and former directors of each of the Jersey Companies to make a statement as to its affairs and verifying the same by affidavit;

(d) sanctioning the Joint Liquidators exercising any of the powers of the Jersey Companies as may be required for its beneficial winding up;

(e) convening general meetings of the Jersey Companies, for the purposes of obtaining their sanction by resolution or for any other legitimate purpose as the Joint Liquidators may think fit;

(f) exercising the power to disclaim onerous property under Articles 171 and 172 of the 1991 Law as the Joint Liquidators may deem appropriate or necessary;

(g) exercising those powers contained at Articles 170, 173, 174 and 176 to 185 of the 1991 Law as the Joint Liquidators may deem appropriate or necessary;

(h) charging their remuneration and any reasonable costs, charges and expenses of the Joint Liquidators in accordance with Article 165 of the 1991 Law;

(i) engaging such professional advisors as the Joint Liquidators may deem appropriate or necessary and providing for their fees and expenses (whether incurred before or after the date on which the Jersey Companies are placed into a winding up under Article 155 of the 1991 Law) to be settled in accordance with Article 165 of the Law; and

(j) applying to the Court for a revision or extension of any of their powers and for sanctioning or ratification of any of their acts or omissions.

4. Article 166 of the 1991 Law relating to the application of the law relating to Désastre shall apply to the winding up of the Jersey Companies;

5. Article 186A of the 1991 Law conferring a power for the Joint Liquidators, contributories and/or creditors to apply to the Court shall apply to the winding up of the Jersey Companies;

6. all powers and obligations granted or imposed upon the Joint Liquidators by Acts of Court, the Law or otherwise may be exercised by the Joint Liquidators on a joint and several basis such that both act together or one may act without the other (and by doing so will bind the other) in the exercise of their said powers and obligations;

7. Article 159(4) of the 1991 Law, shall be applied, which confirms that on the commencement of the winding up no action shall be taken or proceeded with or against

each of the Jersey Companies except by leave of the Court and subject to such terms as the Court may impose;

8. within 14 days of the date of their appointment, the Joint Liquidators are to give notice of their appointment to known or prospective creditors, by way of notice in writing and/or by advertisement in the *Gazette*;

9. within 7 days of notice having been given pursuant to paragraph 8 above, any creditor of each of the Jersey Companies has liberty to apply in respect of the identity of the Joint Liquidators;

10. the Joint Liquidators will exercise their best endeavours to hold a meeting of the creditors of the Jersey Companies within six weeks of the date of this order or as soon as possible thereafter;

11. the Joint Liquidators shall provide to proving creditors a report regarding the conduct of the liquidation of the Jersey Companies in respect of each period of six months commencing from the date of their appointment (such report to be delivered to creditors within 28 days of the end of each such six month period) until the liquidations of the Jersey Companies are closed;

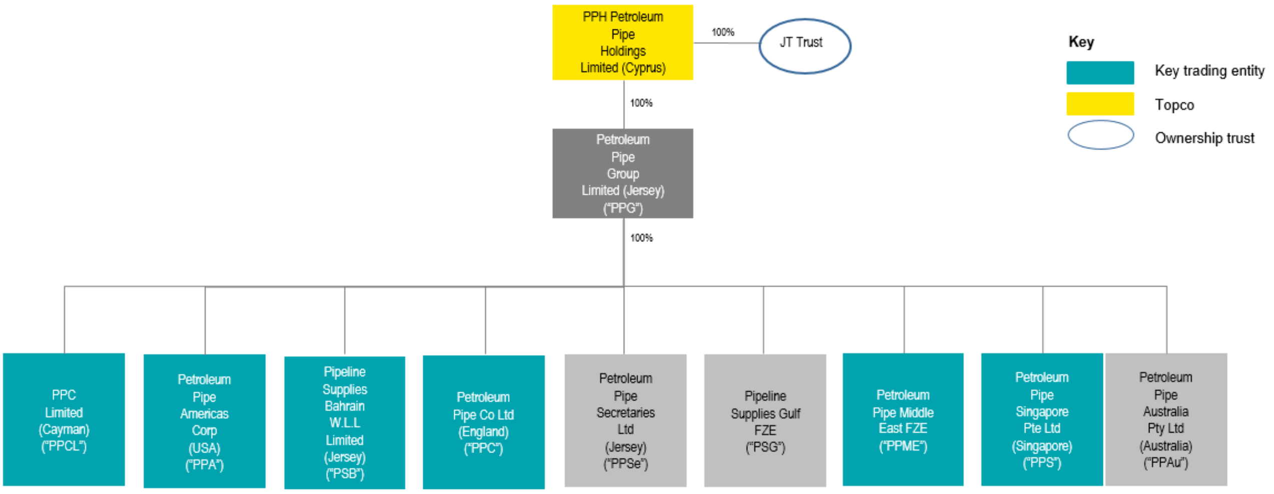
12. upon the winding up of each of the Jersey Companies being completed the Joint Liquidators shall apply to the Court to close the liquidations and discharge the orders made herein; and

13. the Representor's costs of the action above shall rank as costs of the liquidation, to be taxed on the standard basis if not agreed.

Greffier Substitute

CO (JG)
CC (SH)
Ogier (JA)

Appendix C PPG Group structure



Appendix D Receipts and payments account – PPG

Petroleum Pipe Group Limited (In Liquidation)
Receipts and Payments for the period from 28 August 2018 to 21 September 2018

				Total
Receipts	US$	GB£	AED	US$
Cash at Date of Appointment	229	-	-	229
Sale of investment in Pipeline Supplies Gulf	57,612	-	-	57,612
Total Receipts	57,842	-	-	57,842
Payments				
	-	-	-	-
Total Payments	-	-	-	-
Net Receipts / (Payments) for the period	57,842	-	-	57,842
Represented by:				
Bank balances at at 21 September 2018				
Royal Bank of Scotland	57,842	-	-	57,842
	57,842	-	-	57,842

Notes

1. Receipts and payments are stated net of VAT or other applicable goods and services taxes.
2. These accounts do not reflect estimated future realisations or associated costs.
3. The following exchange rates have been applied to the above: GB£:US$, 1.3; and US$:AED, 3.673.

Appendix E Receipts and payments account – PSB

Pipeline Supplies Bahrain Limited (In Liquidation)
Receipts and Payments for the period from 28 August 2018 to 21 September 2018

Receipts	US$	GB£	AED	US$
	-	-	-	-
Total Receipts	-	-	-	-
Payments				
Shipping / Freight charges	102,558	-	-	102,558
Total Payments	102,558	-	-	102,558
Net Receipts / (Payments) for the period	(102,558)	-	-	(102,558)
Represented by:				
Bank balances at at 21 September 2018				
Royal Bank of Scotland	8	-	-	8
Inter-company - PPC Limited (In Liquidation)	(102,566)	-	-	(102,566)
	(102,558)	-	-	(102,558)

1. Receipts and payments are stated net of VAT or other applicable goods and services taxes.
2. These accounts do not reflect estimated future realisations or associated costs.
3. The following exchange rates have been applied to the above: GB£:US$, 1.3; and US$:AED, 3.673

Appendix F Time properly incurred analysis – PPG

Summary of Liquidators' time costs for the period from 28 August 2018 to 21 September 2018

Hours	Partner	Executive Director / Director	Senior Manager	Senior	Total Hours	Total time costs ($)	Average hourly rate ($)
Classification of work function							
Accounting and Administration			0.2	2.1	2.3	864	375
Bank & Statutory Reporting	2.0	0.1	5.8		7.9	5,202	658
Creditors		1.5			1.5	1,050	700
Immediate Tasks	0.5	2.9	1.1	5.3	9.8	4,988	509
Investigation/CDDA		0.1			0.1	70	700
Other Assets		4.9	0.7		5.6	3,843	686
Other Matters		3.5	0.1		3.6	2,509	697
Statutory Duties	0.5	3.0		16.0	19.5	8,208	421
Stock and Fixed Assets				1.0	1.0	355	355
Trading		1.0			1.0	700	700
Total hours	3.0	17.0	7.9	24.4	52.3	27,788	531
Total time costs ($)	2,565	11,900	4,661	8,662		27,788	
Average hourly rate ($)	855	700	590	355			

Joint Liquidators’ 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 Liquidation 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 1 disbursements	Incurred (£)	Drawn to date (£)	Outstanding (£)
Statutory notice – Jersey Evening Post	355.20	-	355.20
TOTAL	355.20	-	355.20

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. To date, no Category 2 expenses have been incurred. It is proposed that Joint Liquidators’ be permitted to draw any future expenses.

Appendix G Time properly incurred analysis – PSB

Summary of Liquidators' time costs for the period from 28 August 2018 to 21 September 2018

Hours	Partner	Executive Director / Director	Senior Manager	Senior	Total Hours	Total time costs ($)	Average hourly rate ($)
Classification of work function							
Accounting and Administration			0.2	3.3	3.5	1,290	368
Bank & Statutory Reporting	1.0	0.1	4.8		5.9	3,757	637
Creditors		1.5			1.5	1,050	700
Debtors		2.9	9.0		11.9	7,340	617
Immediate Tasks	0.5	3.1	1.1	5.3	10.0	5,128	513
Investigation/CDDA		0.1			0.1	70	700
Other Matters		3.2			3.2	2,240	700
Statutory Duties		2.2		16.0	18.2	7,220	397
Stock and Fixed Assets				0.5	0.5	178	355
Trading	8.5	21.5	9.9		39.9	28,159	706
Total hours	10.0	34.6	25.0	25.1	94.7	56,431	596
Total time costs ($)	8,550	24,220	14,750	8,911		56,431	
Average hourly rate ($)	855	700	590	355			

Joint Liquidators' 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 Liquidation 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 1 disbursements	Incurred (£)	Drawn to date (£)	Outstanding (£)
Statutory notice – Jersey Evening Post	355.20	-	355.20
TOTAL	355.20	-	355.20

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. To date, no Category 2 expenses have been incurred. It is proposed that Joint Liquidators be permitted to draw any future expenses.

Appendix H Summary of Directors' Statement of Affairs

	PPG	PPG	PSB	PSB
	Book value	Estimate to realise	Book value	Estimate to realise
Summary of Assets	US$	US$	US$	US$
Assets subject to security				
Investments	3,261,838	22,000		
Cash at bank	-	-	7,261,290	-
Trade debtors	-	-	84,922	84,922
Deposits	-	-	13,166	-
Payments to customer contracts	-	-	1,875,525	1,130,802
Other receivables	14,901,303	-	21,897	-
Receivables from related parties	54,747,732	-	10,581,884	-
	72,910,873	22,000	19,838,684	1,215,724
Secured debts				
Bank overdraft	(8,281,021)	(8,281,021)	(169,056)	(169,056)
RCF	(15,000,000)	(15,000,000)	-	-
Term loan	(500,000)	(500,000)	-	-
BoS - Obligations under cross-guarantees		(4,870,732)		(28,482,697)
	(23,781,021)	(28,651,753)	(169,056)	(28,651,753)
(Shortfall) / surplus to secured creditors		(28,629,753)		(27,436,029)
Assets not subject to security				
Nil	-	-	-	-
Summary of Liabilities				
Estimated total assets available for priority creditors		-		-
Priority creditors	-	-	-	-
Estimated deficiency as regards priority creditors		-		-
Estimated total assets available for unsecured creditors		-		-
Unsecured non-priority claims				
Trade creditors	-	-	(4,315,841)	(4,315,841)
Related parties	(45,276,090)	(45,276,090)	(379,047)	(379,047)
JT Loan	(7,173,772)	(7,173,772)	-	-
Contingent liabilities - Guarantees to long-term creditors	(62,383,178)	(62,383,178)	-	-
	(114,833,040)	(114,833,040)	(4,694,888)	(4,694,888)
Estimated deficiency as regards non-priority creditors (excluding shortfall to secured creditors)		(114,833,040)		(4,694,888)
Shortfall to secured creditors brought down		(28,629,753)		(27,436,029)
Estimated deficiency as regards creditors		(143,462,793)		(32,130,917)
Preference shares issued		-		-
Estimated deficiency as preference shareholders		(143,462,793)		(32,130,917)
Issue and called-up share capital		(4,880,000)		(2)
Estimated deficiency as regards members		(148,342,793)		(32,130,919)

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