

Petrostem (UK) Limited

In Administration (the "Company")

Final Progress Report

In accordance with Rule 18.3 of The Insolvency Rules 2016

22 August 2022

Ernst & Young LLP



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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 our final report on the progress and conclusion of the Administration.

This report covers the period from 1 March 2022 to 19 August 2022 and should be read in conjunction with the Proposals dated 19 October 2018, and the six month progress reports to 28 February 2019, 28 August 2019, 28 February 2020, 28 August 2020, 28 February 2021, 28 August 2021 and 28 February 2022.

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 initially due to end automatically on 28 August 2019. With the consent of creditors, the initial period of appointment was extended to 28 August 2020 and following an application by the Joint Administrators to the Court under Paragraph 76(2)(a) of schedule B1 of the Insolvency Act 1986 ("the Act") the Court extended the period of administration for a further 12 months to 28 August 2021.

As there remained a number of matters to resolve in the administration, the Joint Administrators made a further application to the Court for an extension of the period of administration and, on 26 August 2021, the Court granted that application, extending the period of administration to 28 August 2022. As all aspects of the Administration have now been concluded, the Joint Administrators intend to move the Company to dissolution on 22 August 2022 and therefore no further extension to the period of administration will be required.

2. Progress since the six month report to 28 February 2022

2.1 Purpose of the Administration

The purpose of the Administration was to achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration).

As detailed in the Proposals and the previous progress reports, the Joint Administrators' strategy in respect of the insolvency of the Company was:

- ▶ To cease to trade the business to which the Joint Administrators were 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 was arranged. No new rentals were 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.

2.2 Asset Realisations for the Company

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

2.2.1 Fixed assets

As at the date of appointment, the Company held fixed assets with a net book value of \$17k. An independent third party valuation of these assets was undertaken which assessed value of these assets to be lower, at \$11k ex situ and \$4k on a forced sale basis.

The Joint Administrators completed a sale of the assets in January 2019, generating gross proceeds of \$8k.

2.2.2 Rental assets

The Company held rental assets with a net book value of \$2.2m (albeit an independent third party valuation prior to insolvency assessed the ex situ value of these assets to be materially lower).

The assets were marketed together with similar assets of other companies in the Petrostem Group to 41 interested parties, with offers being received from 11 interested parties for one or more of the eight asset packages. The Joint Administrators accepted offers from a combination of interested parties across the lots. The sales completed in January 2019, generating net proceeds of \$0.4m for the Company's rental assets.

2.2.3 Trade debtor balances

As at the date of our appointment, trade debtor balances comprised a mix of one-off rentals and rentals under framework / rental contracts and aggregated £0.3m. Accrued income, comprising uninvoiced amounts due in respect of the rental of assets to 28 August 2018, totalled \$0.2m, was invoiced in full shortly after the date of appointment.

With the exception of a small bad debt of approximately £2k, The Joint Administrators have been able to collect these balances 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 also been collected in full.

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 was deposited into the Company's post-appointment bank accounts.

2.2.5 VAT receivable

The Joint Administrators submitted a VAT return up to the date of appointment and this showed that a refund of \$43k was due to the Company. This sum was received from HMRC and there are no further sums due in this regard.

2.3 Expenditure

During the period covered by this report, the Administrators have incurred expenses of \$159 (excluding distributions to the Unsecured Creditors and Preferential Creditors). A breakdown of the expenses incurred to date can be found at Appendices C and D of this report.

The final corporation tax liability of \$4 was settled in July 2022. No further expenses will be incurred by the Joint Administrators.

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

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

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

The Joint Administrators investigated certain matters raised by our investigations in respect of the Company and, having considered the position with our legal advisers, have concluded that further action was not 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, the final outcome for creditors.

3.1 Secured creditors

The principal lender to the Petrostem Group is Bank of Scotland plc (BoS). BoS submitted a formal claim against the Company of \$28.0m. This debt comprised 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 had 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 reviewed BoS's claim and adjudicated it at \$27.3m.

The Joint Administrators have made a final distribution of \$163k to BoS under its security which brings total distributions made to Bos from this Administration to \$363k.

3.2 Preferential creditors

Preferential creditor claims of \$10k in respect of claims for employees' holiday pay have been settled in full during the Administration.

3.3 Unsecured non-preferential creditors

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

We have adjudicated on all claims and the total level of unsecured non-preferential creditors of the Company is \$4.8m.

As the Company's assets are secured to BoS, there are no funds available for unsecured non-preferential creditors of the Company from its insolvency process, other than by virtue of the Prescribed Part (further detail of which 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 (in respect of the Prescribed Part only) 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.

Having adjudicated on BoS's claim we wrote to the unsecured non-preferential creditors of the Company on 3 December 2021 to provide them with a revised timescale for payment of the dividend in respect of the Prescribed Part. Details of this dividend are provided at Section 3.5.

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 did not make an application to the Court under section 176A(5) of the Insolvency Act 1986 for an order not to distribute the Prescribed Part.

Following our correspondence with creditors which is more fully described at Section 3.4, the value of the prescribed part was calculated at \$95,813 and resulted in a dividend of c0.02% to the ordinary unsecured creditors. That dividend was paid to creditors on 11 March 2022.

In accordance with Rule 14.37 (2) of the Insolvency (England and Wales) Rules 2016, I give notice that no further funds are available to ordinary unsecured creditors.

4. Administrators' receipts and payments

A summary of the Administrators' final receipts and payments for the period from 1 March 2022 to 19 August 2022 is attached at Appendix C.

5. Administrators' remuneration, expenses 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

As previously advised, our fee estimate was increased to \$425k in November 2019. The principal reason being 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.

To 30 June 2022, the Joint Administrators have incurred time costs (based on the above hourly rates) of \$725,567. Of this sum, \$425,000 has been approved by creditors and paid to 30 June 2022.

No further fees will be drawn by the Joint Administrators.

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 30 June 2022 as required by the Association of Business Recovery Professionals' Statement of Insolvency Practice No. 9.

5.2 Joint Administrators Statement of expenses incurred

In the period from our appointment to 19 August 2022, we have incurred expenses of \$352,001 (net of VAT and excluding the Joint Administrators' fees and disbursements and payment made to both preferential creditors and unsecured creditors). We have provided a breakdown of the expenses incurred in this period and since the date of appointment at Appendix D of this report.

Expenses are within the original estimate of \$395,000 provided with the Proposals and as set out in Appendix D.

5.3 Expenses

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

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

To 30 June 2022, the Joint Administrators have incurred Category 1 and 2 expenses of \$5,623, of which \$5,617 has been paid. The Joint Administrators do not intend to bill the remaining balance of \$6.

5.4 Payments to other professionals

The Joint Administrators 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 Limited	Asset safeguarding and realisation strategy	Time costs

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

6. Conclusion of the Administration

6.1 The outcome of the administration

In accordance with the terms of the Proposals, as there are no further assets to be realised and no further distributions to be made, the Company will move from Administration to Dissolution. The Administration will come to an end on the date on which the notice is registered by Companies House, and the Company will be deemed to be dissolved three months thereafter.

6.2 Discharge

The Joint Administrators intend to seek their discharge from liability by resolution of the secured and preferential creditors. Assuming their discharge is approved, it will be effective from the date on which notice of the end of the Administration is registered at Companies House.

Should you have any questions regarding this report or the administration more generally, 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 UK General Data Protection Regulation (as incorporated in the Data Protection Act 2018), 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 Administrators' 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.

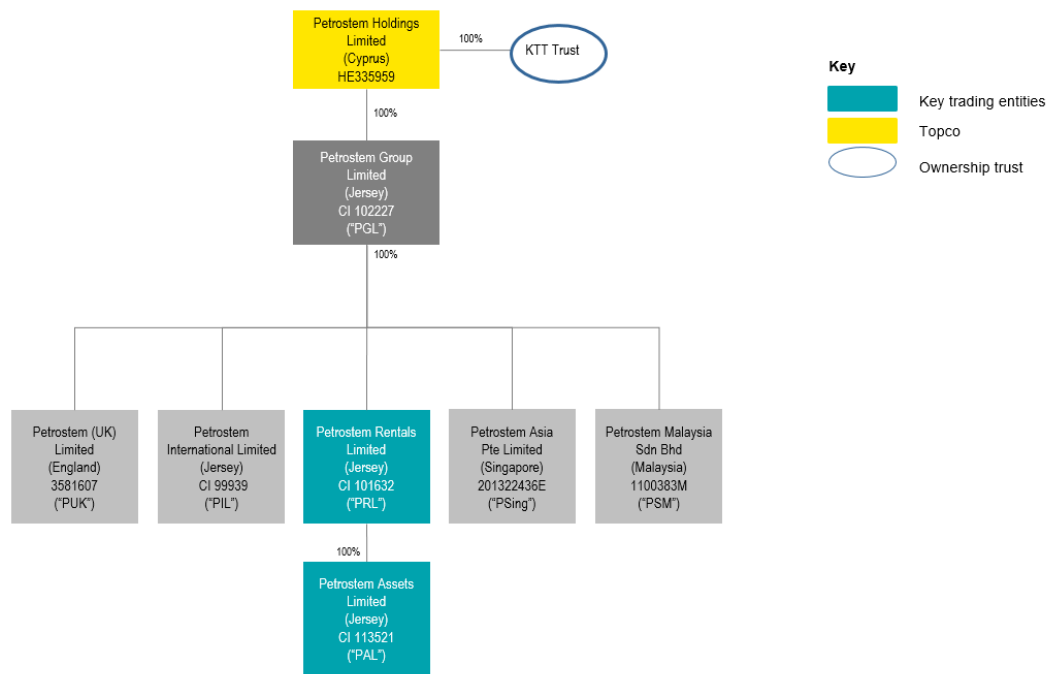
Share capital

Class	Authorised		Issued and fully paid	
	Number	£000	Number	£000
Ordinary (£1)	16,000	16,000	16,000	16,000

Directors and their shareholdings

Name	Director or Secretary	Date appointed	Date resigned	Current shareholding
Richard Gordon Morrice	Director	24 January 2005	-	-
Julian Charles Tyacke	Director	28 February 2018	-	-
Peter Duthie	Director	27 November 2014	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 19 August 2022

Estimated to realise as per Directors' Statement of Affairs US\$	Period 29 August 2018 to 28 February 2022	Period 1 March 2022 to 19 August 2022	Total Period 29 August 2018 to 19 August 2022
Receipts			
- Cash at Bank	-		-
672 Cash in Hand - petty cash	672		672
200,000 Stock and rental equipment	444,976		444,976
Other fixed assets	7,800		7,800
42,274 Pre-appointment debtor collections	265,134		265,134
- Accrued income	210,220		210,220
46,696 VAT receivable	42,446		42,446
- Bank interest received	1,317	8	1,325
- Interaccount transfers	201,527		201,527
- Trading surplus / (deficit) (see separate account)	145,127		145,127
289,642	1,319,220	8	1,319,228
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	15,588		15,588
Utilities	16,250		16,250
Joint Administrators' fees	425,000		425,000
Joint Administrators' disbursements	5,617		5,617
Agents' fees and expenses	41,394		41,394
Legal fees	21,487		21,487
IT	7,607		7,607
Insurance	28,418		28,418
Sundry expenses	163		163
Public notices	360		360
Storage	89	117	206
Bank charges and interest	464	72	536
Preferential creditors	7,301	1,143	8,444
Prescribed Part Distribution	-	95,813	95,813
Interaccount transfers	201,702		201,702
VAT Payments	-		-
Corporation tax	-	4	4
Distribution to Secured Creditor - Bank of Scotland plc	200,000	162,790	362,790
Exchange Rate Loss / (Gain)	(12,210)	2,836	(9,374)
	1,056,453	262,775	1,319,228
Net Receipts / (Payments) for the period	262,767	(262,767)	-
Represented by:			
Cash in hand			
Bank balances as at end of each period			
Royal Bank of Scotland	230,645		-
VAT receivable / (payable)	32,122		-
	262,767		-

Summary of the Joint Administrators' trading account for the period from 29 August 2018 to 19 August 2022

	Period 29 August 2018 to 28 February 2022	Period 1 March 2022 to 19 August 2022	Total Period 29 August 2018 to 19 August 2022
Trading receipts			
Post-appointment trading income	277,267		277,267
	277,267	-	277,267
Trading payments			
Equipment rental	123,339		123,339
Equipment storage and repairs	8,800		8,800
	132,139	-	132,139
Trading surplus / (deficit)	145,127	-	145,127

Notes

1. Certain payments have been apportioned 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).
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 19 August 2022

Expenses paid 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 19 August 2022	Outstanding	Total
Sub-rental costs	95,000	123,339	Nil	123,339
Inspection and repair costs	25,000	8,800	Nil	8,800
Employee costs	75,000	97,223	Nil	97,223
Employee expenses	1,500	Nil	Nil	Nil
Software license	3,500	7,607	Nil	7,607
Rent	46,500	15,588	Nil	15,588
Utility charges	13,000	16,250	Nil	16,250
Agents' fees	57,500	41,394	Nil	41,394
Legal fees	20,000	21,487	Nil	21,487
Storage	1,000	206	Nil	206
Insurance	52,500	28,418	Nil	28,418
Statutory costs	2,000	523	Nil	523
Bank charges exchange rate gain	500	(8,838)	Nil	(8,838)
Corporation tax	2,000	4	Nil	4
Total	395,000	352,001	Nil	352,001

Category 1 disbursements (see Note 2)

\$	Estimate Dated 19 October 2018	Paid to Date	Outstanding	Total
Accommodation and subsistence	2,500	2,201	Nil	2,201
Travel costs (excl. mileage)	4,000	3,075	Nil	3,075
Specific Bond	210	273	Nil	273
Postage and printing	500	68	Nil	68
Total	7,210	5,617	Nil	5,617

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. Expenses fall into two categories – Category 1 and Category 2.
 - Category 1 expenses are payments to independent third parties where there is specific expenditure directly referable to the appointment
 - Category 2 expenses are expenses which are directly referable to the appointment but not a payment to an independent third party. They may include shared and allocated costs.

Exceeding estimates of remuneration and expenses

As required by the Rules, the Proposals included the Joint Administrators' estimate of remuneration 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 1 March 2022 to 30 June 2022 and cumulative from 29 August 2018 to 30 June 2022

Joint Administrators' time costs for the period from 1 March 2022 to 30 June 2022

	Staff Grade							Total Hours	Total Cost £	Average Rate £
	Partner	Associate Partner	Director	Assistant Director	Manager	Executive	Analyst			
Accounting and Administration	-	0.4	1.0	-	-	13.8	5.7	20.9	7,076.00	338.6
Bank & Statutory Reporting	2.0	-	2.8	25.9	-	2.7	4.2	37.6	20,791.50	553.0
Creditors (Mandatory)	-	-	1.8	15.6	-	4.4	-	21.8	12,026.00	551.7
Employee Matters	-	-	-	0.3	-	4.2	-	4.5	1,668.00	370.7
Job Acceptance & Strategy (M)	-	-	0.8	-	-	-	-	0.8	560.00	700.0
VAT & Taxation	-	-	-	3.9	-	11.3	-	15.2	6,312.50	415.3
Total Hours	2.0	0.4	6.4	45.7	-	36.4	9.9	100.8		
Time Costs (\$)	1,710.00	280.00	4,480.00	26,963.00	-	12,922.00	2,079.00		48,434.00	
Average Hourly Rate (\$)	855.0	700.0	700.0	590.0	-	355.0	210.0		480.5	

Joint Administrators' cumulative time costs for the period from 29 August 2018 to 30 June 2022

	Staff Grade							Total Hours	Total Cost \$	Average Rate \$
	Partner	Associate Partner	Director	Assistant Director	Manager	Executive	Analyst			
Accounting and Administration	2.5	0.8	6.3	109.7	35.9	163.9	73.9	393.0	162,755.50	414.1
Bank & Statutory Reporting	28.5	-	31.2	204.9	1.0	8.2	28.5	302.3	176,484.50	583.8
Creditors (Mandatory)	8.5	-	9.1	61.2	14.5	58.4	3.8	155.5	78,380.50	504.1
Debtors	-	-	0.1	8.7	46.5	24.5	0.3	80.1	36,748.50	458.8
Employee Matters	-	-	2.4	1.9	3.2	28.7	-	36.2	14,557.50	402.1
Immediate Tasks	0.5	-	2.7	-	-	38.0	-	41.2	15,808.00	383.7
Investigation/CDDA (Mandatory)	28.0	-	9.3	8.9	2.5	13.5	-	62.2	41,718.50	670.7
Job Acceptance & Strategy (IV)	-	-	3.2	-	-	-	-	3.2	2,240.00	700.0
Legal Issues	1.5	-	-	0.2	-	-	-	1.7	1,400.50	823.8
Other Assets (Mandatory)	0.5	-	4.1	-	-	-	-	4.6	3,298.00	717.0
Other Matters	-	-	10.9	8.9	14.0	-	-	33.8	19,741.00	584.1
Property	-	-	-	-	1.0	-	0.6	1.6	616.00	385.0
Statutory Duties	0.5	-	3.1	29.1	9.0	41.4	2.9	86.0	39,482.00	459.1
Stock and Fixed Assets	1.5	-	5.8	3.0	94.3	16.0	-	120.6	59,119.50	490.2
Trading (Mandatory)	1.5	-	1.1	45.6	11.0	-	5.3	64.5	35,459.50	549.8
VAT & Taxation	-	-	-	47.1	5.8	18.6	4.1	75.6	37,757.50	499.4
Total Hours	73.5	0.8	89.3	529.2	238.7	411.2	119.4	1,462.1		
Time Costs (\$)	62,842.50	560.00	62,510.00	312,228.00	116,963.00	145,809.50	24,654.00		725,567.00	
Average Hourly Rate (\$)	855.0	700.0	700.0	590.0	490.0	354.6	206.5		496.2	
Category 1 Expenses (\$)	5,623.00									
Category 2 Expenses (\$)	-									
	5,623.00									
Note: Time is charged in 6 minute intervals										

Appendix F Joint Administrators' time costs for the period from 29 August 2018 to 30 June 2022 and a comparison with the fee estimate dated November 2019

	Per Fees Estimates			Actuals in this period			Total Actual to Date		
	Total Hours	Total Cost	Average Rate	Total Hours	Total Cost	Average Rate	Total Hours	Total Cost	Average Rate
Accounting and Administration	150.0	53,368.00	356	20.9	7,076.00	339	393.0	162,755.50	414
Bank & Statutory Reporting	95.0	52,250.00	550	37.6	20,791.50	553	302.3	176,484.50	584
Creditors (Mandatory)	80.0	29,686.00	371	21.8	12,026.00	552	155.5	78,380.50	504
Debtors	80.0	34,800.00	435	-	-	-	80.1	36,748.50	459
Employee Matters	28.0	12,429.00	444	4.5	1,668.00	371	36.2	14,557.50	402
Immediate Tasks	42.2	16,163.00	383	-	-	-	41.2	15,808.00	384
Investigation/CDDA (Mandatory)	57.0	28,053.00	492	-	-	-	62.2	41,718.50	671
Job Acceptance & Strategy (M)	-	-	-	0.8	560.00	700	3.2	2,240.00	700
Legal Issues	-	-	-	-	-	-	1.7	1,400.50	824
Other Assets (Mandatory)	10.5	6,878.00	655	-	-	-	4.6	3,298.00	717
Other Matters	47.5	31,160.00	656	-	-	-	33.8	19,741.00	584
Property	4.0	2,260.00	565	-	-	-	1.6	616.00	385
Statutory Duties	70.0	33,568.00	480	-	-	-	86.0	39,482.0	459
Stock and Fixed Assets	82.0	44,428.00	542	-	-	-	120.6	59,119.5	490
Trading (Mandatory)	40.0	18,900.00	473	-	-	-	64.5	35,459.5	550
VAT & Taxation	127.0	61,204.00	482	-	-	-	75.6	37,757.5	499
Sale of Assets	-	-	-	15.2	6,312.50	415	-	-	-
Total	913.2	425,147.00	466	100.8	48,434.00	480	1,462.1	725,567.00	496

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 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 expenses 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 expenses

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

Category 1 expenses are defined as specific expenditure relating to the administration of the insolvent's affairs and referable to payment to an independent third party. Such expenses 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 expenses 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 expenses drawn.

Category 2 expenses 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 expenses are subject to approval as if they were remuneration. It is our policy, in line with the Statement, to seek approval for Category 2 expenses before they are drawn.

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

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