

The Insolvency Act 1986

**Administrator's progress report**

Name of Company Afren Plc /	Company number 05304498
In the High Court of Justice, Chancery Division, Companies Court	Court case number 5206 of 2015

We

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administrators of the above company attach a progress report for the period

From

31 July 2016

To

16 September 2016

Signed

  
Joint Administrator

Dated

1 DECEMBER 2016

**Contact Details.**

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# Administrators' Progress Report for the period 31 July 2016 to 16 September 2016

Afren Plc  
In Administration

14 October 2016

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## 1. Why this report has been prepared

- 1.1 As you will be aware, Simon Appell, Daniel Imison and Catherine Williamson (the **Administrators**) were appointed as Administrators of the Company on 31 July 2015.
- 1.2 This progress report covers the period from 31 July 2016 to 16 September 2016 (the **Period**), and should be read in conjunction with the following documents:
- The Administrators' Statement of Proposals dated 23 September 2015 (the **Proposals**),
  - The previous progress reports dated 26 February 2016 and 26 August 2016, covering the periods from 31 July 2015 to 30 January 2016 and 31 January 2016 to 30 July 2016 respectively (the **Previous Reports**);
  - The Administrators' Statement of Proposals in respect of the Company's wholly owned subsidiary Afren Nigeria Holdings Limited (**ANHL**), dated 7 December 2015 (the **ANHL Proposals**);
  - The Administrators' Disclosure Report pursuant to Statement of Insolvency Practice 16 (**SIP16**) – pre-packaged sale of business or assets (the **SIP16 Disclosure**), dated 7 December 2015, prepared in respect of the sale of ANHL's interest in the OPL310 asset (held by Afren Investments Oil & Gas (Nigeria) Limited (**AIO&GNL**), a direct subsidiary of the Company), and
  - The progress reports in respect of ANHL dated 27 June 2016 and 5 October 2016 covering the periods 30 November 2015 to 29 May 2016 and 30 May 2016 to 16 September 2016 respectively (the **ANHL Progress Reports**).
- 1.3 Copies of all reports are available to view and download from AlixPartners' creditor portal. Access to the portal can be found on the internet at [www.alixpartnersinfoportal.com](http://www.alixpartnersinfoportal.com) using the following log-in details:
- Username: afren  
Password: 11589003
- 1.4 Please note that this report has been prepared in accordance with rules 2.47 and 2.112 of the Insolvency Rules 1986 in support of an extension to the Administration period. As such, the report does not span a full six month period.
- 1.5 The purpose of this report is to provide statutory and financial information about the Company and to provide an update on the progress of the Administration, including details of assets realised during the Period, details regarding the Administrators' fees and the expected outcome for each class of creditor.
- 1.6 As a reminder, an administrator of a company must perform their functions with a view to achieving one of the following statutory objectives:
- Objective 1: rescuing the Company as a going concern;
- Objective 2: 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); or

Objective 3· realising property in order to make a distribution to one or more secured or preferential creditors.

- 1.7 In this case the Administrators are pursuing the second statutory objective. Further details on the actions taken to achieve that objective can be found in section 3 of this report. It should be noted that, given the level of actual and anticipated asset realisations compared to the level of the Company's secured creditors, the Administrators do not anticipate there being any return to unsecured creditors other than by virtue of the Unsecured Creditors' Fund (as defined in paragraph 5.14 of this report)
- 1.8 Details of the Administrators' fees and disbursements incurred are detailed at Appendices D to F.
- 1.9 More information relating to the Administration process, Administrators' fees and creditors' rights can be found on AlixPartners' creditor portal ([www.alixpartnersinfoportal.com](http://www.alixpartnersinfoportal.com)), as detailed in paragraph 1.3.
- 1.10 If you require a hard copy of this report or have any queries in relation to its contents, or the Administration generally, please contact Paul Butterfield on 0161 838 4539, by email at [creditorreports@alixpartners.com](mailto:creditorreports@alixpartners.com), or write to AlixPartners' office at The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB.

## 2. Summary of information for creditors

### Estimated dividend for creditors

Description	Estimated debt \$ million (a)	Repayment to date \$ million	Expected outcome \$ million
<b>Secured creditors</b>			
Wilmington Trust (London) Limited ( <b>Wilmington</b> ) as security trustee for the private placement notes (the <b>Bridge Securities</b> )	217	12.1	Uncertain
Deutsche Bank AG, Citibank Nigeria Limited, Natixis and BNP Paribas (on behalf of the Ebok Lenders) under the Ebok Facility (the <b>Ebok Facility</b> )	300	Nil	Nil
<b>Total secured creditors</b>	<b>517</b>	<b>12.1</b>	<b>Uncertain</b>
Preferential creditors (b)	<b>0.2</b>	<b>0.2</b>	<b>Repaid in full</b>
Unsecured creditors of the Company with access to security elsewhere in the Group			
Okwok Facility/OML 113 Facility (c)	50	54	Uncertain
Senior Secured Notes 2016 (the <b>2016 Bonds</b> )(d)	253	7.0	Uncertain
Senior Secured Notes 2019 (the <b>2019 Bonds</b> )(d)	250	6.7	Uncertain
Senior Secured Notes 2020 (the <b>2020 Bonds</b> )(d)	360	9.2	Uncertain
<b>Total unsecured creditors of the Company with access to security elsewhere in the Group</b>	<b>913</b>	<b>76.9</b>	<b>Uncertain</b>
Prescribed part distribution			
Unsecured creditors of the Company with access to security elsewhere in the Group (e)	913	76.9	0.7
Other unsecured creditors	284	Nil	0.2
<b>Total unsecured creditors/repayments</b>	<b>1,197</b>	<b>76.9</b>	<b>Uncertain</b>
<b>Total liabilities/repayments</b>	<b>1,714.2</b>	<b>89</b>	<b>Uncertain</b>

(a) Principal amount of the debts, to which accrued interest must be added and (in the case of the Bridge Securities only) the applicable make whole payment  
(b) £0.15 million translated at a rate of 1.561 USD GBP, the exchange rate used as at the date of the Administrators' appointment  
(c) Repayment to date is currently unknown and discussed further at section 3 of this report  
(d) The 2016 Bonds, the 2019 Bonds and the 2020 Bonds are defined in this report, collectively, as the Existing Bonds  
(e) Subject to further costs and disbursements

## **Notes:**

Throughout this report, the currencies referred to are USD\$ (United States Dollars) and GBPE (British Pounds Sterling).

A full analysis of the security granted by the Company was provided in the Proposals.

There have been no distributions to creditors from the Administration during the Period. However, on 9 September 2016, a distribution of \$6 million was paid to Wilmington from the ANHL Administration following the sale of the OML 26 asset.

The other historic distributions to the secured creditors have been paid outside of the Administration estate, following realisations of assets elsewhere within the wider Afren group of companies (together with the Company, the **Group**). Therefore, these payments are not shown in the Administrators' Receipts and Payments Accounts at Appendix B.

An update on the estimated return to each class of creditor is provided below.

## **Secured creditors**

### **Bridge Securities**

- 2.1 At the date of the Administrators' appointment, the balance due to the holders of the Bridge Securities was approximately \$217 million plus the applicable make-whole amount. The Company has granted first ranking fixed and floating charges over substantially all of its assets in favour of Wilmington.
- 2.2 Following the sale of the Okoro and OML 26 assets, Wilmington received distributions of \$6.1 million and \$6 million respectively. Given the security held by Wilmington (on behalf of the holders of the Bridge Securities), there will be no further distributions out of the Company's assets to secured creditors of the Company, other than Wilmington, until all amounts owing in respect of the Bridge Securities have been repaid in full. The Administrators do not anticipate that the Bridge Securities will be repaid in full.

### **Ebok Facility**

- 2.3 At the date of the Administrators' appointment, the Ebok Facility was fully drawn and the principal amount owed was approximately \$300 million.
- 2.4 The return to the lenders of the Ebok Facility remains uncertain. Details of the steps taken to date with regard to the Ebok asset are provided at section 3 of this report.

## **Unsecured creditors of the Company with access to security elsewhere in the Group**

### **Okwok Facility and OML 113 Facility**

- 2.5 Following enforcement by Access Bank of the security held for the debt owing under the Okwok/OML 113 Facility, the outstanding amount owing to Access Bank is approximately \$0.5 million after the allocation of costs and charges.

### **Senior Secured Notes 2016, 2019 and 2020**

- 2.6 At the date of the Administrators' appointment, the principal amounts outstanding to the Existing Bonds was \$253 million in respect of the 2016 Bonds, \$250 million in respect of the 2019 Bonds and \$360 million in respect of the 2020 Bonds.
- 2.7 The Existing Bondholders have received a share of the proceeds from the sale of the Okoro asset, ranking pari passu with the holders of the Bridge Securities (as per the Pari Passu Inter-creditor Agreement dated 9 December 2013)
- 2.8 The Existing Bondholders are unsecured creditors of the Company (see paragraphs 2.11 to 2.13 of this report for anticipated recoveries to unsecured creditors).
- 2.9 Further information on the Company's secured liabilities is provided at section 5 of this report

## **Preferential creditors**

- 2.10 Preferential creditor claims were paid in full on 20 April 2016. The claims totalled £149,515, which differs from the figure in the previous progress report due to a posting error in the Receipts and Payments account

## **Unsecured creditors**

- 2.11 The Administrators are required to create a fund to be set aside for the benefit of the Company's unsecured creditors. Given the estimated value of the Company's net property upon appointment, the Administrators have set aside the maximum fund of £0.6 million.
- 2.12 It is likely that the return to unsecured creditors will be less than one pence in the pound.
- 2.13 In respect of preferential or unsecured creditors, UK insolvency legislation stipulates that creditors of the same class should be treated equally. Hence the funds available for distribution are split on a pro-rata basis amongst all creditors of each class, regardless of the size of their claims. Further information can be found in the Proposals and at section 5 of this report



### **3. Progress of the Administration**

#### **Administration (including statutory reporting)**

- 3.1 In addition to their statutory objective, the Administrators have duties imposed by insolvency and other legislation and their regulating professional bodies. The Administrators have set out information in respect of the progress of these duties in addition to that of the realisation of assets and distribution of available funds. The detail provided is intended to provide users of this report with information to allow them to understand how the Administrators' fees and expenses as set out in Appendices D to E have been incurred, as well as the sensitivities that might be applicable to the Administrators' anticipated fees and expenses over the remainder of the Administration.

#### **Asset realisations**

The Group's Nigerian assets

##### **Ebok**

Operational overview

- 3.2 Although it is not currently receiving any revenue, Afren Resources Limited (**ARL**) retains a legal interest in the asset. Operations continue to be overseen by Oriental Resources Limited (**Oriental**).

Ebok sales process

- 3.3 The Administrators and their financial advisors PJT Partners (UK) Limited (**PJT**) remain in discussions with certain interested parties who continue to appraise the situation, however, as previously reported, complexities surrounding Joint-Venture disputes and the significant capital injection required to address the substantial creditor balances of ARL mean that it remains uncertain whether a transaction can be agreed.

Disputes and correspondence with Oriental

- 3.4 The disputes between ARL and Oriental under the Joint Operating Agreement (**JOA**) remain ongoing. Oriental contends that ARL is in breach of its obligations to pay costs, and on that basis has purported both to terminate the JOA, Farm-In Agreement and Technical Services Agreement and to appropriate certain liftings and the proceeds of sale of certain liftings. ARL disputes that such purported terminations were effective and contends that Oriental's appropriations were wrongful. ARL's position is that it retains its legal and economic interest in the Ebok asset. ARL has commenced Nigerian proceedings against Oriental (among others) in relation to its rights in the Ebok asset.
- 3.5 On 5 November 2015, Oriental commenced further proceedings in the Nigerian Federal High Court against the Company, ARL, BNP Paribas, UMB Bank (later substituted for Deutsche Bank) and Wilmington relating to the proceeds received by Wilmington as security agent pursuant to enforcing its security interest. Oriental claims that such enforcement is inconsistent with the terms of the JOA. ARL applied to the Nigerian court for a stay of the litigation proceedings

on the grounds that the dispute under the JOA should be resolved by arbitration. The Nigerian court rejected ARL's application. ARL is currently appealing this decision and the initial litigation proceedings are stayed pending the outcome of the appeal.

- 3.6 On 5 January 2016, Oriental commenced a further set of proceedings in the Nigerian Federal High Court against ARL, BNP Paribas and Wilmington in respect of Wilmington's security enforcement over funds held by BNP Paribas in the name of ARL. The next hearing is scheduled for 18 November 2016
- 3.7 On 28 December 2015, BNP Paribas commenced summary proceedings in France against ARL, Wilmington and Oriental requesting an order appointing an escrow agent responsible for holding the balance of the Abandex Account held by BNP. On 23 March 2016, the French Court ordered that the funds be placed into escrow.
- 3.8 The above disputes are commercially sensitive therefore additional information cannot be disclosed at present. A further update will be provided in the Administrators' next progress report.

#### Winding-up petition

- 3.9 Since the last report, a number of further hearings in respect of the winding-up application have been adjourned by the Court in Lagos, Nigeria. The next hearing is scheduled for 10 November 2016.

#### OML 26

##### FHN Sale

- 3.10 The Company is a shareholder of First Hydrocarbon Nigeria Company Limited (**FHN**), which in turn owns a 45% working interest in each of the five prospects within the OML 26 asset, a block with two producing oil fields known as Ogini and Isoko, located onshore in Delta State, Nigeria, via FHN 26 Limited (**FHN26**)
- 3.11 In conjunction with PJT, the Administrators launched a group level sales process on 10 September 2015. In total, 42 parties expressed an interest in acquiring the fields. Ten bids were formally submitted to PJT of which three were progressed to an advanced stage in order to maintain competitive pressure.
- 3.12 The three bids received were for broadly the same net baseline value (\$20 million). However, it was felt that the offer submitted by a consortium of purchasers (discussed below) represented the best value to creditors as a result of (i) shortest timing to payment, (ii) lowest conditionality, (iii) lowest execution risk, and (iv) potential for additional amounts to be paid upon disposal of certain assets.
- 3.13 On 16 August 2016, the Company entered into a sale and purchase agreement (**SPA**) with a consortium of Nigerian based buyers (the **Consortium**) in respect of 70% of the issued share capital of FHN and certain intercompany debts owed by FHN and/or FHN26 to the Company (the **FHN Sale**). The total net baseline consideration payable under the FHN Sale is \$19.99 million, of which \$1.03 million is due to the Company and \$18.96 million is due to ANHL. In

addition, certain debts due to FHNCL and its subsidiary FHN26 were assigned to the Company and ANHL.

- 3.14 The FHN Sale represents a gross enterprise value of approximately \$156 million when taking into account the outstanding loan facility due to Zenith Bank of \$82 million and further working capital and debt liability adjustments of \$45 million in respect of overdue cash calls, royalties, tax and other accruals.
- 3.15 Under the terms of the SPA, consideration is paid in two instalments: \$10.31 million was paid upon signing the SPA (of which \$531,981 was paid to the Company and \$9.78 million was paid to ANHL) (the **Initial Consideration**) and \$9.68 million (of which \$499,273 is owed to the Company and \$9.18 million is owed to ANHL) (the **Deferred Consideration**) no later than 16 August 2017. The Deferred Consideration is backed by unconditional bank guarantees of a value equal to the amount of the Deferred Consideration.
- 3.16 Completion of the FHN Sale remains subject to successfully obtaining government and regulatory approval to the transfer of the license required to own the asset and the Administrators will work with the purchaser to secure this. Payment of the Deferred Consideration does not depend on obtaining these approvals.

#### Dispute with Petroleum Zion

- 3.17 On 21 June 2016, Petroleum Zion (Exploration & Production) Limited (**Petroleum Zion**) commenced proceedings in the Nigerian Federal Court against, among others, FHN, FHN26, Wilmington and the Administrators in respect of the sale of the OML 26 asset.
- 3.18 Petroleum Zion contends that it was the highest bidder for OML 26 (it had submitted a bid for FHN26, rather than FHN) and seeks relief including specific performance mandating that FHN or Wilmington executes the SPA negotiated with it. It has also applied for an injunction to restrain the defendants from disposing of OML 26.
- 3.19 On 2 August 2016, the Administrators obtained directions from the English court giving them liberty to complete the FHN Sale notwithstanding the pending injunction application by Petroleum Zion. The Petroleum Zion injunction application is scheduled to be heard by the Nigerian Federal Court on 18 October 2016.

#### OPL 310

- 3.20 The second instalment of \$1 million remains payable upon the first to occur of (a) the purchaser obtaining ministerial consent to the transfer of the shares from the Nigerian Minister in charge of petroleum resources, or (b) a longstop date two years after the date of sale. The Administrators continue to work closely with Lekoil 310 Limited to obtain ministerial approval and secure the completion of the transaction.

#### Okwok

- 3.21 Following Access Bank's enforcement and sale of Afren's interest in the OML67 asset to Aries Gasoil Nigeria Limited, the Administrators understand that funds have been applied to the facility leaving an outstanding balance of \$497,568.

#### OML 115

- 3.22 The Administrators continue to consider a range of options for this asset and remain open to offers; however, the risk that the licence will be revoked by the DPR remains

#### FHN 113 and OML 113

- 3.23 At the hearing on 16 February 2016, the Nigerian court appointed Mr. Seyi Akinwunmi as provisional liquidator of FHN 113. The Nigerian Court further adjourned the hearing of the application to 19 April 2016, and there were subsequent adjourned hearings on 21 June 2016, 27 June 2016 and 4 July 2016. The hearing of the winding-up petition again been adjourned to 13 October 2016. An update on the FHN 113 winding up petition will be provided in the Administrators' next progress report.

### Other operations in Nigeria, West Africa and South Africa

#### South Africa

- 3.24 The Company's interest in the Block 2B field consists of its shareholding in subsidiary entities ultimately owning the entity Main Street 840 (Proprietary) Limited, holder of a 25% license interest in Block 2B. The Company and ANHL have agreed to sell their intercompany debts owed by Main Street 840 (Proprietary) Limited for the sum of \$122,000 and \$878,000 respectively, which will generate realisations to the benefit of the Company's creditors. Relevant regulatory and government approvals have now been obtained and completion is expected to occur in the next few weeks.

#### Kenya/Tanzania

- 3.25 On 30 October 2015, three sale and purchase agreements were signed for the sale of Block 1 and Block L17/L18 located in Kenya, (each entered into by East African Exploration (Kenya) Limited), and the Tanga Block located in Tanzania (entered into by Afren Tanzania Limited), to Octant Energy Corporation. Completion remains subject to the relevant government and other regulatory approvals which are progressing and are at an advanced stage. The Kenyan transactions are presently subject to a Kenyan court injunction which the Administrators are working to resolve.

#### Seychelles

- 3.26 A SPA for the sale of Areas A & B located in the Seychelles to Sub Saharan Resources Limited (**SSR**) was signed on 16 February 2016 by East African Exploration (Seychelles) Limited. Completion remains subject to the relevant government and other regulatory approvals and the Administrators continue to work with SSR to obtain these approvals.

#### Côte d'Ivoire

- 3.27 The Administrators remain in discussions with the Director of Afren CI One Corporation regarding the distribution options in respect of the sale proceeds.

Ethiopia

- 3.28 The asset owning subsidiary remains in default under the joint operating agreement with NewAge Ethiopia Limited as a result of unpaid cash calls amounting to \$554,269. There does not appear to be any further interest in the asset.

The Kurdistan region of Iraq

- 3.29 The Group's interests in this area were held by Afren Mena Limited (**MENA**), an entity which is now in liquidation. The Administrators understand the Liquidators have realised certain assets, however, it is unclear what level of funds will be distributed to the Company. The Administrators continue to liaise with the Liquidators, but it is not anticipated that material funds will be returned to the Company.

Book debts

- 3.30 The majority of the book debts owed to the Company consist of intercompany receivables due from other entities within the Group.
- 3.31 Recovery of these intercompany receivables remains linked to the level of asset realisations at subsidiary level and principally the sale of the non-core assets.
- 3.32 A debt of \$275,705 has been recovered to date from Century Energy Services Limited (**CESL**) in repayment of a loan of \$2 million, provided by the Company prior to the Administrators' appointment, to assist with cash flow requirements relating to operations in the Ebok field.
- 3.33 The Administrators sought legal advice in relation to this matter due to CESL's failure to adhere to the previous monthly payment schedule which was due to commence in January 2015 and several discussions with CESL to recover the remaining element of the loan were held, however CESL refuses to accept liability for the debt and so it appears unlikely that these funds will be recovered outside of a Court hearing. The Administrators are assessing the merits of commencing legal proceedings.
- 3.34 Afren Resources Limited (**ARL**) owned an interest in a private jet. Upon appointment of the Administrators, it was determined that the interest could be sold back to the owner, Netjets. Due to the pending winding-up order, an application was made to the Nigerian Court to seek permission to enter into the sale of the interest. The Nigerian Court ruled that the transaction could be entered into but that the funds must be paid into a Court bank account pending the liquidation.
- 3.35 An agreement to sell the interest in the private jet back to Netjets was signed by the directors of ARL following the Court's permission, however the sale has not yet completed.
- 3.36 The Administrators are aware that there is an outstanding loan of \$6 million plus accrued interest due to certain subsidiaries of the Group from Energy Equity Resources Limited (**EER**), who were FHN 113's Joint-Venture partner on the OML 113 field. The loan was due for repayment on 11 December 2014. However, EER have failed to repay this loan.

- 3.37 The Administrators continue in their discussions and negotiations with EER regarding a settlement of the debt and continue to explore repayment and enforcement options. As part of the sale of OML 26 this loan was assigned to ANHL. Further details will be provided in the Administrators' next progress report

### **Other matters**

#### Trading accounts

- 3.38 Attached at Appendix B are the Administrators' Receipts and Payments Accounts and Trading Receipts and Payments Accounts for the Period. The accounts are presented on a cash basis and not on an accruals basis. Most costs incurred in respect of the occupation of the head office premises have now been discharged. Details of certain other expenses that have been incurred but not yet paid are provided at Appendix E.

### **Creditors and shareholders**

- 3.39 Details of the estimated outcome for creditors can be found in sections 2 and 5.
- 3.40 The Administrators have continued to respond to a number of creditor queries and correspondence during the Period. The directors' Statement of Affairs listed unsecured creditor claims totalling \$1,567 million, however, the majority of these debts are in relation to the Existing Bonds. The ultimate quantum of unsecured claims will be contingent upon realisations from the assets held across the Group and final levels remain uncertain at this time.
- 3.41 The Administrators' team has responded to shareholder queries as far as is possible, however, the Administrators' duty is to the creditors of the Company and, given the level of the Company's indebtedness, there will not be any funds available to the Company's shareholders.

## 4. Investigations and litigation

- 4.1 As previously reported, the Administrators conducted investigations into the conduct of the directors and transactions entered into prior to the Company's Insolvency, and submitted a detailed report to the Department for Business, Innovation and Skills (**BIS**) which summarises the findings of the Investigation. The contents of the report are confidential. The Administrators are continuing to liaise with BIS where required and may have an ongoing role in providing documents and further information, if requested.

### Unauthorised payments, litigation and other issues

- 4.2 The Administrators have continued to support UK law enforcement agencies into their enquiries into the Group's affairs and the past conduct of management. This has primarily involved responding to information requests and attending meetings where required. The Administrators understand that investigations are ongoing.
- 4.3 The Administrators have taken formal pre-action steps to commence proceedings against Oriental and certain other parties in respect of alleged misappropriations of Ebok oil cargoes and certain alleged fraudulent transactions. These claims could take at least two years to reach judgment and, if successful, could result in additional material recoveries for the Company's creditors. Due to the commercial sensitivity of these matters, it is not possible to provide further details in this report.

## **5. Estimated outcome for creditors**

### **Secured creditors**

#### **Holders of the Bridge Securities**

- 5.1 Wilmington was appointed as Security Trustee for holders of the Bridge Securities pursuant to a security trust deed dated 30 April 2015. The Company also granted fixed and floating charges over substantially all of its property, assets and undertakings (excluding the shares which it holds in AEPNA) to Wilmington on that date, pursuant to an English law debenture, an English law charge over intercompany debts and a Nigerian law share charge over the ARL Shares.
- 5.2 At the date of appointment, the amount due to the holders of the Bridge Securities was approximately \$217 million, plus accrued interest and applicable make-whole payments, although some security granted by other obligors in favour of Wilmington has been enforced and will reduce this balance upon application of the proceeds of enforcement towards repayment of the Bridge Securities.
- 5.3 To date, Wilmington has received distributions totalling \$12.1 million from asset realisations elsewhere within the Group.
- 5.4 It remains uncertain at this stage whether there will be sufficient realisations from the Company's assets over which security is granted to Wilmington. It is, however, unlikely that realisations will be sufficient to repay holders of the Bridge Securities in full.

#### **Deutsche Bank AG, Citibank Nigeria Limited, Natixis and BNP Paribas**

- 5.5 The lenders of the Ebok Facility benefit from security over a limited number of the Company's assets along with certain other assets within the Group
- 5.6 As at the date of the Administrators' appointment, the principal amount of the debt due under the Ebok Facility was approximately \$300 million.
- 5.7 The return to the Ebok Lenders remains uncertain. Given the security held by Wilmington (on behalf of the holders of the Bridge Securities), there will be no distributions out of the Company's assets to the Ebok Lenders until all amounts owing in respect of the Bridge Securities have been repaid in full

### **Preferential creditors**

- 5.8 Preferential creditor claims were agreed totalling £149,515. A dividend of 100 pence in the pound was declared and paid on 20 April 2016.



## **Unsecured creditors of the Company with access to security elsewhere within the Group**

### **Access Bank Plc**

- 5 9 Access Bank is an unsecured creditor of the Company, however, certain of the Company's subsidiaries (AEPNA, ANHL and FHN 113 Limited) have each granted security in favour of Access Bank.
- 5.10 Following application of the proceeds of the disposals of AEPNA's interest in the Okwok field, over which AEPNA had granted security to Access Bank and of FHN 113's interest in OML 113, over which OML 113 had granted security to Access Bank, approximately \$0.5 million is outstanding in respect of the Okwok/OML 113 Facility.
- 5.11 As Access Bank has realised all of its security, and is an unsecured creditor of the Company, it is not expected that Access Bank will receive any further recoveries out of the Company's assets except for its share of the Unsecured Creditors' Fund.

### **Senior Secured Notes 2016, 2019 and 2020**

- 5.12 The Existing Bondholders have received shares of the proceeds from the sale of the Okoro asset, as detailed at section 2 of the report. As further security for the Existing Bonds, ARL has granted security over all of its assets to BNP Paribas (as security agent for the Existing Bonds) and ANHL has granted security over its shares in ARL to BNP Paribas (as security agent for the Existing Bonds). However, the Existing Bondholders will not receive any proceeds from any disposals of these assets until the holders of the Bridge Securities and the Ebok Lenders have been repaid in full.
- 5 13 It remains unlikely that proceeds from the realisation of the remaining assets over which the Company's subsidiaries have granted security will be sufficient to enable any further distributions to be paid to the Existing Bondholders in respect of such realisations. However, they will be eligible for a share of the Unsecured Creditors' Fund.

## **Unsecured creditors**

- 5.14 Where there is a floating charge which was created on or after 15 September 2003, the Administrators are required to create a fund from the Company's net property available for the benefit of unsecured creditors (**Unsecured Creditors' Fund**), commonly known as the 'Prescribed Part'.
- 5 15 Given the value of the Company's net property, the value of the Unsecured Creditors' Fund will be £0.6 million, which is the statutory maximum. This has been set aside to ensure that the unsecured creditors receive the same return that would have been achieved if funding was not utilised in pursuit of realisations to the creditors of the Company by asset disposals elsewhere in the Group. However, dividend prospects are anticipated to be low as a result of the high level of unsecured claims. It is currently estimated that unsecured creditors are likely to receive a dividend of less than one pence in the pound. Beneficiaries of fixed and floating charges granted by the Company are not entitled to any share of the Unsecured Creditors' Fund.

- 5.16 Creditors are invited to submit details of their claims to AlixPartners' Manchester office, situated at The Zenith Building, 26 Spring Gardens, Manchester M2 1AB, using the Statement of Claim form that can be downloaded from AlixPartners' creditor portal website. Alternatively, claims can be submitted electronically to [afren@alixpartners.com](mailto:afren@alixpartners.com).
- 5.17 The Administrators are not able to acknowledge receipt of individual claims. However, claims received will be held on file until the Administrators are in a position to make a distribution.

### **Shareholders**

- 5.18 Due to the substantial shortfall to creditors, there will be insufficient funds to enable a return to the Company's shareholders. Under UK Insolvency Legislation, shareholders are not considered to be creditors of the Company, therefore shareholders are not entitled to participate in any distribution to the Company's creditors.

## **6. What happens next**

### **Creditors' rights**

- 6.1 Within 21 days of the receipt of this report, (i) a secured creditor, or (ii) an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors (including the creditor in question) or (iii) any unsecured creditor with the permission of the court upon an application made within that period of 21 days may request in writing that the Administrators provide further information about their fees or expenses (other than pre-administration costs) which have been itemised in this progress report.
- 6.2 Any secured creditor, or an unsecured creditor with (i) the concurrence of at least 10% in value of the unsecured creditors (including that creditor) or (ii) the permission of the court may, within eight weeks of receipt of this report, make an application to court on the grounds that the basis fixed for the Administrators' fees is inappropriate, or that the fees charged or the expenses incurred by the Administrators during the period of this report are excessive.

### **Extension of the Administration**

- 6.3 The Administration is due to end on 30 July 2017, however it will not be possible to conclude the outstanding matters prior to this date. As detailed in section 3, a number of the Group's assets are yet to be realised. In addition, a number of the asset realisations completed to date are subject to an element of deferred consideration, which is unlikely to be received before the current Administration end date. The payments are generally subject to the purchaser obtaining governmental consents to the sale of the relevant assets, which are likely to take an extended period of time to obtain.
- 6.4 Accordingly, the Administrators intend to apply to court to seek permission to extend the term of the Administration by 16 months to 29 November 2018.

### **Next report**

- 6.5 If the court approves the Administrators' application, a further report will be circulated to all creditors within one month of the next six month period ended 16 March 2017, or sooner in the unlikely event that the Administration has been finalised before that date.

### **Exit routes**

- 6.6 Details of the proposed exit routes are provided at Appendix G.

For and on behalf of  
Afren Plc



**Catherine Williamson**  
Administrator  
Encs

## Appendix A. Statutory information

### Company information

Company name	Afren Plc
Registered number	05304498
Registered office	The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB
Former registered office and trading address	Kinnaird House, 1 Pall Mall East, London, SW1Y 5AU
Court details	High Court of Justice, Chancery Division, Companies Court
Court reference	5206 of 2015

### Appointors' information

Name	Address	Position
David Charles Lawrence Frauman	c/o Kinnaird House, 1 Pall Mall East, London, SW1Y 5AU	Director
Alan Scott Linn	c/o Kinnaird House, 1 Pall Mall East, London, SW1Y 5AU	Director
David Howard Thomas	c/o Kinnaird House, 1 Pall Mall East, London, SW1Y 5AU	Director

### Administrators' information

Name	Address	IP number	Name of authorising body
Simon Jonathan Appell	AlixPartners, 6 New Street Square, London, EC4A 3BF	009305	Insolvency Practitioners Association
Daniel Imison	AlixPartners, 6 New Street Square, London, EC4A 3BF	013434	Insolvency Practitioners Association
Catherine Mary Williamson	AlixPartners, The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB	011570	Insolvency Practitioners Association

In accordance with paragraph 100(2) of schedule B1 of the Insolvency Act 1986, all functions of the Administrators are to be exercised by any or all of the Administrators. All references to the Administrators should be read as the Joint Administrators.

## Appendix B. Receipts and Payments Accounts and Trading Accounts for the period 31 July 2016 to 16 September 2016 and Cumulative Accounts for the period since appointment

Receipts and Payments Account GBP £

Statement of Affairs £	Period £	Cumulative £
Floating charge assets		
Receipts		
Funding from USD account	-	14,763,969
Cash at bank	-	892,379
Artwork	-	268,820
Rent deposit refund	-	6,369
Head office furniture and equipment	-	5,750
IT equipment	-	3,360
Sundry refunds	-	4,974
Tax refund	1,084	1,084
Insurance refund	-	501
Bank interest	348	1,341
	<b>1,432</b>	<b>15,948,547</b>
Payments		
Trading deficit	68,696	6,684,967
Administrators' fees	380,385	3,263,344
Administrators' pre-appointment fees	-	80,794
Category 1 disbursements:		
Statutory advertising	-	1,830
Travel and subsistence	9	12,247
Telephone charges	4	4
Storage costs	3,615	7,299
Courier and shipping costs	-	4,631
Stationery and postage	1,761	18,436
Creditor meeting costs	-	15,663
Category 2 disbursements:		
Printing, photocopying and telephone charges	103	2,854
Legal fees:		
Post appointment legal fees	187,277	3,154,457
Pre appointment legal fees	-	25,758
Third party legal fees	-	143,935
Legal disbursements	33,157	424,463
Agent's fees - artwork auction	-	52,567
Employee claims agent's fees	-	6,660
Statutory investigation costs		
Legal advice and assistance	32,064	454,650
Agent's fees - data analysis	5,636	103,391
Share register maintenance charges	526	7,156
Bank charges	60	1,449
	<b>(713,293)</b>	<b>(14,466,555)</b>
Distributions		
Preferential creditors - 100p in the £1 20/04/16	-	149,515
	-	<b>(149,515)</b>
Balance of floating charge assets	<b>(711,861)</b>	<b>1,332,477</b>
Represented by		
VAT receivable		316,433
Interest bearing account		1,016,044
		<b>1,332,477</b>

**Receipts and Payments Account USD \$**

Statement of Affairs £		Period £	Cumulative £
	<b>Floating charge assets</b>		
	Receipts		
62,952,944	Cash at bank	-	51,783,376
	Contribution to costs - Okoro	-	1,500,000
	AIO&GNL and OPL 310 sale proceeds	-	5,904,000
	OML 26 sale consideration	531,981	531,981
	Book debts	-	275,705
	Bank interest	4,847	31,078
		<b>536,828</b>	<b>60,026,140</b>
	Payments		
	Trading deficit	39,413	29,202,873
	Funding to GBP account	-	22,335,626
	Professional advisors' fees and disbursements	282,341	2,775,571
	Statutory investigation costs	14,500	145,065
	Annual return filing fees	78	143
	Tax advisors' fees	-	7,978
	Bank charges	289	5,093
		<b>(336,621)</b>	<b>(54,472,349)</b>
	<b>Balance of floating charge assets</b>	<b>200,207</b>	<b>5,553,791</b>
	<b>Represented by</b>		
	Interest bearing account		<b>5,553,791</b>
			<b>5,553,791</b>

\*Note The above is subject to small rounding differences

Sterling equivalent as at 16 September 2016 = £4,243,097 converted at the rate of £0.764 \$1

The Group operated internationally and transacted primarily in USD\$ during the course of trading. The majority of the Administration realisations are USD\$ currency and therefore the Administrators are maintaining bank accounts in USD\$ as well as GBP£. Transactions between the currency accounts are being kept to a minimum in order to mitigate the impact of currency holdings on the estate.

**Trading Account GBPE**

	Period £	Cumulative £
<b>Direct costs</b>		
Wages, salaries, PAYE and NIC	-	3,640,638
	-	<b>(3,640,638)</b>
<b>Trading expenditure</b>		
Head office costs	340	13,458
Group IT and communication costs	25,271	593,729
Funding contribution to subsidiaries	-	56,541
Utilities	-	15,315
Telephone charges	1,032	33,334
Insurance	-	36,729
Contractor costs	17,050	365,479
Property advisors' fees	-	3,000
Repairs and maintenance	-	373
Sundry costs	-	9,019
Rent	-	488,234
Security	-	18,354
Data storage	3,832	25,572
Administrators' fees	21,171	1,385,192
	<b>(68,696)</b>	<b>(3,044,329)</b>
<b>Trading deficit</b>	<b>(68,696)</b>	<b>(6,684,967)</b>

**Trading Account USD\$**

	Period \$	Cumulative \$
<b>Trading receipts</b>		
Fees for group services		
Afren Resources Limited	-	176,456
Repayment of subsidiary funding		
East Africa Exploration (Kenya) Limited	-	59,971
	-	<b>236,427</b>
<b>Trading expenditure</b>		
Funding contribution to subsidiaries	27,013	29,069,750
Group IT costs	-	152,940
Contractor costs	12,400	133,248
Ransom payment - release of data tapes	-	3,321
Insurance	-	65,000
Security costs - subsidiaries	-	15,041
	<b>(39,413)</b>	<b>(29,439,300)</b>
<b>Trading deficit</b>	<b>(39,413)</b>	<b>(29,202,873)</b>



## Appendix C. Time Analysis and details of time spent

The Administrators' time costs for the Period are £202,919. This represents 379 hours at an average rate of £535 per hour. Detailed below is a Time Analysis for the Period which provides details of the costs incurred by activity and by staff grade.

	Employee grade (hours)				£		Average rate per hour
	Managing director / director	Vice President	Associate / analyst	Junior analyst / support	Hours incurred	Cost incurred	
<b>Administration and planning</b>							
Planning	0.5	-	-	-	0.5	432.50	865
Strategy and control	5.2	-	-	-	5.2	4,434.00	853
Statutory duties	0.2	-	-	-	0.2	141.00	705
Case administration	14.0	0.9	13.8	-	28.7	18,272.00	640
Accounting and treasury	11.4	0.9	3.1	-	15.4	11,075.00	719
<b>Investigations</b>							
Director conduct reports	0.5	-	1.6	-	2.1	1,088.50	518
Other investigations	5.3	31.5	-	-	36.8	22,636.50	615
<b>Realisation of assets - fixed charge</b>							
Asset realisation strategy	5.4	1.5	-	-	6.9	5,571.00	807
Asset identification and valuation	0.2	-	-	-	0.2	141.00	705
Sale of assets	0.4	-	0.5	-	0.9	487.00	541
Recovery of assets	4.7	-	-	-	4.7	4,065.50	865
Asset accounting and administration	-	-	0.3	-	0.3	123.00	410
<b>Realisation of assets - floating charge</b>							
Asset realisation strategy	2.6	29.9	-	-	32.5	20,189.00	621
Asset identification and valuation	-	0.4	-	-	0.4	240.00	600
Sale of assets	-	-	72.5	-	72.5	30,450.00	420
Recovery of assets	-	0.3	-	-	0.3	180.00	600
Asset accounting and administration	1.6	-	17.3	-	18.9	6,065.00	321
<b>Trading</b>							
Trading strategy	1.0	7.4	-	-	8.4	5,205.00	632
Trading activities	-	-	20.7	-	20.7	8,666.00	419
Accounting and administration	-	0.4	16.8	-	17.2	7,200.00	419
<b>Creditors</b>							
Creditor claims	0.7	-	-	-	0.7	493.50	705
Debtor litigation	8.4	-	4.6	-	13.0	7,888.00	607
Reporting to creditors	14.1	15.5	45.5	-	75.1	38,968.50	519
Secured creditors	-	3.4	-	-	3.4	2,040.00	600
Preferential creditors	-	0.1	-	-	0.1	60.00	600
Unsecured creditors	-	0.7	4.3	-	5.0	2,193.00	439
Employees	-	4.0	2.9	-	6.9	2,594.00	321
Shareholders and other stakeholders	-	-	2.0	-	2.0	820.00	410
<b>Totals</b>	<b>76.2</b>	<b>98.9</b>	<b>205.8</b>	<b>-</b>	<b>379.0</b>	<b>202,919.00</b>	<b>535</b>

Narrative explanations of the work undertaken during the Period are provided in section 3 of this report.

Afren Plc – In Administration (the Company)

A Cumulative Time Analysis for the period since the Administrators' appointment is attached below.

	Employee grade (hours)				£		
	Managing director / director	Vice President	Associate/analyst	Junior analyst/support	Hours incurred	Cost incurred	Average rate per hour
<b>Administration and planning</b>							
Planning	109.9	26.8	34.8	-	171.5	106,477.30	621
Strategy and control	293.1	118.5	28.0	0.6	442.2	321,325.00	732
Statutory duties	21.1	3.7	15.6	1.7	44.1	24,622.50	558
Case administration	24.3	47.8	112.7	14.9	199.8	97,990.00	490
Accounting and treasury	21.0	7.9	54.2	30.3	113.4	48,987.50	432
Travel and waking time	7.0	13.0	10.0	4.0	34.0	17,335.00	510
Internal documentation	3.6	19.0	19.8	19.9	64.3	24,771.00	377
<b>Investigations</b>							
Director conduct reports	99.1	124.4	42.1	28.8	294.4	164,381.00	558
Other investigations	374.8	85.9	185.9	0.3	646.9	392,370.00	606
Internal documentation	7.4	4.8	13.3	0.5	26.0	14,077.00	541
<b>Realisation of assets - fixed charge</b>							
Asset realisation strategy	8.9	1.5	0.6	-	11.0	8,044.30	884
Asset identification and valuation	0.2	2.2	0.3	-	2.7	1,580.00	587
Sale of assets	0.4	-	4.1	-	4.5	1,996.00	444
Recovery of assets	13.7	-	1.0	-	14.7	12,270.30	835
Dealing with third party assets	0.1	-	-	-	0.1	70.30	705
Asset accounting and administration	-	-	0.3	-	0.3	123.00	410
<b>Realisation of assets - debtors</b>							
Debt collection	-	0.6	-	-	0.6	342.00	570
Internal and external documentation	4.0	4.3	-	-	8.3	3,891.00	710
<b>Realisation of assets - floating charge</b>							
Asset realisation strategy	222.1	433.0	37.2	1.0	713.3	438,064.17	642
Asset identification and valuation	2.0	3.8	46.5	1.3	53.6	22,704.00	442
Sale of assets	81.9	323.1	271.7	7.9	694.6	370,819.00	537
Recovery of assets	104.5	38.2	13.4	-	156.1	101,813.50	652
Dealing with third party assets	0.1	0.4	1.7	-	2.2	1,012.30	460
Asset accounting and administration	13.7	18.7	53.7	74.3	160.4	54,615.30	340
<b>Trading</b>							
Trading strategy	201.1	848.2	131.9	-	1,181.2	692,399.00	586
Trading activities	31.7	137.8	718.8	17.6	905.9	409,888.00	452
Accounting and administration	22.5	37.9	509.8	162.4	732.6	282,984.30	386
<b>Creditors</b>							
Creditor claims	3.3	2.5	8.1	-	13.9	8,622.50	542
Debtor litigation	70.9	0.6	118.7	-	190.2	98,750.50	519
Internal documentation	-	0.8	2.0	-	2.8	1,296.00	463
Creditor strategy	42.5	11.9	1.5	-	55.9	42,612.00	762
Reporting to creditors	73.0	123.4	288.9	3.9	491.2	248,348.50	506
Creditor meetings	69.2	8.2	73.8	20.5	171.7	90,769.30	529
Creditors committee	-	0.3	-	-	0.3	180.00	600
Secured creditors	122.7	64.2	45.2	2.1	234.2	159,071.50	683
Preferential creditors	2.0	3.6	21.0	0.4	27.0	12,336.00	457
Unsecured creditors	27.6	81.8	115.6	94.6	319.6	138,286.00	433
Employees	27.9	113.0	145.3	14.5	300.7	153,049.50	509
Shareholders and other stakeholders	40.3	21.4	73.1	62.8	197.6	88,770.30	449
<b>Totals</b>	<b>2,132.8</b>	<b>2,781.2</b>	<b>3,200.6</b>	<b>566.3</b>	<b>8,681.9</b>	<b>4,683,199.67</b>	<b>539</b>

## **Appendix D. Administrators' fees and pre-administration costs**

### **Fees**

A copy of 'A Creditors' Guide to Administrations' can be downloaded from AlixPartners' creditor portal ([www.alixpartnersinfoportal.com](http://www.alixpartnersinfoportal.com)). If you would prefer this to be sent to you in hard copy please contact the Administrators and they will forward a copy to you.

Approval of the Administrators' fees has been sought in accordance with rule 2.106 of the Insolvency Rules 1986. At the meeting of creditors convened on 9 October 2015, the creditors approved that the basis of the Administrators' fees be fixed by reference to the time properly spent by the Administrators and their staff on matters arising in the Administration.

To date, fees totalling £4,648,536 have been drawn on account. Of this amount, £1,385,192 has been drawn in respect the supervision of trading.

### **Pre-administration costs**

In addition, the following pre-administration costs have been discharged with the approval of the creditors provided at the meeting convened on 9 October 2015.

Name of recipient	Brief description of services provided	Total amount approved £
AlixPartners Services UK LLP	Preparation for the appointment, including disbursements incurred	80,794
White and Case LLP	Legal advice	25,758

## **Appendix E. Administrators' expenses and disbursements**

### **Expenses**

The analysis of the receipts and payments for the Period includes the expenses paid during the Period, but excludes the following costs which have been incurred but not yet paid. All costs will be paid within the period agreed with each supplier.

Cost category	Supplier	Amount not yet paid £
Legal advice	Akin Gump LLP	252,410
Legal advice	White and Case LLP	4,032
Litigation assistance	Taylor Wessing LLP	19,896
Litigation assistance	Willkie Farr & Gallagher (UK) LLP	67,026
<b>Total</b>		<b>343,364</b>

### **Disbursements**

In the Period, category 1 disbursements of £5,389 have been recharged. Approval to draw category 2 disbursements has been given by the creditors and £103 has been drawn in the Period.

## **Appendix F. Additional information in relation to the Administrators' fees**

### **Policy**

Detailed below is AlixPartners' policy in relation to:

- staff allocation and the use of sub-contractors;
- professional advisors; and
- disbursements.

### **Staff allocation and the use of sub-contractors**

The Administrators' general approach to resourcing assignments is to allocate staff with the skills and experience to meet the specific requirements of the case.

The case team will usually consist of a managing director or director, a vice president, an associate and an analyst. The exact case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment. On larger, more complex cases, several staff at all grades may be allocated to meet the demands of the case. The Administrators' charge-out rate schedule overleaf provides details of all grades of staff.

With regard to support staff, time spent by treasury staff in relation to tasks such as recording transactions and dealing with bank accounts is charged but secretarial time is only recovered if a large block of time is incurred, e.g. report compilation and distribution.

The following services are being provided on this assignment by external sub-contractors.

Service type	Service provider	Basis of fee arrangement	Cost to date £
Employee claim processing	Insol Employee Solutions Limited	Rate per employee	6,660
Employee payroll processing	Complete Accounting Solutions Limited	Rate per employee	2,695

## Professional advisors

On this assignment the Administrators have used the professional advisors listed below. The Administrators have also indicated the basis of their fee arrangement with them, which is subject to review on a regular basis.

Name of professional advisor	Basis of fee arrangement
Akin Gump LLP (legal advice)	Hourly rate and disbursements
Bonhams 1793 Limited (valuation and disposal advice – specialist artwork)	Percentage of realisations plus certain fixed auction preparation costs
Colliers International Valuation UK LLP (property review and advice)	Fixed fee
Hilco Global Limited (valuation and disposal advice, exc. artwork)	Fixed valuation fee and percentage of realisations for disposals
PJT Partners (UK) Limited (formerly The Blackstone Group International Partners LLP) (financial and M&A advice)	Monthly retainer, a capped transaction fee and appointment fee
Willis Towers Watson Limited (insurance)	Risk based premium
SPTEC Advisory (non-core asset sale advice)	Fixed fee, percentage of realisations and disbursements
White and Case LLP (legal advice)	Hourly rate and disbursements
Taylor Wessing LLP (legal advice)	Hourly rate and disbursements
Willkie Farr & Gallagher (UK) LLP (legal advice)	Hourly rate and disbursements
Various consultants (assistance with tax and financial matters and asset advice)	Agreed daily rate and disbursements

The Administrators' choice was based on their perception of the professional advisors' experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of their fee arrangement with them.

## PJT

The Administrators instructed PJT to act as financial and M&A advisors to the Group as a result of their in-depth knowledge of the situation and key assets, together with their internationally recognised restructuring and M&A credentials. Principal areas of activity during the Period are as follows:

- Facilitating purchaser universe – contact made with numerous international and Nigerian based individual parties, comprising of technical operators, financial investors and previous interested parties. Interested parties were directed to PJT to indicate their interest and to be included in the process;
- Coordinating sales process – issuing non-disclosure agreements, providing interested parties with access to data rooms containing information relating to each asset (discussed in section 3), facilitating Q&A sessions and seeking and reviewing indicative offers received; and
- Creditor communication – liaising with stakeholders and secured creditors with regards to realisation estimates and sales process strategy.

## Akin Gump LLP

As detailed in the Proposals, the Administrators have engaged Akin Gump LLP (**Akin Gump**) as their legal counsel. Given the complex, multijurisdictional nature of this assignment, the Administrators have had to comply with legal and regulatory requirements in multiple jurisdictions and understand the impact of different countries' legal regimes and processes on the strategy and progress of the Administration. Akin Gump has assisted the Administrators across all of their principal work streams and the activities detailed in the report and outlined at Appendix D. In particular, Akin Gump has assisted with the following matters:

- Administration and planning – assisting the Administrators with implementing the case strategy and where required, attending meetings with key stakeholders across the Group;
- Realisation of assets: debtors – advising on the establishment of the Group's intercompany debt position and recoveries of outstanding book debts;
- Realisation of assets: floating charge – assisting with the implementation of the Administrators' asset recovery strategy for the various Group assets, which are principally held at subsidiary level. Significant time has been spent in dealing with the core assets in Nigeria as well as the non-core assets in various international jurisdictions. This includes time spent collating and reviewing information in relation to each of the key assets, providing input into the structure and format of the sales process, monitoring the progress with interested parties, reviewing offers and SPAs, negotiating and documenting contractual documentation and liaising with the relevant JV parties and government bodies for each of the key assets;
- Trading – assisting the Administrators with supplier agreements and rationalising supplier costs, and
- Creditors – assisting the Administrators with creditor and stakeholder communication with regards to the asset realisation strategy and the preparation of statutory reports such as the Proposals and progress reports.

## Disbursements

Category 1 disbursements do not require approval by creditors. Category 1 disbursements may include external supplies of incidental services specifically identifiable to the case eg postage, case advertising, invoiced travel and external printing, room hire and document storage. Any properly reimbursed expenses incurred by the Administrators and their staff will also be chargeable.

Category 2 disbursements do require approval prior to being paid and will be drawn in accordance with the approval given, they may include:

- photocopying – charged at the rate of 10 pence per sheet for notifications and reports to creditors and other copying;
- printing – charged at the rate of 10 pence per sheet for black and white printing and 15 pence per sheet for colour; and
- business mileage for staff travel – charged at the rate of 45 pence per mile.

## Charge-out rates

A schedule of AlixPartners' hourly charge-out rates for this assignment effective from 1 February 2016 is detailed below. Time is charged by managing directors and case staff in units of six minutes.

Description £	Rates from 1 February 2016
Managing director 1	865
Managing director 2	865
Director	705
Vice president*	600
Senior associate	550
Associate	420
Analyst	410
Junior analyst	230
Senior treasury associate	280
Treasury associate	190
Treasury analyst	130
Support	120

\*As a result of a project to consolidate the staffing grades of AlixPartners Services UK LLP with the wider AlixPartners firm, the Associate Director grade has been retitled as Vice President. No changes have been made to the rates charged per grade as a result of this project.



## **Appendix G. Exit routes**

### **Extension**

An initial 12 month extension of the Administration was granted by consent of the Company's creditors and the Administration is due to end automatically on 30 July 2017. However, it will not be possible to conclude all outstanding matters prior to this date.

The Administrators therefore intend to seek an order of the court to extend the Administration until 29 November 2018 in accordance with paragraph 76(2)(a) of schedule B1 of the Insolvency Act 1986.

### **Dissolution of the Company**

The Administrators think that the Company has insufficient property to permit a distribution to its unsecured creditors, other than by virtue of the Unsecured Creditors' Fund; therefore, they will file a notice together with their final progress report, at court and with the Registrar of Companies, for the dissolution of the Company. The Administrators will send copies of these documents to the Company and its creditors. The appointment will end following the registration of the notice by the Registrar of Companies.

### **Compulsory liquidation**

A liquidator of the Company has greater powers than the Administrators to investigate, and if required, take action on behalf of the Company to recover funds for the benefit of creditors, if, prior to its insolvency, transactions have been entered into by the Company without commercial justification and which have diminished its net assets. If such powers become necessary, the Administrators may make an application to court to end the Administration and request that the court places the Company into compulsory liquidation. The Administrators will send notice of any such application to the Company and its creditors.