

The Insolvency Act 1986

**Statement of administrator's proposals****2.17B**

Name of Company Petroplus Refining Teesside Limited	Company Number 00814156
In the High Court of Justice, Chancery Division Companies Court (full name of court)	Court case number 685 of 2012

(a) Insert full name(s) and address(es) of administrator(s)

We (a) Steven Anthony Pearson and Ian David Green of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT and of PricewaterhouseCoopers LLP, Benson House 33 Wellington Street, Leeds, LS1 4JP respectively

attach a copy of our proposals in respect of the administration of the above company

\* Delete as applicable

A copy of these proposals were made available to all known creditors under section 246B of the Insolvency Act 1986 and Rule 12A 13 of the Insolvency Rules 1986 on

(b) Insert date

(b) 15 March 2012

Signed

Joint Administrator

Dated

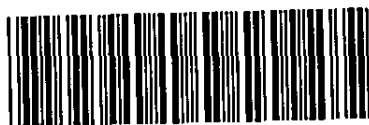
02.04.2012

**Contact Details:**

You do not have to give any contact information in the box opposite but if you do it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record.

Jennifer Allen	
PricewaterhouseCoopers LLP 7 More London Riverside, London SE1 2RT	
	Tel 0207 804 8820
DX Number	DX Exchange

WEDNESDAY



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COMPANIES HOUSE

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***Petroplus Refining  
Teesside Limited (in  
Administration)***

*Joint Administrators'  
proposals for achieving  
the purpose of the  
Administration*

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*15 March 2012*



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*Steven Anthony Pearson and Ian David Green have been appointed as Joint Administrators of Petroplus Refining Teesside Limited to manage its affairs, business and property as its agents and without personal liability. Both are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.*

## Section 1. Purpose of this document

### Introduction

Together with my partner Steven Anthony Pearson, I was appointed as Joint Administrator ("the Administrators") of Petroplus Refining Teesside Limited ("the Company" or "PRTL") by order of the High Court of Justice on 24 January 2012

The Administrators were appointed to manage the affairs, business and property of the Company and will act until such time as the proposals for achieving the purpose of the Administration have been agreed by creditors and implemented, following which the Administration will end

The purpose of the Administration is 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)

This document and its appendices form the Administrators' statement of proposals for achieving the purpose of the Administration as required by Paragraph 49 Schedule B1 of the Insolvency Act 1986 ("Sch B1 IA86")

### Creditors' meeting

A creditors' meeting will be held on 2 April 2012 at 11am, at the Company's premises at Petroplus House, St Mark's Court, Teesdale, Stockton on Tees, Cleveland TS17 6QW to consider these proposals and to decide whether a creditors' committee should be formed

Formal notice of the meeting, Form 2 20B, has been posted to all known creditors. **Creditors will be bound by our proposals if they are approved at the creditors' meeting by the requisite majority of creditors. It is therefore important that you read this document carefully.**

You may put forward any modifications that you wish to see incorporated into the proposals and make your views known on whether they should be accepted

As a creditor, you can attend the creditors' meeting either in person or by submitting a proxy. Please submit details of your claim on the form provided as soon as possible. **The claim is for voting purposes only and is NOT for submitting a claim against the Company for dividend purposes.** Creditors will be given the opportunity to prove their claims for dividend purposes in due course

For further guidance regarding the meeting of creditors, you should refer to the common questions and answers at Appendix E. In order to vote (either in person or by proxy) we must receive written details of your claim **no later than 12.00 noon on 30 March 2012**

Please note that you are not obliged to attend the meeting or submit a proxy if you do not wish to vote. You will not prejudice your claim and entitlement to a dividend, should there be one, if you do not attend or vote

If you have any concerns or questions regarding what is being proposed, please contact the creditors' helpline on +44 (0)20 7804 5900

### Future reports

We will report to creditors at six monthly intervals. The first such report will be circulated in August 2012

Signed



**Ian David Green**  
Joint Administrator  
Petroplus Refining Teesside Limited  
(in Administration)

## Section 2. The circumstances giving rise to the Administrators' appointment

### Background Information

The Company is a subsidiary of Petroplus Refining & Marketing Limited ("PRML") Its ultimate holding company is Petroplus Holdings AG ("PHAG"), a company which is listed on the Swiss Stock Exchange ("SIX")

In 2000, the Company acquired the refinery business of Phillips Imperial Petroleum Limited at Seal Sands, Teesside It operated from an administrative site in Stockton on Tees and the former refinery at Seal Sands, which now serves as a petrochemical storage and distribution facility for refined petroleum products from Petroplus Marketing AG ("PMAG") and third parties, employing 64 people as at 24 January 2012

### Funding and operational position of the Company

Trading was funded through PMAG, via group-wide credit facilities, for which PRTL was one of the subsidiaries to provide joint and several guarantees, supported by a fixed and floating charge over the Company's assets

The Company was operationally and financially dependent upon PMAG, which operated a centralised treasury facility, with daily cash sweeps of its subsidiaries' accounts and centralised control over payments to third parties

### Financial position of the Petroplus group of companies

Since 2008, the Petroplus group of companies (the "Group") reported substantial losses in its publicly available accounts

In December 2011 PHAG suffered the withdrawal of certain of its uncommitted credit lines, totalling approximately \$1 billion PHAG sought to restructure and extend its credit facilities but was ultimately unable to do so

On 23 January 2012, the funders of PMAG withdrew credit facilities and appointed a receiver over PMAG This action crystallised the guarantee from PRTL in respect of the liabilities of PMAG

Since PMAG was unable to continue to fund the Company's operations, PRTL was insolvent and its directors resolved to petition for the administration of the Company

On 24 January 2012, Steven Anthony Pearson and Ian David Green were appointed as Joint Administrators of PRTL Steven Anthony Pearson and Stephen Oldfield were appointed Joint Administrators over PRML on the same date On 25 January 2012, PMAG filed for insolvency protection in the Swiss Courts

### Financial information of the Company

Attached at Appendix A are extracts from the Company's audited financial statements We have requested a Statement of Affairs from the directors and have granted them an extension of time for its preparation

The statutory accounts indicate that the Company generated profits of \$8.7m in 2010 and a loss of \$26.6m in 2009

Also attached at Appendix A are balance sheets for 2010 and 2009 These disclose that the principal assets of the Company are plant and machinery, stock and debtors, the latter including a debt due from PMAG of \$30.1m (\$366.6m gross)

The Company's records show that, as at the date of appointment, unsecured claims are in the region of £60.7m (\$95.3m), before intercompany balances and any provision for claims for environmental clean-up costs that may crystallise should the site be vacated

### Issues considered by the Administrators prior to accepting the appointment

- Following the withdrawal of credit lines in PHAG, deliveries to the Company ceased, as a result of which stocks were running low,
- The Company's operations are subject to significant health and safety regulation The operational risk of running the Company's facility is exceptionally high and falls under the UK Control of Major Accident Hazards (COMAH) regime
- Various insurances critical to the Company were held by PMAG and terminated on insolvency
- It was established that the Company did have sufficient realisable stocks to sustain the business in the short term, whilst the

## **Section 2.        The circumstances giving rise to the Administrators' appointment**

Administrators of PRML sought to obtain supplies of crude that could generate further product for distribution by the Company,

- We therefore formed the opinion that we should realise stock, whilst seeking a sale of the business and assets, pending the outcome of PRML's efforts to obtain supplies of crude

### **Actions taken to address these issues**

In the days prior to the appointment of Administrators, the directors and the then proposed Administrators took appropriate steps to address these issues, with a view to ensuring that the Company could continue to trade, including

- Undertaking a rapid health and safety assessment and forming a view on compliance,
- Arranging funding to ensure essential health and safety costs could be met,
- Developing a "day one" communication plan, including liaison with the Department of Energy and Climate Change ("DECC"),
- Reviewing the operational and financial risks in continuing operations for a short period in administration,
- Assessing the costs of implementing a safe closure of the site, including the safe evacuation of all stock, and
- Maintaining the support of the customer base

These actions allowed the Company to continue operations in the short term

## Section 3. The manner in which the Company's affairs and business have been managed and financed

### Administrators' progress to date

We set out below a summary of our progress in realising the principal assets of the Company

#### Debtors (securitised and non-securitised)

Debts of £66.0m (\$103m) have been collected in respect of debts with a book value of £72.8m (\$114.3m) on appointment

#### Inter-company debt due from PMAG

The above debtor balances exclude inter-company debts owed by PMAG of \$366.6m (gross) and PRML of \$391m (gross), where recovery is currently uncertain

#### Cash at bank

Cash held by Commerzbank at the date of appointment was £22.0m (\$34.5m). This was subject to a securitisation agreement with Idilias SPA Inc ("Idilias") and was offset against the balance outstanding

#### Plant and machinery at Seal Sands

The Company owns and operates a petrochemical storage and distribution facility with a total of 36 tanks and a combined storage capacity of 600,587m<sup>3</sup>. Plant and machinery had a book value at 31 December 2011 of \$14.7m

#### Stocks

The Company held stocks in storage tanks at the premises at Seal Sands and a number of rented storage depots across the UK

As at 24 January 2011, stock owned by PRTL totalled \$5.5m (including duty), of which \$5.4m has been sold for which cash of £2.9m (\$4.5m) has been received to date. All the heels in these tanks are owned by PMAG

Following the Administration, PRML had insufficient funds to purchase and independently process crude to generate stock for PRTL, resulting in the need to wind down operations at Teesside. As a result, 26 employees were made redundant on 28 February 2012, following the closure of the administrative office at Stockton on Tees

A total of 14 staff have been retained to assist the Administrators with operations, including the realisation of remaining stock and debtors, and bringing the accounting records up to date, whilst a sale of the business and assets of the Seal Sands storage facility is pursued

### Dividend prospects

#### Secured Creditor

Certain specific debts of the Company were subject to a securitisation agreement with Idilias. The amount outstanding under this agreement as at the date of appointment was £35.3m (\$55.4m). This facility has been fully repaid from pledged debtor receipts since the date of appointment

ING Bank N V ("ING"), as security agent for the banking syndicate, holds a floating charge dated 16 October 2009, supported by cross-guarantees from certain companies within the Group, including from PRTL. Recoveries for ING are therefore dependent upon the validity of the charge and realisations from the guarantor companies

#### Preferential Creditors

The preferential claims of employees for any arrears of wages, subject to statutory limits, and unpaid holiday pay will be paid in full, as soon as practicable

#### Unsecured Creditors

Given the complex nature of the cross-guarantee structure across the Group, the Administrators are not yet able to determine whether there will be a dividend to the unsecured creditors of the Company, other than by virtue of the Prescribed Part

The availability and quantum of any dividend will depend upon amounts payable by PRTL to ING under the cross-guarantee. This in turn will be determined by the level of recoveries by ING from other guarantor companies in the Group, which are subject to individual insolvency proceedings in their respective jurisdictions

Determining the Company's ultimate liability under the cross-guarantee is likely to take a significant period of time. We caution unsecured creditors that there is a real risk that other than the amounts relating to the Prescribed Part the prospect for dividend are poor

#### Prescribed part

Amounts available for distribution to unsecured creditors under the Prescribed Part will be capped at the statutory maximum value of £600,000

Section 3.	The manner in which the Company's affairs and business have been managed and financed
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### **Connected party transactions**

To the best of the Administrators' knowledge, there were no transactions in the two years prior to the Administration between the Company and its directors or any other connected party, other than in the ordinary course of business

### **Ending the Administration**

The Administrators currently wish to retain all of the options available to them to bring the Administration to a conclusion in due course. At this early stage it is inappropriate to determine the most likely exit



## Section 4. Proposals for achieving the purpose of the Administration

**The Administrators make the following proposals for achieving the purpose of administration. These are the proposals on which creditors will be invited to vote upon at the creditors' meeting:**

- i) The Administrators will continue to manage and finance the Company's business, affairs and property from trading revenues, asset realisations, or external funding in such manner as they consider expedient with a view to rescuing the Company as a going concern or achieving 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)
- ii) The Administrators may investigate and, if appropriate, pursue any claims that the Company may have under the Companies Act 1985 or the Insolvency Act 1986 ("IA86") or otherwise. In addition, the Administrators shall do all such other things and generally exercise all their powers as Administrators as they in their discretion consider desirable in order to achieve the purpose of the Administration or to protect and preserve the assets of the Company or to maximise their realisations or for any other purpose incidental to these proposals
- iii) If the Administrators think that funds will become available for unsecured creditors, the Administrators may at their discretion establish in principle the claims of unsecured creditors for adjudication by a subsequent liquidator or supervisor of a company voluntary arrangement or scheme of arrangement and that the costs of so doing be met as a cost of the Administration as part of the Administrators' remuneration
- iv) A creditors' committee will be established if sufficient creditors are willing to act on it. The Administrators propose to seek the election of a creditors' committee and to consult with it from time to time. Where the Administrators consider it appropriate, they will seek sanction from the committee to a proposed action rather than convening a meeting of all creditors. Creditors acting on the committee will be required to agree to restrictive terms in dealing in the Company's debts
- v) The Administrators will consult with the creditors' committee concerning the necessary steps to extend the Administration beyond the statutory duration of one year, if an extension is considered advantageous. The Administrators shall either apply to the court or seek consent from the appropriate classes of creditors for an extension
- vi) The Administrators may use any or a combination of "exit route" strategies in order to bring the Administration to an end. The Administrators will pursue one of the following options depending upon the outcome for creditors
  - The Administrators will apply to court under Paragraph 79 Sch B1 IA86 for the Administration Order to cease to have effect from a specified time and for control of the Company to be returned to the directors,
  - The Administrators will formulate a proposal for either a company voluntary arrangement ("CVA") or a scheme of arrangement and put it to meetings of the Company's creditors, shareholders or the court for approval as appropriate. If either of these options is approved, the Administration will be brought to an end either by an application to Court under Paragraph 79 Sch B1 IA86, or by notice to the Registrar of Companies on completion of the Administration under Paragraph 84 Sch. B1 IA86 following registration of which the Company will be dissolved three months later,
  - The Administrators will place the Company into creditors' voluntary liquidation. In these circumstances, it is proposed that Steven Anthony Pearson and Ian David Green be appointed as Joint Liquidators and any act required or authorised to be done by the Joint Liquidators may be done by either or both of them. In accordance with Paragraph 83(7) Sch B1 IA86 and Rule 2.117A(2)(b) of the Insolvency Rules 1986, creditors

## Section 4. Proposals for achieving the purpose of the Administration

may nominate alternative liquidators, provided that the nomination is made before the proposals are approved, or

- The Administrators will apply to the Court to allow the Administrators to distribute surplus funds, if any, to unsecured non-preferential creditors. If such permission is given, the Administration will be brought to an end by notice to the Registrar of Companies under Paragraph 84 Sch B1 IA86, following registration of which the Company will be dissolved three months later. If permission is not granted the Administrators will place the Company into creditors' voluntary liquidation or otherwise act in accordance with any order of the Court,
- The Administrators will file a notice under Paragraph 84(1) Sch B1 IA86 with the Registrar of Companies for dissolution or apply to court under Paragraph 79 Sch B1 for the Administration to be ended and for the Company to be placed into compulsory liquidation

- vii) The Administrators shall be discharged from liability pursuant to Paragraph 98(1) Sch B1 IA86 in respect of any action of theirs as Administrators at a time determined by the court
- viii) It is proposed that the Administrators' fees be fixed under Rule 2.106 of the Insolvency Rules 1986 by reference to the time properly given by the Administrators and the various grades of their staff according to their firm's usual charge out rates for work of this nature and that disbursements for services provided by the Administrators' own firm (defined as Category 2 disbursements in Statement of Insolvency Practice No 9) be charged in accordance with the Administrators' firm's policy as set out in Appendix D. It will be for the creditors' committee to fix the basis and level of the Administrators' fees and Category 2 disbursements but if no committee is appointed, it will be for the general body of creditors to determine these instead

### **Creditors will be asked to vote upon the following matters at the initial meeting of creditors:**

- The approval of the Administrators' proposals for achieving the purpose of administration as detailed in (i) to (ix) above,
- The formation of a creditors' committee,
- If a creditors' committee is not formed, the approval for payment of the unpaid pre-Administration costs, and
- If a creditors' committee is not formed, the basis and level of the Administrators' fees and Category 2 disbursements

## Section 5. Financial position

### Statement of Affairs

The directors were due to provide a statement of affairs for the Company by 1 March 2012. In view of the significant input required of the directors to safeguard the business post-Administration, they have been granted an extension to 30 March 2012. Once received, the Statement of Affairs will be filed at Companies House and we intend to make a copy available for creditors at <http://www.pwc.co.uk/petroplus>. We note that the statement may be redacted if we consider that disclosure would be adverse to the interests of creditors.

The Administrators are aware that, where a statement of affairs has not been provided by the directors, Rule 2.33(2)(j) requires details of PRTL's estimated financial position to be given at the latest practicable date. The information available from PRTL's accounting team is:

- (i) Estimated financial information as at 31 December 2011, and
- (ii) A statement of PRTL's creditors as at the appointment of the Administrators.

PRTL continues to work on updating its accounts.

A schedule of the known creditors' names, addresses and debts is available on the above website. Creditors should note that as the Company has not yet completed updating its ledgers to the date of appointment, the balances stated may be revised. Creditors will be required to prove their claims in due course.

In the absence of the directors' statement of affairs, we set out opposite the estimated unaudited financial position of the Company as at 31 December 2011, being the latest practicable date for which information is available, with assets stated at their book value, rather than realisable value. This information has been derived from the Company's records.

The Administrators have not carried out anything in the nature of an audit on this information and the figures do not take into account the costs of the Administration.

***We caution that actual levels of asset recoveries and claims against the Company may differ materially from the amounts included in the statement opposite.***

<b>Book Value*</b>		
<b>31/12/11</b>	<b>£m</b>	<b>\$m</b>
Fixed assets	9.4	14.7
Debtors	76.9	119.5
Intercompany loans	209.4	369.5
Stocks	3.8	5.9
Other assets	0.1	0.1
Cash at Bank	67.3	105.7
<b>Total assets</b>	<b>366.8</b>	<b>615.4</b>
Idilhas Inc	36.3	97.7
Trade creditors	4.9	7.6
Other creditors	70.8	87.7
Intercompany loans	224.4	352.2
<b>Total liabilities</b>	<b>336.3</b>	<b>545.2</b>
* unaudited		

#### **Note:**

The exchange rate used throughout this report is £1 \$1.57.

## Section 6. Statutory and other information

Court details for the Administration	High Court of Justice, Chancery Division, Companies Court, Number 685 of 2012
Full and trading name	Petroplus Refining Teesside Limited
Registered number	00814156
Registered address	Petroplus House, St Mark's Court, Teesdale, Stockton on Tees, TS17 6QW
Company directors	Mr Joseph Dunlap Watson and Mr Jonathan Peter Barden
Company secretary	Ms Angela Lesley Helen Graham
Shareholdings held by directors / secretary	None
Date of the Administration appointment	24 January 2012
Administrators' names and addresses	Steven Anthony Pearson and Ian David Green of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT and Benson House 33 Wellington Street LS1 4JP respectively
Applicant's name and address	Mr Jonathan Peter Barden and Mr Joseph Dunlap Watson of Petroplus Refining Teesside Limited, Petroplus House, St Mark's Court, Teesdale, Stockton on Tees, TS17 6QW
Objective being pursued by the Administrators	Achieving a better result for the Company's creditors as a whole than would likely if the Company were wound up (without first being in Administration)
Division of the Administrators' responsibilities	In relation to paragraph 100(2) Sch B1 IA86, during the period for which the Administration Order is in force, all or any of the functions to be exercised by the persons appointed as Administrator may be done by all or any one or more of the Administrators appointed or any of the persons for the time being holding that office.
Proposed end of the Administration	Uncertain
Estimated dividend for unsecured creditors	Uncertain
Estimated values of the prescribed part and the company's net property	Amounts available for distribution to unsecured creditors under the Prescribed Part will be capped at the statutory maximum value of £600,000
Whether and why the Administrators intend to apply to court under section 176A(5) IA86	The Administrators do not at this stage intend to waive the application of the Prescribed Part Order 2003
The European Regulation on Insolvency Proceedings (Council Regulation(EC) No 1346/2000 of 29 May 2000)	The European Regulation on Insolvency Proceedings applies to this Administration and the proceedings are main proceedings

## Appendix A      Recent financial information

### Profit and loss accounts

	Year ended 31 December 2010 (Audited) \$000	Year ended 31 December 2009 (Audited) \$000
Turnover	1,802,909	1,217,888
Cost of sales	<u>(1,752,736)</u>	<u>(1,131,972)</u>
<b>Gross Profit</b>	50,173	85,916
Administrative expenses	(14,111)	(11,869)
Distribution expenses	(29,045)	(30,030)
<b>Operating Profit</b>	<u>7,017</u>	<u>44,017</u>
Other finance income / (expense), net	1,744	(70,635)
<b>Profit on ordinary activities before taxation</b>	<u>8,761</u>	<u>(26,618)</u> <sup>1</sup>

**1:** The loss for the year ended 2009 includes exceptional charges of \$71.1 million on discontinued refinery business

Source: Published statutory accounts year ended 31 December 2010

## Appendix A      Recent financial information

### Balance sheets

	As at 31 December 2010 \$000	As at 31 December 2009 \$000
<b>Fixed assets</b>		
Tangible fixed assets	16,563	19,369
	<u>16,563</u>	<u>19,369</u>
<b>Current assets</b>		
Stock	29,036	13,188
Debtors	200,661	152,270
Deferred tax, due after one year	-	2,047
	<u>229,697</u>	<u>167,505</u>
Cash at bank and in hand	1	29
	<u>229,698</u>	<u>167,534</u>
<b>Creditors</b>		
Bank overdrafts		
Creditors amounts falling due within one year	<u>(173,121)</u>	<u>(93,118)</u>
<b>Net current assets</b>	<u>56,577</u>	<u>74,416</u>
<b>Total assets less current liabilities</b>	73,140	93,785
<b>Provision for liabilities and charges</b>		
Restructuring provision	(1,142)	(15,060)
Deferred taxation	(26)	-
<b>Pension surplus / (deficiency)</b>	847	(3,944)
<b>Net Assets</b>	<u><u>72,819</u></u>	<u><u>74,781</u></u>

Source Published statutory accounts year ended 31 December 2010

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## Appendix B      Pre-Administration costs

Legal fees and expenses of £5,028 were incurred by Clifford Chance LLP prior to the appointment of Administrators but with a view to the Company entering into Administration

These unpaid costs comprise the work undertaken in preparing and reviewing the Directors' witness statements in support of their application to Court. The Court ordered that these pre-Administration costs be paid as an expense of the Administration, but payment will be confirmed in accordance with Rule 2.67A of the Insolvency Rules 1986.

The payment of unpaid pre-Administration costs as an expense of the Administration is not part of the proposals subject to approval under paragraph 53 of Sch B1 IA86.

## Appendix C      The Administrators' charging and disbursements recovery policy

### Overview of the Administrators' strategy and objectives

Steven Anthony Pearson and Ian David Green were appointed Administrators of the Company on 24 January 2012, with the objective of achieving 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 stated earlier in the proposals, the Administrators maintained operations at the Teesside depot for the short term and have recovered book debts totalling £66 om (\$103m), enabling them to repay the secured creditor in full. Operations are continuing at a reduced level whilst the Administrators pursue a sale of the business and assets of the Company

### Summary of legal and other professional firms

The Administrators have, as at the date of this report, instructed the following professionals

Service provided	Name of firm	Reason selected	Basis of fees
Legal advice	SNR Denton LLP	Industry and insolvency expertise	Time costs
Legal advice	Linklaters LLP	Industry and insolvency expertise	Time costs

The Administrators require all third party professionals to submit time costs analyses and narratives in support of invoices rendered. The Administrators receive weekly time cost reports from the lawyers which are subject to a detailed review and comparison to budgets. Other professionals employed by the Administrators will be subject to the same level of review.

### Office holder's charging and disbursement policy

The time charged to the Administration is by reference to the time properly given by the Administrators and their staff in attending to matters arising.

It is the Administrators' policy to delegate tasks in the Administration to appropriate members of staff considering their level of experience and any requisite specialist knowledge, supervised accordingly, so as to maximise the cost effectiveness of the work performed. Matters of particular complexity or significance requiring more exceptional responsibility are dealt with by senior staff or the Administrators themselves.

### Hourly rates

Set out below are the relevant maximum charge-out rates per hour worked for the grades of the Administrators' staff actually or likely to be involved on this assignment. Time is charged by reference to actual work carried out on the assignment. There has been no allocation of any general costs or overhead costs.

Grade	Rate per hour £
Partner	730
Director	641
Senior Manager	494
Manager	415
Senior associate - qualified	347
Senior associate - unqualified	257
Associate	221
Support staff	110



## Appendix C      The Administrators' charging and disbursements recovery policy

Specialist departments within the Administrators' firm such as Tax, VAT, Property and Pensions may charge a number of hours if and when the Administrators require their expert advice. Such specialists' rates do vary but the figures below provide an indication of the maximum rate per hour

Grade	Maximum rate per hour £
Partner	1,025
Director	1,035
Senior Manager	870
Manager	570
Senior associate	390
Associate	n/a
Support staff	n/a

In common with all professional firms, the scale rates used by the Administrators may periodically rise (for example to cover annual inflationary cost increases) over the period of the Administration. Any material amendments to these rates will be advised to the creditors and / or the creditors' committee in the next statutory report.

The Administrators' firm's expenses policy allows for all properly incurred expenses to be recharged to the case. Disbursements are charged to the assignment as follows -

### Disbursements for services provided by the Administrators' own firm (Category 2 disbursements)

<b>Photocopying</b>	At 4 pence per sheet copied, only charged for circulars to creditors and other bulk copying
<b>Mileage</b>	At a maximum of 67 pence per mile (up to 2,000cc) or 80 pence per mile (over 2,000cc)

The Administrators incurred the following Category 2 disbursements (excluding VAT) during the period from 24 January 2012 to 9 March 2012 -

Disbursements	£
Category 1	
Rail, taxi and other travel	2,446 55
Hotels/accommodation	4,821 16
Subsistence and incidentals	1,714 95
Telephone charges	130 56
Knowledge search fees	84 00
	<u>9,197 22</u>
Category 2	
Mileage	10,394 66
Photocopying	3 70
	<u>10,398 36</u>
Total disbursements	<u>19,595 58</u>

## **Appendix C      The Administrators' charging and disbursements recovery policy**

### **Narrative of work carried out for the period 24 January 2012 to 9 March 2012**

The key areas of work have been:

#### **Accounting and treasury**

- Setting up Administration bank accounts and dealing with the Company's pre-appointment accounts,
- Preparing and processing vouchers for the payment of post-appointment invoices,
- Creating remittances and sending payments to settle post-appointment invoices,
- Preparing payroll payments for retained staff, dealing with salary related queries and confirming payments with the employees' banks,
- Reviewing and processing employee expense requests,
- Reconciling post-appointment bank accounts to internal systems, and
- Ensuring compliance with appropriate risk management procedures in respect of receipts and payments

#### **Bank reporting**

- Providing written and oral updates to representatives of the Banking Syndicate regarding the progress of the Administration and case strategy

#### **Book debt realisations**

- Review of outstanding debtors and management of debt collection strategy,
- Liaison with Company credit control staff and communications with debtors,
- Seeking legal advice in relation to book debt collections, and
- Liaising with the Company's bankers regarding debtor recoveries

#### **Creditors (including retention of title)**

- Creating and updating list of unsecured creditors;
- Responding to enquiries from creditors regarding the Administration and submission of their claims,
- Reviewing completed forms submitted by creditors, recording claim amounts and maintaining claim records, and
- Dealing with suppliers with retention of title claims, including reviewing supporting documentation and arranging and carrying out stock inspection visits

#### **Employee matters**

- Dealing with queries from employees regarding various matters relating to the Administration and their employment,
- Dealing with statutory employment-related matters, including statutory notices to employees and making statutory submissions to the relevant government departments,
- Holding employee briefing meetings to update employees on progress in the Administration and the Administrators' strategy,
- Administering the Company's payroll, including associated taxation and other deductions, and preparing PAYE and NIC returns,
- Communication and correspondence with HM Revenue & Customs
- Dealing with issues arising from employee redundancies, including statutory notifications and liaising with the Redundancy Payments Office,
- Managing claims from employees, and
- Ensuring security of assets held by employees

## **Appendix C      The Administrators' charging and disbursements recovery policy**

### **Health and safety**

- Appointment of a health and safety specialist team to work with Company staff on all health and safety matters,
- Managing site health and safety issues and environmental issues, including ensuring that legal and licensing obligations are complied with, and
- Liaison with the Health and Safety Executive regarding the Administration and ongoing health and safety compliance

### **Insurance**

- Ensuring ongoing insurance cover for the Company's business and assets, including cover for the Company's employees,
- Liaising with the post-appointment insurance brokers to provide information, assess risks and ensure appropriate cover is in place, and
- Assessing the level of insurance premiums

### **Other assets**

- Collating information from the Company records regarding assets, with the assistance of company staff,
- Liaising with finance companies in respect of assets subject to finance agreements,
- Dealing with issues associated with the sale of stock, and
- Reviewing the inter-company debtor position between the Company and other members of the Petroplus group

### **Pensions**

- Collating information and reviewing the Company's pension schemes,
- Calculation of employee pension contributions and review of pre-appointment, unpaid contributions,
- Ensuring compliance with the Administrators' duties to issue statutory notices,
- Liaising with the trustees of the defined benefit pension scheme, the Pensions Regulator and the Pension Protection Fund concerning the changes caused to the pension scheme as a result of the Administrators' appointment,
- Ensuring death in service cover for employees remained in place, and
- Communicating with employee representatives concerning the effect of the Administration on pensions, and dealing with employee queries

### **Property matters**

- Review of the Company's freehold/leasehold property, including review of leases,
- Communications with landlords regarding rent, property occupation and other issues, and
- Performing land registry searches.

### **Sale of business**

- Planning the strategy for the sale of the business and assets, including instruction of and liaison with professional advisors,
- Seeking legal advice regarding a sale of the business, including regarding non-disclosure agreements,
- Collating relevant information and drafting information memorandum in relation to the sale of the Company's business and assets and advertising the business for sale,
- Dealing with queries from interested parties and managing the information flow to potential purchasers, including setting up a data room,
- Managing site visits with interested parties, fielding due diligence queries and maintaining a record of interested parties, and
- Sale negotiations in respect of the bitumen division

### **Statutory and compliance**

- Collating initial information to enable the Administrators' to carry out their statutory duties, including creditor information, details of assets and information relating to licenses,
- Initial statutory notifications of the Administrators' appointment to the Registrar of Companies, creditors and other stakeholders, and advertising the Administrators' appointment,
- Issuing regular press releases and posting information on a dedicated web page,
- Reviewing company and directorship searches and advising the directors of the affect of the Administration,
- Liaising with management to produce the Statement of Affairs, detailing the Company's assets and liabilities, and filing this document with the Registrar of Companies,
- Review of time cost data and producing analysis of time incurred which is compliant with Statement of Insolvency Practice 9,
- Drafting the Administrators' proposal document,
- Convening and preparing for the meeting of creditors, and
- Ensuring all statutory obligations are complied with within the relevant timescales

### **Strategy, planning and team management**

- Formulating, monitoring and reviewing the Administration strategy, including the decision to trade and meetings with internal and external parties to agree the same,
- Briefing of the Administrators' staff on the Administration strategy and matters in relation to various work-streams,
- Regular case management and review of progress, including regular team update meetings and calls,
- Meetings with management to review and update strategy and monitor progress,
- Review and authorisation by senior staff of junior staff correspondence and other work, dealing with queries arising during the appointment,
- Partner and manager review of matters affecting the outcome of the Administration;
- Allocation and management of staff / case resourcing, and budgeting exercises and reviews,
- Ongoing liaison with legal advisors regarding the various instructions, including agreeing content of engagement letters, and
- Compliance with internal filing and information recording practices, including documenting strategy decisions

### **Tax, VAT and duty**

- Gathering initial information from the Company's records in relation to the taxation position of the Company,
- Submission of relevant initial notifications to HM Revenue & Customs,
- Review of the Company's pre-appointment tax and VAT position,
- Analysis and consideration of tax effects of various sale options, tax planning for efficient use of tax assets and to maximise realisations,
- Initial work on tax returns relating to the periods affected by the Administration,
- Analysis of VAT related transactions;
- Review of the Company's duty position and ongoing monitoring of oil movements to ensure compliance with duty requirements, and
- Consideration of the tax impact of a sale of the business and assets

### **Trading**

- Preparation of cashflow statements to identify funding requirements and monitoring of cash position,
- Attending to supplier and customer queries and correspondence, including queries via the dedicated helpline,
- Raising, approving and monitoring purchase orders and setting up control systems for the 'trading cycle',

## Appendix C      The Administrators' charging and disbursements recovery policy

- Negotiations and direct contact with various suppliers as necessary to provide additional information and undertakings, including agreeing terms and conditions, in order to ensure continued support,
- Provision of petty cash on site and monitoring spend,
- Dealing with issues in relation to stock and other assets required for trading,
- Communication and negotiation with customers regarding ongoing supplies, including agreeing terms and conditions,
- Stock monitoring and reconciliations,
- Dealing with hauliers to ensure ongoing services, and
- Ensuring ongoing provision of emergency and other essential services to site

## Appendix C The Administrators' charging and disbursements recovery policy

### Summary of time costs incurred for the period 24 January 2012 to 9 March 2012

Work Type	Partner (Hrs)	Director (Hrs)	Senior Manager (Hrs)	Manager (Hrs)	Senior Associate (Hrs)	Associate/ Other (Hrs)	Total hours	Total cost (£)	Average rate (£/h)
Strategy, planning and team management	26 90	76 20	294 40	102 55	162 30	1 00	663 35	310,275 15	467 74
Trading	9 50	3 40	140 85	238 20	518 95	36 25	947 15	347,746 70	367 15
Book debt realisations	10 50	8 70	81 90	267 30	286 60	-	655 00	264,080 00	403 18
Employee matters	12 50	3 50	72 05	12 50	146 40	-	246 95	102,536 30	415 21
Sale of business	16 50	47 00	36 95	178 40	63 50	8 00	350 35	158,128 80	451 35
Pensions	3 30	15 80	74 30	9 50	1 15	14 85	118 90	68,608 15	577 02
Accounting and treasury	2 00	0 50	54 55	2 20	61 05	10 30	130 60	47,531 00	363 94
Statutory and compliance	3 10	1 50	30 20	53 80	52 20	9 70	150 50	58,162 40	386 46
Tax, VAT and duty	4 20	4 00	29 80	7 90	11 90	-	57 80	40,566 00	701 83
Creditors	3 50	-	1 45	6 00	17 60	39 50	68 05	20,088 20	295 20
Health and safety	-	-	12 30	-	66 80	11 00	90 10	26,106 80	289 75
Insurance	1 75	2 00	20 95	-	0 10	-	24 80	12,934 50	521 55
Other assets	7 75	6 00	5 35	5 60	3 30	-	28 00	15,696 50	560 59
Property matters	1 50	8 40	4 00	0 60	1 00	0 50	16 00	9,161 90	572 62
Bank reporting	5 00	1 00	7 50	-	-	-	13 50	7,355 00	
<b>Total hours</b>	<b>108 00</b>	<b>178 00</b>	<b>866.55</b>	<b>884 55</b>	<b>1,392 85</b>	<b>131 10</b>	<b>3,561 05</b>	<b>1,488,977.40</b>	<b>418 13</b>
<b>Total cost (£)</b>	<b>79,784 00</b>	<b>120,496 00</b>	<b>443,991 70</b>	<b>368,188 75</b>	<b>448,205 00</b>	<b>28,311 95</b>			
<b>Average rate (£/h)</b>	<b>738 74</b>	<b>676 94</b>	<b>512 37</b>	<b>416 24</b>	<b>321 79</b>	<b>215 96</b>			

Note the amounts referred to above exclude VAT

A copy of "A Creditors' Guide to Administrators' Fees" from Statement of Insolvency Practice No 9 produced by the Association of Business Recovery Professionals is available from the Administrators on request or at

[http://www.r3.org.uk/media/documents/technical\\_library/Guides\\_to/Guide\\_to\\_Administrators\\_Fees\\_Nov2011.pdf](http://www.r3.org.uk/media/documents/technical_library/Guides_to/Guide_to_Administrators_Fees_Nov2011.pdf)

## Appendix D      Receipts and payments account for the period from 24 January 2012 to 13 March 2012

### TRADING ACCOUNT

£

#### Post-Appointment Sales

Post appointment trading sales - Teesside	2,758,946
Post appointment trading sales - Swansea	131,072
Output VAT - General	<u>280,874</u>
	3,170,893

#### Cost of Sales

Agents' fees	(535)
Employee & subcontractor costs	(231,070)
Excise duty	(498,683)
Purchases	(15,603)
Rent	(7,496)
Repairs & maintenance	(22,318)
Security	(88)
Third party tank rental	(268,753)
Input VAT - Fixed Charge	<u>(14,553)</u>
	(1,059,098)

#### Surplus c/f

2,111,794

#### Fixed charge book debts

Cash at Commerzbank	22,014,506
Book debts - Teesside	<u>47,770,993</u>
	69,785,499
Distribution to secured creditor (Idihlas)	(35,278,963)

#### Surplus c/f

34,506,536

### RELATING TO FLOATING CHARGE/UNSECURED ASSETS

#### Realisations

Surplus from fixed charge book debts b/f	34,506,536
Surplus from Trading b/f	2,111,794
Book debts - Teesside	17,230,705
Book debts - Swansea	<u>1,069,373</u>
	54,918,408

#### Costs of realisation

Insurance	(142,906)
Duress payments	(266,294)
Other costs	(6,821)
Input VAT - General	<u>(3,090)</u>
	(419,111)

#### Balance

54,499,298

#### Held in:

General - interest bearing bank accounts	<u>54,499,298</u>
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**References to Rules are to the Insolvency Rules 1986 as amended. References to the Act are to the Insolvency Act ("IA86") 1986 as amended.**

**Who will be at the meeting?**

One of the Administrators or a person nominated by them in writing will chair the meeting and answer creditors' questions (Rule 2 36(1)). The directors do not have to attend unless required to do so by the Administrators (Rule 2 34(2)).

**What will happen at the meeting?**

It will be assumed that creditors will already have received and read the Administrators' proposals. The meeting will give creditors an opportunity to put questions to the Administrators. The meeting will then consider and vote upon any modifications that individual creditors might put forward, following which a vote will be taken upon the whole proposals as modified.

Various other resolutions might be considered, in particular those dealing with the basis of the Administrators' remuneration, unpaid pre-appointment costs and the appointment and composition of any creditors' committee.

**Am I obliged to attend the creditors' meeting?**

No. The law recognises that creditors are not always able to attend. You can ask someone to attend as proxy and vote on your behalf, or you can ask the chairman of the meeting to vote on your behalf, or you can choose not to be represented. If you do not attend in person or appoint a proxy your claim and entitlement to a dividend will not be affected.

**How do I ensure that my vote counts at the meeting?**

In order to vote, a creditor must have submitted written details of his claim and the chairman must have admitted that claim for voting purposes following the guidelines below. These details need to be submitted to the Administrators no later than 12.00 noon on the business day before the meeting (Rule 2 38(1)). You might also need to lodge a proxy.

The chairman can admit a claim for voting purposes even though it was submitted late if he is satisfied this was due to reasons beyond the creditor's control (Rule 2 38(2)).

**Do I need to lodge a proxy form?**

If you are an individual creditor and not a corporate body (such as a limited company) you may vote by simply attending the meeting provided you have lodged a claim as explained above.

If you do not want to attend the meeting, you may nominate someone else, or the chairman of the meeting, to vote for you. They can vote either on your instructions or at their discretion. Do, however, remember that the chairman will be one of the Administrators and you might wish to consider specifying clearly how he should vote.

The proxy form or a substantially similar form must be completed then signed by the creditor or by someone authorised by him and the nature of the person's authority to sign should be stated (Rule 8 2). If the creditor is a company, a director should normally sign. The proxy form must then be submitted at or before the meeting.

Where the chairman holds a proxy which includes a requirement to vote for a particular resolution and no other person proposes that resolution, the chairman must propose it unless the chairman considers that there is good reason for not doing so, and, if the chairman does not propose it, the chairman must as soon as reasonably practicable after the meeting notify the principal of the reason why not (Rule 2 36(3)).

Please remember that if the debt is owed to a limited company or other corporation and you wish to attend and vote at the meeting, you should complete and return the proxy form even if you are a director of the company. (Alternatively you can produce at the meeting a resolution of the directors authorising you to represent that company.) (Rule 8 7)



## Appendix E

## Common questions and answers regarding the initial meeting of creditors and the creditors' committee

### Who decides whether my claim ranks for voting purposes?

The chairman can accept or reject the whole or any part of your claim (Rule 2 39(1)). If he is in doubt whether your claim should be admitted, he should mark it as objected to and allow you to vote. However, if the objection is sustained, your vote will be declared invalid (Rule 2 39(3)). If your vote was critical to the outcome of the meeting, this could change the resolutions that were passed and/or result in a further meeting (Rule 2 39(4)).

### What happens if I disagree with the chairman's decision?

You are entitled to appeal to the court for an order reversing the chairman's decision on your claim provided you do so within 21 days of the meeting (Rule 2 39(5)). If the court does reverse the chairman's decision it can order that another meeting be held or make such other order as it thinks just (Rule 2 39(4)).

Creditors also have the right to appeal to the court if they believe that the administration unfairly harms their interests (Paragraph 74(1) Sch B1 IA86). It is recommended that you seek legal advice about the merits of taking these steps in any particular circumstances.

### How do I calculate my claim for voting purposes?

Votes are calculated according to the amount of a creditor's claim as at the date on which the Company entered administration, less any payments that have been made to him after that date in respect of his claim and any adjustments by way of set-off in accordance with Rule 2 85 as if that Rule were applied on the date that the votes were counted (Rule 2 38(4)).

### What majorities are needed to approve resolutions?

A resolution to approve the proposals or any modification to them is passed at the creditors' meeting if supported by a majority in excess of 50% in value of the creditors voting on the resolution (Rule 2.43(1)).

Any resolution is invalid if those voting against it include more than 50% in value of the creditors to whom notice of the meeting was sent and who are

not, to the best of the chairman's / Administrators' belief, connected with the Company (Rule 2 43(2)).

### What happens if I cannot yet quantify my claim with certainty?

A creditor cannot vote in respect of a debt for an unliquidated amount or any debt whose value is not ascertained, unless the chairman / Administrator agrees to put on the debt an estimated minimum value for voting purposes (Rule 2 38(5)).

### What happens if my debt is wholly or partly secured?

A secured creditor whose debt is wholly or partly secured is entitled to vote only in respect of the balance (if any) of his debt after deducting the value of his security as estimated by him. However, if the Administrators have made a statement under Paragraph 52(1) (b) Sch B1 IA86 and an initial creditors' meeting has been requisitioned by creditors under Paragraph 52(2) Sch B1 IA86, a secured creditor is entitled to vote in respect of the full value of this debt without any deduction for the value of his security (Rule 2 40).

### What happens if I hold a negotiable instrument?

A creditor shall not vote in respect of a debt on or secured by a current bill of exchange or promissory note unless he is willing

- a) to treat the liability to him on the bill or note of every person who is liable on it antecedently to the Company and against whom a bankruptcy order has not been made (or in the case of a company, which has not gone into liquidation) as security in his hands, and
- b) to estimate the value of the security and, for the purpose of his entitlement to vote (but not for dividend), to deduct it from his claim (Rule 2 41).

### What happens if I am a creditor under a hire-purchase, conditional sale agreement or leasing agreement?

An owner of goods under a hire-purchase or chattel leasing agreement, or a seller of goods under a conditional sale agreement is entitled to vote in

respect of the amount of the debt due and payable to him by the Company on the date the Company entered Administration. In calculating the amount of any debt for this purpose, no account shall be taken of any amount attributable to the exercise of any right under the relevant agreement, so far as the right has become exercisable solely by virtue of

- the making of an administration application,
- a notice of intention to appoint an administrator or any matter arising as a consequence, or
- of the Company entering administration (Rule 2.42)

### **Am I bound by the Administrators' proposals if they are approved at the meeting?**

The Administrators' proposals, when approved by the creditors' meeting, will dictate how the Company's affairs will be conducted in future and how creditors' claims will be addressed.

Once approved, the proposals are binding on all creditors, including those not present or represented at the meeting. For this reason, it is important that creditors properly consider the proposals and decide whether and how they wish to vote.

### **What are the functions of the creditors' committee?**

In addition to any functions conferred on the creditors' committee by any provision of the IA86, the creditors' committee shall assist the Administrator in discharging his functions, and act in relation to him in such manner as may be agreed from time to time (Rule 2.52(1)).

In particular, it has the duty to agree the basis of the Administrators' remuneration (Rule 2.106(3)) and approve the payment of unpaid pre-administration costs (Rule 2.67A (1)).

### **How is the creditors' committee formed?**

The creditors' committee is established at a creditors' meeting. It is not obligatory but the creditors decide whether they wish to have one (Paragraph 57(1) Sch B1 IA86). The committee must consist of at least three and not more than five creditors of the Company elected at the meeting (Rule 2.50(1)). A person acting as a committee member's representative must hold a letter of authority.

Any creditor of the Company is eligible to be a member of the committee, so long as his claim has not been wholly disallowed for voting purposes or wholly rejected for the purposes of distribution or dividend and the claim is not fully secured (Rule 2.50(2)). A body corporate may be a member of the committee, but it can only act as such through a properly appointed representative (Rule 2.50(3)). No person may act as a member of the committee unless and until he has agreed to do so (Rule 2.51(2)). Unless the relevant proxy or authorisation contains a statement to the contrary, such agreement may be given by the creditor's proxy-holder or, in the case of a corporation, by its duly appointed representative present at the meeting establishing the committee (Rule 2.51(2)). The creditors' committee shall assist the Administrator in discharging his functions, and act in relation to him in such manner as may be agreed from time to time (Rule 2.52(1)). In particular, it has the duty to agree the basis of the Administrator's remuneration (Rule 2.106(3)) and approve the payment of unpaid pre-administration costs (Rule 2.67A (1)).

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## Appendix E

### Common questions and answers regarding the initial meeting of creditors and the creditors' committee

entitling him so to act (either generally or specially) and authenticated by or on behalf of the committee-member (Rule 2 55(2)).

No member may be represented by

- another member of the committee
- a person who is at the same time representing another committee member
- a body corporate
- an undischarged bankrupt
- a disqualified director, or
- a person who is subject to a bankruptcy restrictions order (including an interim order), a bankruptcy restrictions undertaking, a debt relief restrictions order (including an interim order) or a debt relief restrictions undertaking (Rule 2 55(4))

No person shall on the same committee act at one and the same time as representative of more than one committee-member (Rule 2 55(5))

The creditors' committee does not come into being, and accordingly cannot act, until the Administrator has issued a certificate of its due constitution (Rule 2.51(1))

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