



Polarcus UK Limited – in Creditors' Voluntary Liquidation

Remuneration Report

Information to Creditors including Fees and Expenses Estimates

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Glossary

Term	Meaning
Act / IA86	Insolvency Act 1986 (as amended)
Appointment date	27 April 2021
c.	Circa
Company	Polarcus UK Limited
Decision Date	30th August 2021
Directors	Caleb Raywood and Hans-Peter Sigvard Burlid
FTI	FTI Consulting LLP
Group Facility	A USD\$236m bank facility borrowed by Polarcus Limited, the Group's parent company, of which the Company is a guarantor
Group Facility Lenders	The lenders of the Group Facility
IR16	The Insolvency (England and Wales) Rules 2016
Joint Liquidators/ Liquidators/ we/ our/ us	Lisa Rickelton, Simon Kirkhope and Matthew Boyd Callaghan of FTI Consulting LLP
Liquidation	The liquidation of Polarcus UK Limited

Term	Meaning
Preferential creditors	First ranking: Principally employee claims for unpaid wages (up to £800 per employee), holiday pay and certain unpaid pension contributions Second ranking: HMRC in respect of certain specified debts, such as VAT, PAYE, employee National Insurance Contributions, student loan deductions and Construction Industry Scheme deductions
RPO	Redundancy Payments Office
SIP	Statement of Insolvency Practice. The purpose of SIPs is to promote and maintain high standards by setting out required practice and harmonising the approach of insolvency practitioners to particular aspects of insolvency practice. SIPs set principles and key compliance standards with which insolvency practitioners are required to comply. They apply in parallel to the prevailing statutory framework. SIPs are issued to insolvency practitioners under procedures agreed between the insolvency regulatory authorities, acting through the Joint Insolvency Committee.
SIP 9	Payments to Insolvency Office Holders and their Associates from an Estate
Statement of Affairs	Statement of Affairs of the Company prepared on 22 April 2021
The Group	Polarcus Limited and its subsidiaries
Unsecured creditors	Creditors who do not have security in respect of their debt (in accordance with Section 248 IA86) and are not preferential creditors. They include the Group Facility Lenders, group companies, trade creditors and employees



Introduction

Purpose of This Report

We are seeking a decision from creditors to fix the basis of our remuneration. This report provides further information to help creditors reach a decision in relation to this request.

Requirement for a Creditors' Decision

- When a company enters a formal insolvency process under the control of an insolvency practitioner, the costs of the proceedings are paid out of the assets of the company and include the insolvency practitioner's fees and expenses.
- We must seek approval to the basis of our fees and certain categories of expenses before they are paid. Approval must be sought from the appropriate class(es) of creditors or the court, as determined by insolvency law and the circumstances of the case.
- In this case, the basis of our fees and expenses must be fixed by the general body of creditors unless a committee is appointed.

Information Provided in this Report

- We have set out the proposed basis for our remuneration along with the following information which you should find helpful:
 - An explanation of the work we expect to do in the Liquidation;
 - An overview of the Liquidation including an account of our receipts and payments; and
 - Our current estimate of the outcome for creditors.
- You can also refer to our initial report dated 19 April 2021 which provided further information on the Company and events leading up to the Liquidation. That report is still available online or you can contact us if you require a hard copy. See opposite for details on how to contact us.
- The following documents are also enclosed with this report:
 - Notice of the decisions for which approval is sought;
 - Voting form; and
 - Notice of an invitation to form a Liquidation Committee, should you wish to do so.

How to Contact Us

- Creditors can contact us using the preferred methods below:

Email: PolarcusUK@fticonsulting.com

Post: Polarcus UK Limited (in liquidation)
c/o FTI Consulting LLP
200 Aldersgate
Aldersgate Street
London
EC1A 4HD
United Kingdom

Tel: +44 (0)20 7269 7281

- Further information can be found online at:

Website: <https://www.ips-docs.com/>

Login: PUL01

Unique ID: PULinsolvency123

- Alternatively information can be found at <https://www.fticonsulting.com/emea/cip/polarcus-uk-limited>

Actions Required

This report has been prepared to support our request for the determination of our remuneration. Please complete and return the voting form by the Decision Date and contact us if you have any questions.

Action Required By Creditors

- Please read this report carefully. We would encourage you to read this report in conjunction with correspondence previously issued to creditors that continues to be available online, as described earlier.
- Please contact us if you have any questions regarding the approval of our remuneration or in connection with the Liquidation generally, or if you want hard copies of any of the documents made available online.
- A voting form is enclosed for you to complete and return to us by the Decision Date, to indicate your approval (or otherwise) on the resolutions proposed. To submit a voting form please return this by email to PolarcusUK@fticonsulting.com or by post to Polarcus UK – In Liquidation, c/o FTI Consulting LLP, 200 Aldersgate, London EC1A 4HD.
- Where creditors have not previously provided a proof of debt they will need to do so in conjunction with their voting form for their vote to be counted in this decision procedure. For further information on how to submit a claim please refer to our letter dated 26 May 2021, or alternatively contact us using the email address provided above.
- We would encourage creditors to submit their forms by email, particularly those based outside the UK.

Other Information

- To comply with the Provision of Services Regulations, some general information about FTI Consulting LLP, including about complaints policy and Professional Indemnity Insurance, can be found using the following link:
<https://www.fticonsulting.com/emea/cip>
- The Liquidators will furnish creditors free of charge with such information concerning the Company's affairs as they may reasonably require.

Yours faithfully,
For and on behalf of the Company



Lisa Rickelton
Joint Liquidator

Lisa Rickelton, Simon Kirkhope and Matthew Boyd Callaghan are licensed in the United Kingdom to act as an insolvency practitioner by the Institute of Chartered Accountants in England and Wales, under Section 390A(2)(a) of the Insolvency Act 1986.

The affairs, business and property of the Company are being managed by the Joint Liquidators. The Joint Liquidators act as agents of the Company and without personal liability.

Insolvency Practitioners are bound by the Insolvency Code of Ethics which can be found at: <https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics>.

FTI Consulting LLP ("FTI") uses personal information in order to fulfil the legal obligations of our Insolvency Practitioners under the Insolvency Act and other relevant legislation, and also to fulfil the legitimate interests of keeping creditors and others informed about the insolvency proceedings. You can find more information on how FTI uses your personal information on our website at <https://www.fticonsulting-emea.com/~media/Files/emea-files/creditors-portal/cip-emea-forms-info/cip-data-privacy.pdf>



Liquidators' Fees and Expenses

Joint Liquidators' Fees and How They Are Determined

We are proposing that our remuneration for acting as joint liquidators is to be calculated on a time cost basis using our normal charge-out rates for work of this nature.

Insolvency Legislation

- Insolvency law allows fees to be calculated in the three ways set out below. Different bases (or a combination of them) can be used for different parts of the work.
 - As a percentage of the value of the property realised and/or distributed (often referred to as a “percentage basis”).
 - By reference to the time properly given by the office-holders and their staff in attending to the matters arising (“time cost basis”); or
 - A set amount (a fixed fee).
- The office-holders must seek approval to the proposed basis (or combination of bases) and provide sufficient supporting information in order for the fee approving body to decide whether it represents the most appropriate mechanism in the circumstances of the case. This information must include details of:
 - the expenses the office-holders consider will be (or are likely to be) incurred; and
 - the work the office-holders propose to undertake.
- Insolvency law says that in determining the basis of remuneration, regard must be had to the following:
 - The complexity (or otherwise) of the case;
 - Any exceptional responsibility falling on the office-holders;
 - The effectiveness with which the office-holders are carrying out, or have carried out, their duties; and
 - The value and nature of the property with which the office-holders have to deal.
- If any part of the remuneration is intended to be taken on a time cost basis, the office-holders must also provide a fee estimate to all creditors, containing:
 - the hourly charge-out rate(s) proposed for each part of that work;
 - the time the office-holders anticipate each part of that work will take; and
 - whether (and if so, why) the office-holders anticipate it will be necessary to seek further approval to exceed the fee estimate. The office-holders cannot draw remuneration in excess of the total amount set out in the fee estimate without approval.

Proposed Basis of Remuneration

- In this case, we are proposing that our remuneration be determined on a time cost basis. This is principally due to the ongoing uncertainty on the amount of work that will be necessary to realise the Company’s remaining assets, in particular the potential realisations from intercompany receivables and intercompany investments.
- In the remainder of this section, we have set out all the information described above relating to the proposed basis of our remuneration, our work in the Liquidation and details of our expenses.
- In the next section, we have included an overview of the Liquidation, our progress to date and a summary of our latest estimates on the outcome for creditors; in order to assist you in determining our remuneration.
- If you have any questions in relation to the content of this report or the Liquidation generally, please contact us using the details provided earlier.

Joint Liquidators' Fee Estimate

Our fee estimate is c.£199k based on costs to date of £111k and our assessment of future work required in the Liquidation.

Fee Estimate

- The table opposite shows the time expected to be required in each area of the Liquidation and the estimated cost based on the charge-out rates given later in this section. Our total fee estimate is £198,690 at an average rate of £488.80 per hour.
- On the next page we provide further explanation of the work required in each of these areas. Our overview of the Liquidation in the next section highlights the progress to date and key areas of future work. In the period from our appointment to 31 July 2021, a total of 231 hours have been incurred at a cost of £111,232, representing 56% of the fee estimate. The fee estimate for investigations is the actual amount as investigations have now completed and we do not anticipate any further work in this category.
- The fee estimate therefore includes an approximation of the cost of our future work based on information currently available to us, our experience in these matters and certain assumptions regarding the time likely to be required. At this stage, we do not envisage it will be necessary to seek approval later in the Liquidation to exceed the fee estimate. However, we may seek further approval should circumstances change and incurring additional time be necessary, most likely as a result of one or more of the following:
 - any material issues or complexities arise that are not currently expected;
 - the realisation of assets requires arbitration or legal proceedings; and/or
 - the Liquidation goes beyond its first anniversary.
- A Creditors' Guide to Liquidators Fees (produced by trade body R3) can be accessed at <https://www.fticonsulting.com/emea/cip/forms-and-information>. The relevant document is titled "Guide to Liquidators Fees April 2017 England Wales".

Fee Estimate for Polarcus UK Limited

Polarcus UK Limited - Fee Estimate			
	Total Estimate		
	Avg GBP/Hr	Hr	GBP
Administration and Planning	507.9	100	50,838.5
Investigations	442.7	24	10,802.0
Realisation of assets	453.5	126	57,098.0
Creditors	454.6	78	35,274.0
Tax	701.7	35	24,207.5
Reporting	465.2	44	20,470.0
Liquidators' fee estimate	488.8	407	198,690.0

Decisions being sought:

On the enclosed voting form, we are seeking approval to the following two resolutions with respect to our fees:

1. That the Joint Liquidators' fees will be charged by reference to the time properly spent by them and their staff in dealing with the matters relating to the Liquidation, such time to be charged at the hourly charge out rates of the grades of staff undertaking the work at the time the work is undertaken and subject to the fee estimate.
2. That the Joint Liquidators' fee estimate be approved at £198,690.

Work Expected to be Undertaken During the Liquidation

In broad terms our work includes realising the Company's assets, quantifying its liabilities and returning funds to creditors, managing the Company's affairs and fulfilling our statutory obligations as liquidators.

Administration and Planning

- Necessary administrative functions of the case include issuing initial notifications, cashiering work and compliance. Regular supervision of the work done by our staff on the case also includes periodic file inspections to review strategy, ensure compliance and monitor case progression. Such work does not have a direct financial benefit to creditors, but is a statutory or regulatory requirement.

Investigations

- We have a duty to investigate what assets there are (including potential claims against third parties) and what recoveries can be made. Additionally, we have a duty to report to the Secretary of State on the conduct of those that formerly controlled the Company. Our initial assessment may lead to further investigations and where necessary, actions to recover assets.

Realisations of Assets

- All work undertaken to realise the Company's assets has a direct financial benefit for creditors, including liaising with the advisors of subsidiaries from whom realisations are anticipated to flow. Further details are provided in the next section of this report.
- The cash recovered in respect of the Company's assets will first be used to discharge the costs and expenses of the Liquidation, with any surplus being distributed to creditors in the statutory order of priority.

Creditors (inc Employees)

- We maintain a record of the Company's creditors, including their contact details and claims submitted. We respond to queries from creditors and as a small dividend is expected, we must review and adjudicate their claims for dividend purposes. This often requires a review of the Company's records and requesting additional information from the creditors.
- We provide support to ex-employees of the Company in order to ensure that their claims are processed appropriately by the Redundancy Payments Service (RPS) and respond to any queries raised or issues arising in the process.
- There is a statutory process to give notice of our intention to issue a dividend and a deadline for creditors to submit claims, which we will commence at the appropriate time. Our work also includes a file review to ensure all received claims have been captured and a calculation to determine the amount of funds available to distribute.
- Work undertaken to adjudicate and manage distributions paid to different classes of creditor (e.g. preferential and unsecured).

Tax

- As the proper officers for tax purposes, we must ensure that the Company continues to fulfil its obligations to account for VAT and corporation tax. This includes a review of the Company's VAT and tax affairs, submission of periodic returns and seeking clearance prior to the end of the Liquidation. We use internal VAT and tax specialists to support us with this work.

Reporting

- We must prepare annual progress reports for the Company's creditors and a final report upon conclusion of the Liquidation.
- We also report to the Group's material creditors, i.e. the Group Facility Lenders and the liquidators of Polarcus Limited, on progress in the Liquidation and on potential realisations.

Time Charging Policy and Hourly Rates

As we are proposing a time cost basis for our remuneration, the manner in which we allocate staff, charge our time and the hourly rates we use, are all important factors.

Staff Allocation and Time Charging Policy

- Our general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case. The constitution of the case team at any point in time will usually consist of one or more of the grades shown in the table opposite, depending on the anticipated size and complexity of the assignment.
- Work is delegated to suitable grades of staff, taking into account their experience and any specialist knowledge that is needed and they are supervised accordingly to maximise the cost effectiveness of the work done. Complex issues or important matters of exceptional responsibility are handled by more experienced senior staff or the office-holders themselves.
- All of our staff who work on the case charge time directly to it and are included in any analysis of time charged. Only if there is a large block of time incurred by a member of the secretarial team, e.g. report compilation and distribution, do we seek to charge and recover our time in this regard. Time is charged in six minute units. We don't charge general overhead costs.
- The Liquidation will also utilise the services of specialist teams within FTI Consulting LLP, principally in relation to VAT and tax matters and the costs of which are included within our fee estimate. We consider that the rates chargeable for these services are in line with general market practice and that the service is at least comparable to similar firms of professional advisors. In addition, by working closely with our internal teams, we believe a more coordinated and efficient approach to the Liquidation workstreams is possible.

Hourly Charge-Out Rates

- In the table below, we set out the hourly charge-out rates for the various grades of staff who may work on the Liquidation. In common with many professional firms, these rates may be subject to change periodically, for example to cover annual inflationary cost increases.

Grade of Staff	Rate (£/hour)
Senior Managing Director	925
Managing Director	795
Senior Director	740
Director	660
Senior Consultant	585
Consultant	500
Associate (experienced)	335
Associate	235

Expenses of the Liquidation

Costs are necessarily incurred by the Company and its liquidators during the course of the Liquidation. Certain categories of these costs must be approved in the same manner as remuneration prior to payment.

Definition of Expenses

- Expenses are any payments from the estate which are neither office-holders' remuneration nor a distribution to a creditor or a member. Expenses also include disbursements. Disbursements are payments which are first met by the office-holder and then reimbursed to the office-holder from the estate.
- Expenses are divided into those that do not need approval before they are charged to the estate (category 1) and those that do (category 2):
 - Category 1 expenses: These are payments to persons providing the service to which the expense relates who are not an associate of the office-holder. Category 1 expenses can be paid without prior approval.
 - Category 2 expenses: These are payments to associates or which have an element of shared costs. Before being paid, category 2 expenses require approval in the same manner as an office-holder's remuneration. Category 2 expenses require approval whether paid directly from the estate or as a disbursement.
- The types of disbursements categorised as Category 1 expenses typically include external supplies of incidental services specifically identifiable to the case such as postage, statutory case advertising, bonding, invoiced travel and external services such as printing, room hire and document storage. Also included would be any properly reimbursed expenses incurred by personnel in connection with the case.
- The types of disbursements categorised as Category 2 expenses typically include mileage, in-house printing and electronic data storage.

Professional Advisors and Subcontractors

- The following professional advisors and subcontractors have been engaged:

Firm	Services	Fee Arrangement	Reason Selected
ERA Solutions	Employee Claims	Fixed fee based on the number of employees	Experienced provider of employee services to insolvency practitioners
EPE Reynell	Gazette Notices	Fixed cost per advert	Specialists in dealing with legal advertising
Aon UK Limited	Insurance Risk Services	Insurance premiums	Experienced provider of insurance services to insolvency practitioners
Norton Rose Fulbright LLP	Legal Advice	Time costs and expenses	Experience and prior knowledge of the Company

- Our choice of professional advisors and subcontractors was based on our perception of their experience and ability to perform this type of work and the complexity and nature of the assignment. We also considered that the basis on which they will charge their fees is appropriate in the circumstances. Other than the legal advice and insurance services, the work could have been undertaken by our teams, but we have outsourced it as we consider it to be more cost effective and the providers have relevant specialist experience.

Estimate of Expenses

We estimate that expenses totalling £26.5k will be incurred, principally in relation to legal fees. All are Category 1 expenses and do not need to be approved by creditors.

Expenses Estimate

- The table opposite shows our estimate of the expenses likely to be incurred during the course of the Liquidation.
- We do not anticipate incurring any Category 2 expenses and therefore we are not asking creditors to approve the basis upon which these may be charged to the estate. If this changes, we will write to creditors at the appropriate time to seek the necessary approval.
- As the table shows, expenses totalling c.£26,510 (plus VAT where applicable) are estimated to arise in these proceedings, the majority of which relates to legal advice provided to us in relation to various aspects of the Liquidation.
- We are satisfied that the amounts expected to be incurred are reasonable in the circumstances of the case.
- There is no requirement for us to seek approval to any of these expenses and the estimate provided does not represent a cap on the amount that can be paid. However, when reporting to creditors, we will provide an update on the amounts incurred and paid, together with an explanation for any material differences compared to this estimate.

<u>Firm</u>	<u>Services</u>	<u>Estimated Cost (GBP)</u>
ERA Solutions	Employee Claims	410
EPE Reynell	Gazette Notices	460
Aon UK Limited	Insurance	112
Aon UK Limited	Bonding	528
Norton Rose Fulbright LLP	Legal Advice	25,000
Total Estimate		26,510



Overview of the Liquidation

Background to the Liquidation and Asset Realisations

The impact of COVID-19 on the Group resulted in enforcement action by certain of its lenders, a cessation of trade and a need to wind-up the Company and realise what assets remained for the benefit of its creditors.

Background to the Liquidation

- Polarcus UK Limited was a contracting entity, an intermediate holding company and a member of the wider Polarcus Group. The Company provided marketing services to other companies within the Polarcus Group. On a project by project basis, the Company also evaluated and provided marine towed streamer seismic data acquisition services to external customers via contracting arrangements with other Group entities.
- The Group was adversely impacted by COVID-19, which caused a sharp reduction in oil prices. This led to a significant drop in oil company interest in commissioning exploration activity, project cancellations. These events resulted in the Group defaulting on its bank facilities and the Group Facility Lenders making demand on its c.USD\$236m Group Facility, of which the Company is a guarantor.
- Ownership of six of the Group's seven vessel-owning subsidiaries was transferred out of the Group by the Group Facility Lenders, under enforcement steps following the event of default. Those subsidiaries then ceased to trade. As a result any value the Company had through its intercompany receivables and intercompany investments was considered to be worthless, whilst the Company held minimal other assets. Given the Company's significant liabilities far exceeded its assets, and the Company was unable to pay its liabilities as they fell due, the Company was insolvent, and its directors commenced its winding-up.
- We were appointed as Joint Liquidators on 27 April 2021, for the purpose of winding-up the Company.

Summary of Asset Realisations

- The Company's principal assets as at the date of our appointment were cash at bank and its investments in subsidiaries (estimated to realise £90k and £403k in the directors' Statement of Affairs, respectively). To date, we have realised £138k of cash at bank and £4.5k on the sale of equipment.
- Cash at bank recoveries are now anticipated to exceed initial estimates by £49k, due to cash having been recovered from the Company's payroll provider who held funds in a client account that had been set aside for unpaid PAYE and NI, along with £15k having been held on account with Norton Rose Fulbright for anticipated legal services to be provided.
- Work has commenced to realise value from investments the Company has in its subsidiaries. The majority of these realisations are anticipated to flow from a Mexican entity which is in the process of being wound down by local advisors (realisations are expected to total c£400k) and we anticipate that this value will be recovered within 12 months of the commencement of the Liquidation.
- Since appointment, an additional asset has been identified in relation to insurance premium equity distribution due to the Company from the Norwegian shipowners' mutual war risk insurance association. The expected realisable value is c.£483k, however this remains dependent on regulatory approval from the Norwegian tax authorities.

c.£722k

Estimated surplus for unsecured creditors

As per the Estimated Outcome Statement, shown in Appendix I.

100%

Estimated dividend to preferential creditors

As per the Estimated Outcome Statement, shown in Appendix I.

c.£198k

Fee estimate

Further information was provided earlier in this report.

Overview of the Company's assets and liabilities

Due to the potential realisations from the insurance premium equity distribution, estimated realisations are expected to significantly exceed the anticipated realisations from the Directors' Statement of Affairs.

Financial Position on Appointment

Assets and Liabilities of Polarcus UK Limited		
GBP*	Statement of Affairs Estimated to Realise	Current Estimated to Realise
Assets		
Property, plant and equipment	5,000	4,500
Intangible assets	1	-
Investment in Subsidiaries	402,736	402,736
Intercompany Receivables	8,921	8,921
Other Current Assets	-	-
Cash at Bank	89,500	138,834
Insurance premium equity distribution	-	483,300
Total Assets	506,158	1,038,291
Liabilities		
First ranking preferential creditors: Employees		(58,743)
Second ranking preferential creditors: HMRC		(37,115)
Unsecured non-preferential claims:		
Group Facility Lenders		(168,618,000)
Intercompany Liabilities ¹		(212,402,658)
Trade Creditors		(1,626,285)
Employee claims		(35,632)
Total Liabilities		(382,778,433)
Deficiency		(381,740,142)

- These figures are taken from both the information previously provided by the Company's directors and information received since our appointment.
- Figures are shown net of VAT, and it is anticipated that VAT can be recovered.
- In line with the standard format for a Statement of Affairs, the figures shown do not include the associated costs of the Liquidation process.
- There continues to be an anticipated shortfall of c.£382m to the creditors of the Company, a break down of which is shown in our Estimated Outcome Statement in Appendix I.
- In Appendix II, we include a receipts and payments account covering the period since the commencement of the Liquidation.
- On the following page, we provide further details on our progress in realising the Company's assets.

Note: Figures are shown net of VAT. All values were originally converted to GBP from USD at exchange rate of: \$1:£0.716 on 20 April 2021. Source: <https://www.xe.com/currencyconverter/>. This exchange rate has been used for the Fee Approval Report in order to be consistent with the exchange rate used for the Company's Statement of Affairs.

1 A part assignment of \$132m exists on the intercompany payable from Polarcus UK Limited to Polarcus Limited with the assignment rights being due to the Group Facility Lenders. However, these rights have not yet been enforced.

Assets Realisations

The majority of assets are yet to be realised as they are still in progress, with any realisations dependent on local recovery procedures. We are monitoring those situations regularly in order to recover value as soon as possible.

Cash at bank

- On appointment, cash held in the Company's bank accounts totalled c.£199k (c.\$277k).
- Credit balances were subject to set-off rights under the terms of the Group Facility and the Company's guarantee. The Group Facility Lenders agreed (subject to certain conditions) that c.£90k (\$125k) be available to the Liquidation estate to contribute to an orderly wind down of the Company. The directors' Statement of Affairs indicated cash assets of £90k. Release of this cash was conditional on the completion of a wider Group transaction, which has now completed and funds of £89.6k have been received.
- Since our appointment, we have also recovered a further £34k from a client account held by the Company's payroll provider, which represented unpaid PAYE and NI liabilities. An amount of £15k has also been received from a client account at Norton Rose Fulbright, bringing the total additional recoveries to £49k.

Investments in subsidiaries & intercompany receivables

- The directors' Statement of Affairs reported:
 - Investments in subsidiaries with a book value of £83.8m from which c.£403k was expected to be realised; and
 - Intercompany receivables with a book value of £29.9m from which c.£9k was expected to be realised.
- The estimated to realise amounts reflect the insolvent nature of a number of the Group's entities and a detailed review of the positions of relevant Group entities to determine amounts that may be realisable in the current circumstances.
- Recoveries are anticipated from the Company's investment in its Mexican subsidiary and from the intercompany receivable due from its Ghana subsidiary. We are working to seek to recover these assets and are liaising with local practitioners in relation to these entities.

Insurance premium equity distribution

- There is a potential insurance premium equity distribution due to the Company from the Norwegian shipowners' mutual war risk insurance association. The estimated to realise value for the Company is £483k. The directors brought this to our attention following receipt of an email on this matter from the relevant insurer.
- The distribution has arisen as a consequence of significant free reserves having accrued within the association, and in order to reduce cash held a distribution of US\$300m is being made collectively to any member in the previous six years.
- Receipt of the distribution is dependent on regulatory approval from the Norwegian tax authorities and subject to potential withholding tax.

Property, plant and equipment (PPE)

- The main asset held in property, plant and equipment was new equipment purchased by the Company in March 2021.
- PPE had a realisable value in the Statement of Affairs of £5k based on informal valuation advice provided to the Company. On appointment it became apparent that a small number of items could not be located and as such, PPE realisations totalled £4.5k.

Estimated return to creditors

Both ordinary and secondary preferential creditors are anticipated to be paid in full, whilst non-preferential unsecured creditors are expected to receive a small dividend.

Secured Creditors

- There are no general secured creditors of the Company, albeit the Group Facility benefits from certain specific pledges across the Group.
- The Company had granted to the Group Facility Lenders certain share pledge security which was enforced over prior to the commencement of the Company's liquidation; no surplus is anticipated to be available to the Company. Additionally, the Group Facility Lenders had security rights over certain intercompany receivables. In relation to the Company's assets, this primarily comprises receivables due from the Group's subsidiary in Brazil. Our estimated recoveries do not include any amounts related to these receivables.

Preferential Creditors

- The Company had nine employees who had a preferential claim for outstanding holiday pay, subject to statutory limits. Employee preferential claims are expected to total £58,743 and we understand to date that six of the employees have now submitted their claims to the Redundancy Payments Service.
- HMRC are a secondary preferential creditor for certain specified debts, such as VAT, PAYE, employee National Insurance Contributions, student loan deductions and Construction Industry Scheme deductions. Secondary preferential debts are payable after all ordinary preferential debts have been paid in full and before non-preferential unsecured debts. The information provided to date shows that HMRC's claim as a secondary preferential creditor is estimated to total £37,115.
- Based on current information, we believe both ordinary and secondary preferential creditors will be paid in full in due course.

Non-preferential Unsecured Creditors

- The directors' Statement of Affairs included 28 non-preferential unsecured creditors with an estimated total liability of £382,682,575.
- Based on current information regarding the Company's assets and liabilities, and after taking into account the anticipated costs of the Liquidation, it is anticipated that a small dividend will be paid to unsecured creditors, as shown by the estimated outcome statement in Appendix I.
- Any dividend is reliant on the recovery of the assets as described earlier and prior payment of preferential claims. It is therefore prudent to assume that an unsecured distribution would not be made until some time in 2022.

Estimated returns to creditors are based on the Joint Liquidators' current assumption on asset recoveries and value of creditor claims and these balances remain subject to change.



Appendices

Appendix I – Joint Liquidators Estimated Outcome Statement

Estimated Outcome Statement of Polarcus UK Limited		
GBP*	Statement of Affairs Current Estimated to Realise	Estimated to Realise
Assets subject to fixed charge		
Intercompany Receivables	-	-
Total fixed charge realisations	-	-
Assets subject to floating charge		
Property, plant and equipment	5,000	4,500
Intangible assets	1	-
Investment in Subsidiaries	402,736	402,736
Intercompany Receivables	8,921	8,921
Other Current Assets	-	-
Cash at Bank	89,500	138,834
Insurance premium equity distribution	-	483,300
Total floating charge realisations	506,158	1,038,291
Fixed charge surplus		-
Total floating charge realisations		1,038,291
Estimated Liquidators fees (excl VAT)		(198,690)
Liquidators expenses (storage, postage, statutory adverts etc.)		(1,510)
Legal fees		(20,000)
Realisations available to first ranking preferential creditors		818,091
First ranking preferential creditor claims		(58,743)
Return to first ranking preferential creditor claims		58,743
<i>Return to first ranking preferential creditor claims (%)</i>		<i>100.00%</i>
Realisations available to second ranking preferential creditors		759,348
Second ranking preferential creditors		(37,115)
Return to second ranking preferential creditors		37,115
<i>Return to second ranking preferential creditors (%)</i>		<i>100.00%</i>
Realisations available to unsecured creditors		722,233
Group Facility Lenders		(168,618,000)
Intercompany Liabilities ¹		(212,402,658)
Trade Creditors		(1,626,285)
Employee Creditors		(35,632)
Return to unsecured creditors		722,233
<i>Return to unsecured creditors (%)</i>		<i>0.19%</i>

Note: Figures are shown net of VAT. All values were originally converted to GBP from USD at exchange rate of: \$1:£0.716 on 20 April 2021. Source: <https://www.xe.com/currencyconverter/>. This exchange rate has been used for the Fee Approval Report in order to be consistent with the exchange rate used for the Company's Statement of Affairs.

1 A part assignment of \$132m exists on the intercompany payable from Polarcus UK Limited to Polarcus Limited with the assignment rights being due to the Group Facility lenders. However, these rights have not yet been enforced.

Appendix II – Joint Liquidators Receipts and Payments

Joint Liquidators' Account of Receipts and Payments		
GBP	Statement of Affairs Estimated to Realise	27 April 2021 - 31 July 2021
Receipts		
Bank Interest		0
Cash at Bank	89,500	138,834
Intangible assets	1	-
Floating Charge Intercompany Receivables	8,921	-
Investment in Subsidiaries	402,736	-
Other Current Assets	-	-
Property, plant and equipment	5,000	4,500
Subtotal	506,158	143,334
Payments		
Floating Bank Charges		(12)
Employee Related Expenses		(410)
Insurance		(112)
Statutory Advertising		(184)
Legal Fees		(13,867)
Subtotal		(14,585)
Floating Charge Surplus/ (Deficit)		128,749
Net Realisations		128,749
Total Balance Held		128,749
Made Up As Follows		
VAT - Net VAT Receivable		1,992
Floating Charge Account		126,757
Total		128,749

Note: Figures are shown net of VAT.

Appendix III – Work undertaken or to be undertaken in the Liquidation

This Appendix expands on information given in the report, with further detail on the work expected to be performed by us in the Liquidation.

Administration & Planning

- Case planning - devising and monitoring the optimal strategy for dealing with the case and delegating work to appropriate grades of staff and supervising them accordingly. (O)
- Setting up physical/electronic case files (as applicable). (C)
- Setting up the case on the practice's electronic case management system and entering data. (C)
- Issuing the statutory notifications to creditors and others, as required on appointment as office holder, including gazetting the office-holder's appointment. (C)
- Obtaining a specific penalty bond (this is insurance required by statute that every insolvency office-holder has to obtain for the protection of each estate). (C)
- Seeking a decision from creditors to fix the basis of the office-holder's remuneration. (O)
- Dealing with all routine correspondence and emails relating to the case. (O)
- Opening, maintaining and managing the office-holder's estate bank account. (O)
- Creating, maintaining and managing the office-holder's cashbook. (O)
- Undertaking regular reconciliations of the bank account containing estate funds. (O)
- Reviewing the adequacy of the specific penalty bond on a periodic basis. (O)
- Undertaking periodic reviews of the progress of the case. (O)

Key

C – Completed

O – Ongoing

F – To be completed in the future

Investigations

- Recovering the books and records for the case. (C)
- Listing the books and records recovered. (C)
- Conducting an initial investigation with a view to identifying potential asset recoveries by seeking and obtaining information from relevant third parties, such as the bank, accountants and solicitors. (C)
- Reviewing books and records to identify any transactions or actions the office-holder may take against a third party in order to recover funds for the benefit of creditors. (C)
- Submitting an online return on the conduct of the directors as required by the Company Directors Disqualification Act. (C)

Realisation of Assets

- Arranging suitable insurance over assets. (C)
- Liaising with advisors to assist in the realisation of intercompany receivables or equity dividends in respect of subsidiaries registered in Mexico, Ghana and Nigeria. (O)
- Regularly monitoring the suitability and appropriateness of the insurance cover in place. (O)
- Liaising with the bank regarding the collection of cash from the Company's pre-liquidation bank account (as well as correspondence around the bank's ability to set off). (C)
- Completing on the sale of the Company's PPE following discussions with agents. (C)
- Liaising with the Norwegian shipowners' mutual war risk insurance association to recover the insurance premium equity distribution due to the Company. (O)
- Instructing solicitors to assist in the realisation of assets (where required). (O)

Appendix III – Work undertaken or to be undertaken in the Liquidation

This Appendix expands on information given in the report, with further detail on the work expected to be performed by us in the Liquidation.

Creditors

- Obtaining information from the case records about employee claims. (C)
- Corresponding with employees regarding their claims. (O)
- Liaising with the Redundancy Payments Service regarding employee claims. (O)
- Dealing with creditor correspondence, emails and telephone conversations regarding their claims. (O)
- Maintaining up to date creditor information on the case management system. (O)
- Issuing a notice of intended dividend and placing an appropriate gazette notice. (F)
- Reviewing proofs of debt received from creditors, adjudicating on them and formally admitting them for the payment of a dividend. (F)
- Requesting additional information from creditors in support of their proofs of debt in order to adjudicate on their claims. (F)
- Calculating and paying a dividend to creditors and issuing the notice of declaration of dividend. (F)
- Paying tax deducted from the dividends paid to employees. (F)

Key

C – Completed

O – Ongoing

F – To be completed in the future

Reporting

- Filing returns at Companies House. (O)
- Preparing, reviewing and issuing a final account of the Liquidation to creditors and members. (F)
- Filing final returns at Companies House. (F)
- Preparing, reviewing and issuing annual progress reports to creditors and members. (F)
- Preparing updates to key stakeholders including the bank (DNB), the Liquidators of Polarcus Limited and the Company's directors when requested. (O)

Tax

- Preparing and filing VAT returns. (F)
- Preparing and filing Corporation Tax returns. (F)
- Seeking closure clearance from HMRC and other relevant parties. (F)
- Reviewing the withholding tax position in respect of asset realisations in foreign jurisdictions e.g. Norway, Ghana and Mexico. (O)

These tasks are undertaken either as part of my routine administrative functions, or in order to realise the assets of the Company. Routine statutory and compliance work are tasks that are required by statute or regulatory guidance, or are necessary for the orderly conduct of the proceedings and whilst they do not produce any direct benefit for creditors, they still have to be carried out.



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Appendix IV – Notice of decision by correspondence

Notice of decisions by correspondence

POLARCUS UK LIMITED - In Creditors' Voluntary Liquidation

(Company Number 07068161)

NOTICE IS GIVEN by Lisa Rickelton, Matthew Boyd Callaghan and Simon Kirkhope to the creditors of Polarcus UK Limited that set out below is a decision for your consideration under rule 18.16 of The Insolvency (England and Wales) Rules 2016. Please complete the voting section below indicating whether you are in favour or against the following decision(s):

i) That the Liquidators' fees will be charged by reference to the time properly spent by them and their staff in dealing with the matters relating to the Liquidation, such time to be charged at the hourly charge out rate of the grade of staff undertaking the work at the time the work is undertaken and subject to the fees estimate set out in the report dated 10 August prepared in connection with fee approval and issued with the notice of this decision procedure.

The final date for votes is 30 August 2021, the decision date.

1. In order for their votes to be counted creditors must submit to me their completed voting form so that it is received at Polarcus UK Limited – In Liquidation, C/O FTI Consulting LLP, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD by no later than 23.59 hours on 30 August 2021. A proof of debt must have already been lodged. Failure to do so will lead to their vote(s) being disregarded.
2. Creditors must lodge proof of their debt (if not already lodged) by no later than 23.59 on 30 August 2021, without which their vote will be invalid.
3. Creditors with claims of £1,000 or less must have lodged proof of their debt for their vote to be valid.
4. Any creditors who have previously opted out from receiving documents in respect of the insolvency proceedings are entitled to vote on the decision(s) provided they have lodged proof of their debt.
5. Creditors may, within 5 business days of delivery of this notice to them, request a physical meeting of creditors be held to determine the outcome of the decision(s) above. Any request for a physical meeting must be accompanied by valid proof of their debt (if not already lodged). A meeting will be convened if creditors requesting a meeting represent a minimum of 10% in value or 10% in number of creditors or simply 10 creditors, where "creditors" means "all creditors."
6. Creditors have the right to appeal a decision of the convener made under Chapter 8 of Part 15 of The Insolvency (England and Wales) Rules 2016 about Creditors' Voting Rights and Majorities, by applying to court under Rule 15.35 of The Insolvency (England and Wales) Rules 2016 within 21 days of the Decision Date.

Creditors requiring further information regarding the above, should either contact me at Polarcus UK Limited – In Liquidation, C/O FTI Consulting, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD, or by telephone on +44 (0)20 7269 7281, or by email at PolarcusUK@fticonsulting.com.

DATED THIS 10TH DAY OF AUGUST 2021



Lisa Rickelton
JOINT LIQUIDATOR

POLARCUS UK LIMITED - In Creditors' Voluntary Liquidation

(Company Number 07068161)

Voting on Decision

i) That the Liquidators' fees will be charged by reference to the time properly spent by them and their staff in dealing with the matters relating to the Liquidation, such time to be charged at the hourly charge out rate of the grade of staff undertaking the work at the time the work is undertaken and subject to the fees estimate set out in the report dated 10 August 2021 prepared in connection with fee approval and issued with this notice.

For / Against

TO BE COMPLETED BY CREDITOR WHEN RETURNING FORM:

Name of creditor: _____

Signature of creditor: _____

(Complete the following if signing on behalf of creditor, e.g. director/solicitor)

Capacity in which
signing document: _____

Date: _____

Appendix V – Notice of invitation to form a liquidation committee

Notice of invitation to form a Liquidation Committee

Polarcus UK Limited - IN CREDITORS' VOLUNTARY LIQUIDATION

(Company Number 07068161)

NOTICE IS GIVEN by Lisa Rickelton, Simon Kirkhope Matthew Boyd Callaghan to the creditors of Polarcus UK Limited of an invitation to establish a Liquidation Committee under rule 6.19 of The Insolvency (England and Wales) Rules 2016.

1. In addition to seeking a decision on the matters set out in the accompanying notice, creditors are also invited to determine, at the same time, whether a Liquidation Committee should be established. The deemed consent procedure is being used and the decision being sought is that a Liquidation Committee is NOT established.

Please note that unless 10% of the creditors who would be entitled to vote at a qualifying decision procedure object to this decision, then it will be automatically approved on 30 August 2021, the Decision Date.

2. A Committee may be formed if a minimum of 3 and a maximum of 5 creditors are willing to become members.
3. Nominations can only be accepted for a creditor to become a member of the Committee if they are an unsecured creditor and have lodged a proof of their debt that has not been disallowed for voting or dividend purposes.
4. The specified date for receipt of nominations for creditors to act as a member of the Committee under rule 6.19 of The Insolvency (England and Wales) Rules 2016 is 30 August 2021, the Decision Date.
5. If you object to the decision being sought, i.e. if you want a Liquidation Committee to be established, please complete the form sent with this notice. The completed document should be returned to Polarcus UK Limited – In Liquidation, C/O FTI Consulting LLP of 200 Aldersgate, Aldersgate Street, London, EC1A 4HD so that it is received by no later than 23.59 hours on 30 August 2021, the decision date.

Note: Further information on the rights, duties and the functions of a Committee is available in a booklet published by the Association of Business Recovery Professionals (R3). This booklet can be accessed at <https://www.r3.org.uk/technical-library/england-wales/technical-guidance/creditor-guides/more/29111/page/1/liquidation-creditors-committees-and-commissioners/>. If you require a hard copy of the booklet please contact a member of the liquidation staff of FTI Consulting LLP by email at PolarcusUK@fticonsulting.com, or by phone on +44 (0)20 7269 7281.

The final date for votes to establish a committee is 30 August 2021, the decision date.

1. To object to this decision, creditors must deliver to me at my offices at Polarcus UK Limited – In Liquidation, C/O FTI Consulting LLP, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD a duly completed notice of objection by no later than 23.59 hours on 30 August 2021, the Decision Date, a proof of their debt must have been lodged, without which objections will be invalid.
2. Creditors must lodge proof of their debt (if not already lodged), by no later than 23.59 hours on 30 August 2021, without which, objections will be invalid.

200 Aldersgate | Aldersgate Street | London EC1A 4HD
T: +44 (0)20 3727 1000 | F: +44 (0)20 3727 1007 | fticonsulting.com

3. Creditors should note that it is my responsibility to determine whether any objections received are sufficient for this Deemed Consent Procedure to end without a decision being made. If sufficient objections are received, then I will write to creditors to seek approval for this decision using a qualifying decision process.
4. Creditors with small debts, that is claims of £1,000 or less, must have lodged proof of their debt for their vote to be valid.
5. Any creditors who have previously opted out from receiving documents in respect of the insolvency proceedings are entitled to vote on the decision provided they have lodged proof of their debt.
6. Creditors may, within 5 business days of delivery of this notice to them, request a physical meeting of creditors be held to determine the outcome of the decision above. Any request for a physical meeting must be accompanied by valid proof of their debt (if not already lodged). A meeting will be convened if creditors requesting a meeting represent a minimum of 10% in value or 10% in number of creditors or simply 10 creditors, where “creditors” means “all creditors.”
7. Creditors have the right to appeal a decision of the convener made under Chapter 8 of Part 15 of The Insolvency (England and Wales) Rules 2016 about Creditors' Voting Rights and Majorities, by applying to court under Rule 15.35 of The Insolvency (England and Wales) Rules 2016 within 21 days of 30 August 2021, the Decision Date.

Creditors requiring further information regarding the above, should either contact me at Polarcus UK Limited – In Liquidation, C/O FTI Consulting, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD, or by telephone on +44 (0)20 7269 7281, or by email at PolarcusUK@fticonsulting.com.

DATED THIS 10TH DAY OF AUGUST 2021



Lisa Rickelton
JOINT LIQUIDATOR

Polarcus UK Limited - IN CREDITORS' VOLUNTARY LIQUIDATION**(Company Number 07068161)****NOTICE OF OBJECTION TO DEEMED CONSENT**

If you agree with the proposed decisions, then you do not need to do anything, and can disregard this form.

Please note that if you object to the decision then you are saying that you want to establish a Committee. That will incur additional costs, so please only object if you are prepared to act as a Committee member or can nominate another creditor who is willing to act.

The following decision is sought from the creditors of Polarcus UK Limited by way of a Deemed Consent Procedure;

1. That a Liquidation Committee should NOT be established.

TO BE COMPLETED BY CREDITOR WHEN RETURNING FORM:

THIS DECISION IS OBJECTED TO BY

Name of creditor: _____

Signature of creditor: _____

(Complete the following if signing on behalf of creditor, e.g. director/solicitor)

Capacity in which
signing document: _____

Date: _____

Note: The completed form should be delivered to Lisa Rickelton, Matthew Boyd Callaghan and Simon Kirkhope, either by posting it to Polarcus UK Limited – In Liquidation, C/O FTI Consulting LLP of 200 Aldersgate, Aldersgate Street, London, EC1A 4HD, or by emailing it to PolarcusUK@fticonsulting.com, so that it is delivered by 23.59 hours on 30 August 2021 to be counted as an objection. A proof of the debt must have been lodged. Failure to do so will lead to this objection being invalid.

Please note that unless 10% of the creditors who would be entitled to vote at a qualifying decision procedure object to this decision, then it will be automatically approved on 30 August 2021, the Decision Date.