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For the attention of Frances Pacitti

16 May 2018

Dear Sirs

Project Harris Report in relation to pre-drawdown diligence

Background

Overview

On 17 April 2018, Burntisland Fabrications Limited (**the Company**) was acquired by DF Barnes Services Limited (**DFB**). The acquisition was dependent on agreement of a deal between DFB and The Scottish Government (**SG**): this was executed on 17 April 2018 (**the April Agreement**)¹.

Prior to the DFB acquisition, SG had advanced £19.00 million to the Company under the terms of the Original SG Loan Agreement². As part of the April Agreement, the available facility under the Original SG Loan Agreement was extended, to provide a facility for the purpose of funding the completion of the Siemens Contract and the SHL Contract (**top-up debt**). The revised facility limit of the Original SG Loan Agreement is [REDACTED] of which the Company has drawn down £26.60 million to date³.

On 27 April 2018 the Company provided an email update in which it stated expected future drawdowns of top up debt would be:

- £5.40 million to be received in week ending 18 May 2018
- £3.00 million to be received in the week ending 22 June 2018

This would result in a total drawdown of top-up debt of £35.00 million, and it is this sum that is included in the STFC as receipts from SG.

¹ The focus of this report is the drawdown request of £5.40 million of top-up debt (no other aspects of the April Agreement are considered)

² Noting that this was initially a £15.00 million facility, with the loan agreement subsequently amended to provide a facility of up to £19.00 million (which was drawn in full by the Company)

³ Being £19.00 million pre-acquisition by DFB and £7.60 million post-acquisition

However, on 30 April 2018 PwC (as advisors to the Company), provided us with an updated cash flow which shows that, in addition to the SG receipts of £35.00 million, [REDACTED]

The Company therefore expects the total drawdown under the Original SG Loan Agreement to be [REDACTED]

The debt advanced to the Company for completion of the Contracts will be converted to equity: it is agreed that SG will hold up to a 38% shareholding in the Company. Prior to conversion, interest will accrue on the top-up debt at a rate of 22% per annum.

Post-acquisition, Management of the Company has changed (with DFB representatives now directors of the Company⁴) and it is from this Management team that a formal request for partial drawdown of the top-up debt in the sum of £5.40 million was received by SG's legal advisors on 1 May 2018, with a request that these sums be advanced to the Company in the week ending 18 May 2018.

In advance of any drawdown of top-up debt by the Company, SG has stated that it will require pre-drawdown diligence to be undertaken on each request. SG has therefore instructed Grant Thornton to prepare a report (and accountant's certificate) in respect of this request. Our work is being carried out in line with our Letter of Addendum dated 17 April 2018.

You may find it helpful to consider our report in conjunction with our prior reports (in particular our reports in relation to the drawdowns of top-up debt, dated 22 March 2018 and 19 April 2018).

A glossary of terms used in this report is contained at **Appendix 1** and our scope of work is appended in **Appendix 2**.

All numbers in this report are reported in £millions, unless otherwise stated. Please note that whilst we have challenged the assumptions of Management around a number of figures reported in the cash flow forecasts provided by the Company, we have assumed that the underlying calculations which derived the figures in the models are correct.

Key messages

We summarise below the key messages arising from this report:

- Drawdown of the full sum of £5.40 million, based on the Company's cash flow provided on 30 April 2018, is not necessarily required in full in order to meet the May month end supplier run. Furthermore, based on the cash flow, if the liquidated damages contingency of £1.00 million is not required in the week ending 25 May 2018 as forecast, a drawdown would not necessarily be required at all in order to get the Company through May 2018 if (i) receipts from SHL were in line with the profiling in the cash flow forecast and (ii) a receipt from Siemens was received in the week ending 25 May 2018, the latter being no longer expected by Management in this timeframe
- However, whilst mindful of SG's need to ensure only necessary funds are advanced (so that SG's exposure to the Company is not increased unnecessarily), some element of contingency to ensure no interruption to trade is a prudent request and we therefore consider a drawdown of £5.40 million reasonable on the basis that a further drawdown(s) of top-up debt will be required at a later date to fund completion of the SHL Contract
- Management reporting appears to be back within reasonable timescales: the MI Pack for April 2018 was received on 10 May 2018 (a sign that Management time is again focused on the business rather managing creditor relationships etc)

⁴ We have not seen the necessary paperwork confirming this but assume that it has been properly executed: SG should seek confirmation from its legal advisors (we note that no paperwork has been lodged at Companies House)

- As at 27 April 2018, the Company is no longer balance sheet insolvent due to (i) write-off of the SSE loan (£6.00 million) and (ii) conversion of SG debt (£26.60 million) to equity. However, this includes a corporation tax asset on the balance sheet of £8.49 million which has not yet been assessed by the Company's auditors/another third party, ie assets may be overstated
- Management advise that (i) Smulders has submitted a claim of [REDACTED] to the Company in respect of additional works carried out and (ii) this is being negotiated (the quantum being disputed by the Company)

Limitations

The limitations in respect of preparation of this report are primarily:

- No integrated model has been provided (although this was to be expected)
- The forecast balance sheets provided to us were prepared by DFB (prior to the acquisition): no forecast balance sheet as at 30 June 2018 (or later) has been provided to us by the Company since the forecast balance sheet provided on 13 February 2018
- It remains the case that there are discrepancies in information provided: for example, on 27 April 2018 we received an email stating that future drawdown requests (including the current request for £5.40 million) would total £8.40 million, whereas on 30 April 2018 this was stated as being £10.32 million
- Our contacts remain as prior to the acquisition (being the Company's CFO and Commercial Director, and PwC as advisors to the Company): we have been unable to discuss with the new management of the Company (from DFB) the points raised in this report

Report content

This report shall set out an update to SG under the following headings:

- Update on the Siemens Contract
- Update on the SHL Contract
- Pipeline update
- Creditor position
- Management information
- Forecast balance sheets for 30 June 2018
- Compliance with covenants in the April Agreement
- Conclusion

We have based the content of our report on (i) information provided by Management (ii) information provided by DFB (pre-acquisition) and (iii) discussions with PwC (on behalf of Management), Management, DFB and SG.

Update on the Siemens Contract

Overview

Sailaway of OTM2 has now taken place and the sum [REDACTED] plus VAT was received from BOWL in the week ended 20 April 2018. This leaves any future receipts to be derived from:

- Any variations subsequently agreed with BOWL
- Any future receipts from Siemens

[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]

[REDACTED]

In respect of the disputed offshore works post-loadout, we were advised that since it was agreed between the parties that loadout of OTM2 was the priority, some minor works to be carried out by the Company did not occur prior to loadout and consequently they had received a communication from Siemens to say that it expected such works to be carried out offshore. However, [REDACTED] advises that there is a minute documenting that the priority was loadout of OTM2 and therefore that the Company was not given the opportunity to complete the works. We have not had sight of the minute to confirm its wording.

⁵ Being the anticipated future receipts on the [REDACTED] (inclusive of VAT) from Siemens (being for the contract value and agreed variations), and subsequently updated us when out on site at Methil on 27 February 2018 that additional variations of [REDACTED] (inclusive of VAT) has been agreed over email between Siemens and the Company

In contrast to the last iteration of the cash flow provided (which showed no future Siemens receipts), the cash flow provided on 30 April 2018 shows an expected receipt from Siemens of [REDACTED] in the week ending 25 May 2018. The amount included in the cash flow was the sum of [REDACTED] plus VAT stated in the Sub-contract Amendment.

The Siemens Contract was again discussed with Management on a call on 11 May 2018. Whilst receipt of the [REDACTED] in the week ending 25 May 2018 is considered unlikely, Matt Smith is of the view that Siemens will have to come to a resolution with the Company in the next two weeks due to its requirement for the paperwork held by the Company (the jackets now having been installed, it is thought that Siemens will be entitled to a milestone payment from BOWL however the sign off associated with the paperwork will be required in order for Siemens to receive this).

It is therefore a working assumption of Management that, regardless of a warranty being in place, some future funds will be received from Siemens (being the contract sums per the Sub-Contract Amendment) and the balance of sums considered due by the Company (being budget variations) will be received at a later date on resolution of the warranty matter. We understand that Management previously considered the sum of [REDACTED] to have been agreed with Siemens but that Siemens is currently trying to reassess this to [REDACTED].

If Siemens do not agree to release the final funds without a warranty, one option being considered by the Finance Director is that the variations balance will sit on the Company's balance sheet as a debtor until such time as the warranty bond would have expired. This would (i) delay receipt of any further funds and (ii) decrease the likelihood of receipt of the funds.

However, it is noted that despite Management's view that it would be highly difficult for the Company to obtain a warranty bond given its current position the Company does provide an estimate of the cost of the warranty bond to be [REDACTED] million (ie lower than previously expected cost of [REDACTED]). This cost is not contained within the cash flow.

Expected total contract costs

On 30 April 2018 we received updated costs reports, prepared to a cut-off date of 30 March 2018 (the basis for the most recent cash flow): this shows a total estimated contract cost of [REDACTED] higher than reported in the prior cost report and a total increase of [REDACTED] on the position as set out in the January Cost Report). No costs in respect of obtaining a warranty bond are included in this estimate. Management attribute the cost increases primarily to the impact of poor weather in March 2018 (Storm Emma).

Taking in to account (i) the forecast total cost set out in the March Cost Report and (ii) Management's revised estimate for the cost of a warranty bond of [REDACTED], we note that this gives an estimated total cost of [REDACTED]. Whilst this exceeds the Company's revised estimate of total costs [REDACTED] it is still within the limits of DFB's estimate of total contract costs provided on 5 April 2018 [REDACTED]. We note that it was DFB's cost estimate which was used as the basis of the extended facility limit of the Original SG Loan Agreement under the April Agreement, ie the revised facility includes sufficient headroom for these costs to be met.

Update on the SHL Contract

Overview

As at the date of our last report, the Company still had to deliver two full jackets, Jackets 7 and 8, and eight upper jackets.

A barge arrived on 29 April 2018 for loadout of jackets 7 and 8 (the last two full jackets to be produced by the Company). Jacket 8 was loaded out on 30 April 2018 and Jacket 7 was loaded out on 1 May 2018 – sailaway has now occurred.

In respect of the upper jackets, Management were previously working to the assumption that these would be sent as two shipments of four to Smulders, with all of the uppers planned to have left the Company's sites by mid-May 2018. This will now be completed in three shipments and Management

advise that SHL has agreed to meet the additional shipping cost (and therefore no additional cost in respect of this is included in the most recent cash flow).

Three uppers were loaded out and sailed to Smulders in April 2018, being one from Burntisland and two from Methil: Management advise that due to (i) weather concerns and (ii) tug boat availability, the Company was instructed by SHL to let the barge sail with three uppers rather than four.

As at 2 May 2018 there were therefore five uppers still to be delivered by the Company⁶.

Two at Burntisland were almost complete (completed as at 11 May 2018) and, in order to ensure an efficiency saving for the Company, following discussions with Company staff and its MD, Martin Adam, it has been agreed that the third jacket at Burntisland will sail with these two on/around 20 May 2018, noting that this means that the Company will have to sub-contract some small final works on the third upper jacket to Smulders in order for all of the jackets to sail from Burntisland together. The benefit to the Company of this from a financial perspective is that the Burntisland site can then be operated on a care and maintenance basis only from 20 May 2018 (which Management advise is two to three weeks earlier than previously anticipated). Whilst the cost of any works which may be required to be sub-contracted to Smulders has not been included in the Company's current ask of SG/cost estimates, Matt Smith estimates that the cost would be negligible ie in the region of £20,000 to £30,000⁷.

The barge will then sail from Methil to Newcastle and thereafter it is expected that the barge will do a return journey to Methil to collect the remaining two upper jackets such that by the end of May 2018 the Methil site will also be operating on a care and maintenance basis too.

When queried if this would result in cost savings not reflected in the cash flow, Matt Smith advised that the early wind down of operations on the sites (compared to prior expectations) was more driven by a want to protect the position as recorded in the cash flow provided to us on 30 April 2018 rather than generate improvements to it.

In our report dated 19 April 2018 we included an updated milestone summary outline provided to us by PwC on 13 April 2018, which showed an estimated completion date of all the jackets (post Smulders work) of 19 July 2018. This was discussed with Matt Smith on 11 May 2018 and it was confirmed that it is still the Company's view that all jackets can be completed by mid-July 2018. There is therefore no update to the schedule as previously reported however for completeness we include it in **Appendix 3**.

Sub-contractors

Other than the focus to deliver the remaining uppers to Smulders within the timescales set out above, on 11 May 2018 Management advised that the other main matter on-going in respect of the SHL Contract was agreeing positions with its sub-contractors.

Whilst mostly queries/matters to resolve that the Company would expect to occur in the normal course of business, it was raised that Smulders has submitted a claim to the Company in respect of variations in the sum of [REDACTED] this is viewed as opportunistic by [REDACTED]. On 11 May 2018 we were advised:

- SHL are aware of Smulders' position: the Company met with SHL on 10 May 2018 and discussed Smulders' claim
- The Company has stated to SHL that if Smulders use this later on against the Company as a ransom situation then it expects SHL to deal with Smulders on the matter
- Management accept that there will be some variations to be agreed and paid to Smulders but not in the sum of the amount claimed

⁶ Two at Methil and three at Burntisland

⁷ For minor paintworks. The Company re-ordered its planned work sequence for this upper to ensure the more costly work was carried out by the Company pre-sailaway to minimise any cost exposure to Smulders in respect of sub-contracted works

- [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Given (i) the quantum of the claim and (ii) Management's comment that this could result in Smulders refusing to release some jackets to SHL (ie impact of the Company's future receipts) this matter should be given appropriate Management attention. We will seek a further update from the Company on this matter following the meeting between the Company and Smulders due to take place this week.

Payments from SHL and expected future receipts

The cash flow estimates future receipts of [REDACTED] from SHL.

The weekly payments received are subject to certification by SHL and therefore there can be variation between the forecast profiling and actual receipts. For example, in the week ended 27 April 2018 the cash flow estimated a [REDACTED] receipt from SHL against an actual receipt of [REDACTED]

It remains the case that receipts ingathered from SHL are net of any sums certified as done by Smulders (which SHL is paying direct to Smulders and is expected to do so until the end of the SHL Contract).

As before, there is no further update in respect of variations: SHL is not currently willing to approve any variations submitted.

Expected total contract costs

On 30 April 2018 we received updated costs reports, prepared to a cut-off date of 30 March 2018 (the basis for the most recent cash flow): this shows a total estimated contract cost of [REDACTED] than as reported in the prior cost report and a total increase of [REDACTED] on the position as set out in the January Cost Report.

This is still within the limits of the revised facility agreed as part of the April Agreement, noting that DFB (at 13 April 2018⁸) were of the view that the total costs will be [REDACTED] which was [REDACTED] lower than the figure presented by DFB on 5 April 2018 (and on which the April Agreement terms were set) due to a previous double counting of additional costs.

Pipeline update

Overview

As you are aware, the Company has no committed contracts with customers other than the Siemens Contract and SHL Contract which are nearing completion.

On 2 May 2018 the position with the Kincardine and Moray projects was discussed with Management: we have no further update to report on the Company's pipeline of future work to the position set out in our Phase Four report issued 17 April 2018 other than the points noted below:

- Kincardine expected to be awarded late 2018; Management consider that the delay in award combined with the change in Company ownership has put it in a more favourable position (but it will need to be conscious of capacity constraints)
- Moray was going through a process of clarifications in the week ended 4 May 2018 before moving to more detailed contractual discussions ahead of an expected award in October/November 2018; whilst the Company was never lined up to win the entire contract, it is currently in discussions regarding the elements of work it may be involved in
- A DFB business development executive has been in Scotland meeting with, amongst others, representatives of the Kincardine project

We note that in our Phase 4 report (issued 17 April 2018) reference was made to the NnG renewables opportunity: Management saw this as one of the opportunities in the pipeline most likely to convert to a work win within the first two years post-DFB acquisition. On 3 May 2018 it was announced that the

⁸ On 5 April 2018, DFB provided us with a schedule outlining its amended view of the quantum of the top-up debt required. The April Agreement was written on this basis. [REDACTED]

[REDACTED] It is on this figure that the above commentary is based

project has been sold by Mainstream to EDF⁹ however we are not aware of this having any negative impact on the Company's prospects of securing work on the contract.

Creditor position

Ageing profile

We have been provided with the aged creditor position as at 30 April 2018¹⁰, summarised below:

Total	0-30 days	31-60 days	>60 days	Unallocated payments
12.90	2.47	4.39	6.35	(0.31)

This shows an overall reduction of [REDACTED] from the trade creditor position reported at 31 March 2018 due to (i) payment of suppliers and (ii) a review/tidy up of the aged creditor listing having taken place (eg EEW is no longer listed as a creditor).

Noting that the Company's credit terms are usually 60 days, we have reviewed the balance outstanding for over 60 days of [REDACTED]. We consider that the balance recorded as outstanding for over 60 days may be overstated, noting this includes sums that the Company disputes as being due, eg:

- [REDACTED] due to Fife Heat Treatment (now being pursued by Kevin Boyle, discussed below)
- [REDACTED] due to Briggs in respect of an 'alleged demobilisation of a crane' in October 2015 but which still remains on site in Methil. The Company advises that Briggs no longer include this on the monthly statements they issue

The DFB acquisition of the Company on 17 April 2018 was widely reported in the press: whilst largely positive news in terms of managing creditor relationships, some suppliers did, as expected, demand payment of arrears since they viewed the Company's position to be more favourable, ie more likely to have funds to pay.

We are also aware of press coverage on 4 May 2018 of further redundancies at the Company (ahead of the planned period of the care and maintenance cover only at the Company's sites until a new contract(s) is secured). Scott Forrest advised via email on 11 May 2018 that this had not yet appeared to have had a negative impact on the Company from a supplier perspective. However, on a call later that day both Management and PwC referred to it as a risk factor taken in to consideration when deciding the quantum of the [REDACTED] drawdown request of top-up debt.

For creditors whose balances remain outstanding beyond agreed payment terms there remains a risk of such creditors seeking to petition to wind up the Company. For this reason, and to ensure supplier confidence in the Company is restored, the Company must ensure it operates within supplier payment terms going forward.

Based on our discussions with Management we set out below updates in respect of (i) NRL (ii) Sarens and (iii) Kevin Boyle, together with an update on the position in respect of ransom creditors.

NRL

[REDACTED]
[REDACTED]
[REDACTED]

⁹ <http://nngoffshorewind.com/2018/05/03/mainstream-sells-450mw-offshore-wind-farm-to-edf-group/> accessed 10 May 2018

¹⁰ Provided by Scott Forrest on 8 May 2018

¹¹ Per its aged creditor listing, provided on 8 May 2018

[REDACTED]
[REDACTED]
[REDACTED]

Sarens

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Kevin Boyle

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Ransom payments

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Threat of legal/enforcement action

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Management information

On 10 May 2018 we received the MI Pack for April 2018: this is provided in **Appendix 5**.

As noted above under the key messages section, as at 27 April 2018, the Company is no longer balance sheet insolvent due to (i) write-off of the SSE loan (£6.00 million) and (ii) conversion of SG debt (£26.60 million) to equity. However, this includes a corporation tax asset on the balance sheet of £8.49 million which has not yet been assessed by the Company's auditors/another third party, ie assets may be overstated.

It is noted that within current liabilities the Company has recognised [REDACTED] in respect of interest considered due to SG on debt prior to conversion.

In its statement of profit and loss to 27 April 2018 the Company recorded an operating loss of [REDACTED] the month of April 2018 (recognising further losses on the Contracts).

Forecast balance sheet for 30 June 2018

We have not been provided with a model by the Company that shows forecast balance sheets.

Consequently, the most recent forecast balance sheet produced by the Company (i) was as at 30 June 2018 and (ii) provided to us on 13 February 2018.

DFB produced a LTCF (for the five years ended 31 December 2022) for the Company as part of its pre-acquisition planning. The most recent version of this was provided to us on 13 April 2018.

Therefore, whilst noting that the DFB forecast was produced prior to its acquisition of the Company and therefore cannot be considered a Company document, for your information we record at **Appendix 4** a comparison of the forecast balance sheet at 30 June 2018:

- As reported in the Deloitte report
- As provided on 13 February 2018 by the Company
- As provided on 13 April 2018 by DFB

Please note that this is the position as reported in our report dated 19 April 2018.

Appropriateness of level of proposed drawdown

The Company's cash flow shows that by the week ending 1 June 2018 there would be a [REDACTED] [REDACTED] ie it could not meet the May month end supplier run and would be in arrears to suppliers) if no further SG funds are received in May 2018: based on its cash flow the Company does not require the entire [REDACTED] sum to meet its May month end supplier run. Consequently, to minimise its exposure SG could advance only part of the request in the week ending 18 May 2018 and the balance as part of the funds the Company has requested be advanced in the week ending 22 June 2018.

However, on the basis that the Company will require the funds for the purpose of completing the SHL Contract and to ensure it has a level of contingency to support its market proposition as a now viable entity, we consider the request of [REDACTED] to be reasonable.

Due to the fact that the cash flow provided in support of the drawdown request did not show an absolute need for the sum of [REDACTED] from SG in the week ending 18 May 2018 we discussed the rationale behind the quantum of the request with both Management and PwC. We were advised that:

- Management is keen to have the ability not to be out of terms with creditors and still have some headroom
- At the time of considering the future drawdown levels, Sarens had been looking for payment in full of its entire balance to ensure continued supply. Whilst this position was negotiated away by [REDACTED] [REDACTED] Management consider the request gives them the necessary buffer to respond to any future demand from Sarens (particularly in respect of the last upper load-out)
- On-going uncertainty as to the quantum/timing of future SHL and Siemens receipts further merits the need for a contingency
- Given past deadlines for creditor payments were missed, it is important to Management to be able to confidently commit to future payments to those within the Company's supply chain: the Company has been seen to break promises before and it caused reputational damage
- Still a risk of creditor nervousness as the SHL Contract nears completion, particularly in light of recent/future negative press articles

Compliance with covenants in the April Agreement

Since the April Agreement is understood to have extended the terms of the Original SG Loan Agreement, the covenants within the Original SG Loan Agreement will still apply. These are summarised in **Appendix 7**.

Conclusion

Key points to note as follows:

Contracts

The Company is currently planning to have all remaining uppers loaded at the end of May 2018, following which (i) all Company sites will operate on a care and maintenance basis only and (ii) final delivery of the jackets by Smulders is expected by mid-July 2018.

Balance sheet strength

Based on the most recent current balance sheet provided to us (27 April 2018) the Company is currently balance sheet solvent due to deleveraging of the balance sheet.

Creditor position

The Company has brought the majority of suppliers back within payment terms and has an agreed plan with the others (excluding disputed debts).

Appropriateness of the drawdown request

Whilst the cash flow provided did not show that the entire [REDACTED] requested is required by the Company in the week ending 18 May 2018 (but will be required, plus additional funds, at a later date in order to complete the Contracts), given uncertainty as to the quantum/timing of future receipts and Management's request for room for contingency the request appears reasonable.

Accountant's Certificate

Prior to any drawdown of top-up debt, SM must be in receipt of an accountant's certificate confirming that (i) drawing under the facility is required as a measure of last resort and (ii) the Company has sufficient financial resource available to ensure completion of the SHL Contract and Siemens Contract. We comment on each below:

- **Drawing under the facility is required as a measure of last resource:** in the circumstances we are of the view that drawing down can be considered as a measure of last resort. The cash flow provided outlines that a drawdown of top-up debt in the sum of [REDACTED] is necessary for the Company to meet its liabilities as set out in the cash flow. All cash held by the Company is considered necessary for the completion of the SHL Contract (and therefore future income for the Company)
- It remains the case that notwithstanding the Company has been acquired by DFB, failure to obtain these funds will likely result in the insolvency of the Company and the total loss of all sums already advanced by SG (as there is a heightened risk that creditors who have already had significant deferral of sums due seek to petition to wind-up the Company)
- **The Company has sufficient financial resource available to ensure completion of the Siemens Contract and the SHL Contract:** on the basis of the cash flow received on 30 April 2018, the Company does not have the financial resource to complete the SHL Contract and settle all current and future liabilities arising from completion of the relevant works. However, on the basis of DFB/Company estimates of costs to complete the Contracts, the top-up debt facility (if/when fully drawn) should provide sufficient funds to enable completion of the Contracts

We trust that this provides sufficient information to enable SG to make an informed decision. However, should you have any specific queries please do not hesitate to contact [REDACTED]
[REDACTED]

Yours faithfully

[REDACTED]

Grant Thornton UK LLP

Appendix 1: Glossary

Term	Defined as
Accountant's certificate	Being the report SG requires from Grant Thornton prior to approval of a drawdown request (as defined in the Original SG Loan Agreement)
April Agreement	The executed agreement/loan documentation signed by DFB and SG on 17 April 2018
BOWL	Beatrice Offshore Windfarm Limited
Burntisland	Site rented by the Company in Burntisland
Cash flow	The cash flow provided on 30 April 2018 in support of the £5.40 million drawdown request
Company	Burntisland Fabrications Limited
Contracts	The SHL Contract and Siemens Contract
Deloitte Report	Deloitte draft report Phase 1(B) dated 29 November
DFB	DF Barnes Services Limited
EEW	Erndtebrucker Eisenwerk GmbH
February Cost Reports	Cost reports prepared by Management showing (i) costs incurred to date and (ii) expected future costs as at 28-Feb-18
Fife Heat Treatment	Fife Heat Treatment Limited – In Liquidation
HCS	HCS Control Systems Limited
Jacket 7/8	The last two full jackets to be produced by the Company on the SHL Contract
January Cost Reports	Cost reports prepared by Management showing (i) costs incurred to date and (ii) expected future costs as at 26-Jan-18
JCE	JCE Group AB
LoA	Letter of addendum
LTCF	Long term cash flow
Management	Directors of Burntisland Fabrications Limited
Methil	Site rented by the Company in Methil
MI	Management information
MI Pack	Management information pack
MTCF	Medium term cashflow
MTCF Period	The period to 30 June 2018
NIC	National insurance contributions
NRL	NRL Limited
Original SG Loan Agreement	The Agreement between Burntisland Fabrications Limited and the Scottish Ministers, dated 12 January 2018

Term	Defined as
OTM2	Offshore Transformer Platform 2
PAYE	Pay as you earn
Phase Five	Work carried out by Grant Thornton under our LoA dated 19 April 2018
Phase Four report	Grant Thornton Project Harris report, dated 16 April 2018
Phase Five report	Grant Thornton Project Harris report, dated 22 March 2018
P&L	Profit & loss account
Post-acquisition debt	£10.00 million restructuring loan facility under the terms of the April Agreement
PwC	PricewaterhouseCoopers LLP
Sarens	Sarens (UK) Limited
Second Diligence Report	Grant Thornton report dated 23 February 2018
SG	Scottish Government
SG Facility	£15.00 million facility to Burntisland Fabrications Limited subject to the loan agreement dated 12 December 2017
SG Loan	Sums advanced to the Burntisland Fabrications Limited by the Scottish Government
SHL	Seaway Heavy Lifting Holding Limited
SHL Contract	The contract for works between Seaway Heavy Lifting Holding Limited and Burntisland Fabrications Limited
Siemens	Siemens Plc
Siemens Contract	The contract for works between Siemens Plc and Burntisland Fabrications Limited
SM	Scottish Ministers
Smulders	Smulders Projects UK Limited
SSE	SSE plc
STCF	Short term cash flow forecast
Top-up debt	£26.20 million SG loan facility for the purpose of funding the completion of the Siemens Contract and the SHL Contract
Uppers	Being the upper jackets to be produced by the Company (following agreement with SHL in November 2017 that for 18 jackets the Company would produce uppers only)
VAT	Value Added Tax
We/us/our/Grant Thornton	Grant Thornton UK LLP

Appendix 2: Scope of work

The LoA for our Phase Two work provides that we will undertake the following:

- 1 Obtain the latest available management accounts (up to date of last month end), together with a reconciliation of current bank position, to enable assessment of the following:
 - Actual and forecast cash position remains in line with the medium term cash flow forecasts to 30 June 2018, as prepared by the Company and included in the Deloitte Report dated 29 November 2017
 - Compliance with any/all covenants in the SG Loan documentation (to the extent that funds already drawn-down in earlier tranches)
 - Balance sheet covenant, commenting on any significant movement against the forecast balance sheet included in the MTCF
- 2 Obtain the current creditor listing, to enable assessment of the following:
 - Ageing profile, commenting by exception on any significant movements since prior periods
 - Adherence to the terms of all agreed repayment plans and payment terms, particularly in relation to all critical suppliers
 - Threat of legal/enforcement action, in particular seeking confirmation that there has been no writs/winding up petitions served in respect of outstanding creditor balances
- 3 Understand current progress on the ongoing contracts between the Company and SHL and Siemens (as both defined in our report dated 6 December 2017) (the “**Contracts**”) to enable assessment of the following:
 - Work completed to date, ensuring that it is in line with the agreed production milestones
 - Monies due from SHL and Siemens in terms of completed works on the Contracts have been paid in full to the Company
 - Actual costs incurred to date, ensuring that in line with the Company's forecast
 - Timescale / expected costs for completion of the Contracts (to ensure that all works will be performed on time and on budget)
 - Existence of, or potential for, a claim against Royal Bank of Scotland under the terms of the SHL Contract performance bond
- 4 Assess the Company's rolling cash flow forecasts to ensure that:
 - All relevant income and expenditure (including that assessed as part of (1) to (3) above) are accurately reflected
 - The overall funding requirement (pre-SG funding) does not exceed £15.0 million
 - Level of proposed drawdown is appropriate in the circumstances and is required to meet (i) outstanding costs of the Contracts (in conjunction with part (1) above) plus (ii) general overheads and debt servicing costs

Appendix 3: SHL Contract - milestone dates (as provided 13 April 2018)

Jacket no	Milestone date (amended)	Actual/expected date (per Second Diligence Report)	Actual/ expected date (as at 26-Feb-18)	Actual/ expected date (as at 13-Apr-18)
C2 J1	n/a	n/a	30-Oct-17	03-Nov-17
C2 J2	n/a	n/a	13-Oct-17	11-Feb-17
C2 J3	n/a	n/a	3-Nov-17	08-Nov-17
C2 J4	22-Nov-17	n/a	24-Nov-17	24-Nov-17
C2 J5	19-Dec-17	9-Jan-18	9-Jan-18 (*)	16-Jan-18
C2 J6	19-Dec-17	9-Jan-18	9-Jan-18 (*)	12-Jan-18
C2 J7	30-Jan-18	5-Feb-18	25-Feb-18	23-Feb-18
C2 J8	30-Jan-18	14-Feb-18	11-Mar-18	14-Apr-18
C5 J1	1-Feb-18	29-Jan-18	21-Feb-18	23-Feb-18
C5 J2	8-Feb-18	5-Feb-18	21-Feb-18	08-Mar-18
C5 J3	15-Feb-18	12-Feb-18	21-Feb-18	15-Mar-18
C5 J4	22-Feb-18	3-Mar-18	10-Mar-18	10-Apr-18
C5 J5	1-Mar-18	10-Mar-18	10-Mar-18	10-Apr-18
C5 J6	8-Mar-18	17-Mar-18	14-Mar-18	10-Apr-18
C4 J1	15-Mar-18	12-Apr-18	11-Apr-18	12-May-18
C4 J2	22-Mar-18	28-Apr-18	23-Apr-18	31-May-18
C4 J3	29-Mar-18	5-May-18	30-Apr-18	07-Jun-18
C2 J9	5-Apr-18	29-Mar-18	7-May-18	17-May-18
C2 J10	12-Apr-18	5-Apr-18	14-May-18	24-May-18
C4 J4	19-Apr-18	24-May-18	21-May-18	14-Jun-18
C4 J5	26-Apr-18	24-May-18	28-May-18	21-Jun-18
C4 J6	3-May-18	31-May-18	04-Jun-18	28-Jun-18
C4 J7	10-May-18	7-Jun-18	11-Jun-18	05-Jul-18
C4 J8	17-May-18	14-Jun-18	18-Jun-18	12-Jul-18
C4 J9	24-May-18	21-Jun-18	25-Jun-18	19-Jul-18
C4 J10	31-May-18	28-Jun-18	25-Jun-18	19-Jul-18

Note:

(*) Jackets completed and ready to sail by 9 January 2018, however per the updated schedule these are recorded as completed on 19 January 2018 and 30 January 2018

Appendix 4: forecast balance sheets

[illegible]

Appendix 5: April 2018 MI Pack

1. Profit & Loss account to 27 April 2018

- The profit and loss account for the month of April 2018 is summarised below, with the balance sheet at 27 April 2018 shown overleaf. The month of April records a Operating Loss of [REDACTED]. This is the net result of recognising further losses against the SHL Beatrice project based on the revised Revenue and Cost Forecasts prepared by Commercial on 19 April which incorporated all the additional costs from the previous revision into the project cost summary (see Project Financial Summary on page 3)
- This results in a net Operating Loss, before tax and interest entries, of £0.342m for the four months to April 2018. The loss after interest and tax entries of £1.134m for the same period accounts for the interest provision made up to March 2018 against the SG loan facility which was converted along with the principle sums during April (See Loan and Equity Summary on page 4). The retained loss on the Balance Sheet is [REDACTED]
- As previously reported, Bifab's are considering an extension to the financial year end from 31 December 2017 to 30 June 2018. For the purposes of the Management Reports, and to accommodate the company's accounting software, the P&L for the 12 months to December 2018 will be reported independently of the 2017, however it should be noted the balance sheet that follows is cumulative therefore reports the month-end position regardless 12 or 18 month financial reporting.

Profit & loss account December 2018	Note	Year to
£ in thousands		31 Dec 18
Sales	1	[REDACTED]
Cost of sales	2	[REDACTED]
Exceptional item	3	[REDACTED]
Gross profit/(loss)		[REDACTED]
Operating costs	4	[REDACTED]
Operating profit/(loss)		[REDACTED]
Interest & other income		[REDACTED]
Interest paid	5	[REDACTED]
Profit/(Loss) before taxation		[REDACTED]
Tax	6	[REDACTED]
Profit/(Loss) after tax		[REDACTED]
Dividends		[REDACTED]
Retained Profits/(losses)		[REDACTED]

- April Revenue split SHL £0m (no deal) with revised forecast loss, see Project Financial Summary on page 3), Siemens and Sundry Revenue of [REDACTED]
- Costs of £1.822m were taken into Cost of Sales in April, of which includes [REDACTED] relating to the SHL contract (note that this is a credit to cost of sales of £1.152m in respect of the EEV final account settlement which is accounted for in the cost forecasts related to Siemens and £0.635 sundry credits. Revenue and Cost entries reflect the revised Revenue and Cost forecasts prepared by Commercial on 19 April.
- Exceptional item – During January and March, the £2m and £6m Shareholders Loans from JCE and SSE were written-off as part of their share transfer. For the purposes of the Management Accounts, this has been treated as a creditor that is not repayable, and written-off to the P&L, being shown as an exception item for disclosure. The total value of Shareholder Loans written-off in 2018 is [REDACTED]
- Of the operating costs [REDACTED] relates to production overheads for all three facilities; this is a reduction of approximately [REDACTED] from the previous month. 43% of the overheads relate to the fixed overheads and 57% to the variable overheads. The variable overheads are reducing the variable element of the overhead cost. The balance relates to depreciation, sales and administrative costs, including £0.6m of legal and professional fees. (Vf) [REDACTED]
- Interest paid relates to an interest payment made to EEV as part of the final settlement of their subcontract account. No further interest was accrued against the SG Loan with the A&B Facilities (£19m) and the first draw down of the C Facility [REDACTED] (See Loan and Equity Summary on page 4)
- No Tax Entries

2. Balance sheet as at 27 April 2018

£ in thousands	Note	Apr-18
NON CURRENT ASSETS		
Plant & Machinery	1	
Patents	2	
Investment in Bifab Group Ltd		
NON CURRENT ASSETS		
CURRENT ASSETS		
Receivable on Contracts/Retentions	3	
Trade Debtors	4	
Prepayments	5	
Corporation tax asset	6	
Corporation tax asset	7	
Cash in Hand and Bank	8	
LESS CURRENT LIABILITIES		
Taxation Creditors (HMRC)	9	
Trade Creditors	10	
Other Creditors	11	
Payments on Account	12	
Shareholders Loan Account	13	
NET CURRENT ASSETS		
NET ASSETS		
CAPITAL AND RESERVES		
Share Capital		
Share Premium Account		
Profit and Loss b/fwd		
SHAREHOLDERS' FUNDS		
Reconciliation of Retained Profit/(Loss)		
Retained Profit & Loss at 31 December 2017		
Profit/(Loss) for 2018 (per previous page)		
Retained Profit & Loss shown above		

Note

- There were no additions during April. The patents relate to a jacket design patent entered into jointly with an engineering and design consultant. Depreciation charges are 3 years straight line for P&M and 5 years straight line for Modular Office Buildings.
- Bifab Group Limited is a dormant, non-trading company.
- The receivable on contracts and retentions balance of [REDACTED] relates solely to retention sums on old contracts, being Costain (£210k) and BP King [REDACTED] the Costain retention stays in place for three remainder of the warranty period approx. 24 months, with the BP King retention due to be invoiced in October 2018 year.
- Trade debtors [REDACTED] relates to amounts invoiced to customers in April 2018 [REDACTED] to SHL (being the weekly payment application) and [REDACTED] Siemens (being the [REDACTED] payment plus variations). Invoices issued to SHL relating to the weekly contract are net of any value relating to the [REDACTED] contract which SHL are paying quarterly.
- Prepayments relate to rent, rates, insurance, professional fees and software licences.
- Adjustment in respect of Corporation tax paid to account in 2017 [REDACTED] adjustment in respect of Corporation tax for losses taken back to 31/12/2016 [REDACTED] Total [REDACTED] which is shown on the Balance Sheet as a Tax Asset (Recovery) - Sumit agreed with Bifab's auditors.
- Adjustment in respect of Corporation tax position following the contract losses incurred. This does not form part of the Audit and will be reviewed as part of the Audit work to be carried out at the end of the extension to the financial year-end at June 2018.
- The cash balance position at the month-end is the reconciled balance of funds held in the Current and Deposit Accounts.
- Taxation credit of £0.665m relates to sums due to the HMRC, being a £0.274m PAYE/NIC liability and a VAT liability of Bifab of [REDACTED] due due Q/E 31 May and any value payable or receivable due in June. [REDACTED] the next VAT return will [REDACTED]
- The trade creditor balance continues to reduce month on month since October 2017, as the peak of contract activity has now passed. (December 2017) [REDACTED] in Bifab's supply chain typically on 60 day credit terms, the monthly payments to creditors [REDACTED] but the level of new creditor liabilities being incurred reflects the lower activity. Bifab deferred significant values of trade creditors due at the end of March pending additional funding being received from SC post acquisition of the company and have now made significant inroads into clearing outstanding creditors from December and January.
- The other creditors balance of [REDACTED] consists of accruals plus [REDACTED] of retention sums payable to suppliers on the SHL/Siemens contracts and older contracts. The principal accruals at April were [REDACTED] for goods received but not invoiced [REDACTED] or Mashil site costs, and a £0.274m in payroll and agency/labour accruals.
- Payments on Account includes amounts invoiced to Siemens of £0.878m being revenue invoiced but not taken. This is split £0.277m to be taken against future costs and £0.601m variations invoiced but not paid, which have been excluded from the forecast revenue on the contract until agreed and paid.
- Comprises the estimated interest accrual for the SC Loan [REDACTED] March 2018. The SC Loan [REDACTED] as written off in January 2016 and the SSE loan (£6m) was written off in March 2016, with the SC Loans (£15m and £7.7m) converted to Equity in April. No interest was accrued in April as the loans were converted.

3. Project Financial Comments – April 2018

- The revised Revenue and Cost forecasts prepared by Commercial issued on the 19th April 2018 for both the SHL Beatrice and Siemens projects have been used to prepare the financial statements to the end of April 2018. Note that the full cost of WIP against each project up to and including the end of April 2018 has been expensed to the P&L Cost of Sales.

- Siemens Contract – In April, revenue £0.157m was taken and costs [REDACTED] provided for, i.e. [REDACTED] Additional losses have already been booked into 2018 based on the revised forecasts. Note that the value of variations invoiced, but unpaid, has not been [REDACTED] these forecasts [REDACTED] could provide a potential upside of additional revenue (margin), qualifying that any additional cost would be offset against this also. In addition, there is a further value of Variations not yet agreed or invoiced which potentially in the region of £0.7m; again noted that this has not been taken into account as this has not been agreed.

Revised Forecast Cost		
Costs to Date (Apr-18)		
Costs to Complete	= Revenue to Take; £203,274	Note, as per above this excludes any additional revenue from unpaid variations

- The issue of the Siemens Warranty Bond is still outstanding as Bifab are unable to provide the Bond which all parties were made fully aware of during the settlement negotiations back in November 2017. It may be the case that the variations end up as agreed but remain unpaid for the duration of the warranty period; effectively creating a retention in lieu of a bond. This would allow Bifab to recognise the variations in terms of revenue whilst showing the unpaid value on the balance sheet as a debtor.
- SHL Beatrice Contract – In April, no revenue was taken and costs of £1.724m provided for. The revised cost forecast reflects movement in the projected cost from the previous forecasts incorporating, but not limited to; impact of weather delays, increase crane costs, additional labour and plant costs due to delays, potential Smulders Claim [REDACTED] Note that the revised forecast does not include any impact on cost/revenue of potential LD's.
- In addition the value of the Smulders scope, that is being paid direct by SHL, has been extracted from both Revenue and Cost so that Bifab's Management Accounts now reflect only the income we will receive and the costs we will incur. Based on the above the increased costs, including the Smulders Claim;

Forecasts Selling	(Bifab only)	(Including Smulders)
Forecast Costs	(Bifab only)	(Including Smulders, as per revised cost forecast)

- As a result of the increase in costs, the additional forecast loss of €6.638m (£28.747m recognised in 2017) will be incorporated into the 2018 management accounts as the project is closed out. This has been part done in March and April, by not recognising any revenue during these months, with the remainder of the losses [REDACTED] as per previously referred to forecasts) to be taken in during subsequent months.
- Note that Variations agreed [REDACTED] have been included in the revenue forecast, however Variations not yet agreed have not (val [REDACTED] Again, this could potentially provide an upside of additional revenue (margin), qualifying that any additional cost would also be offset against this.

4. Loans and Equity

- Below is a summary of the accounting treatment for the entries made in April relating to the conversion of the SG Loans into Equity.
- The A&B facilities – Total value £19m – have been converted into Ordinary B Shares with a nominal value of £1 each; the amount being paid for the shares including Share Premium being £19,000,000 per share, therefore the value to Share Premium being £18,930,284.
- The C Facility – Total value to date £7,600,000 has been converted into Ordinary B Shares with a nominal value of £1 each; the amount being paid for the shares including Share Premium being £7,586,779 per share, therefore the value to Share Premium being £7,586,779.
- In summary, the Balance Sheet reflects the following:
 - The Revised Share Capital of the company, both A and B shares, is now £363,549
 - The Share Premium Account value is now £35,336,451
- Note that the estimated interest accrued on the SG Loan Facility to March 2018, was not converted and is currently still shown in the Shareholders Loan Account. No interest was accrued on the A&B facilities in April.

Facility	SG Loan Value	(No.) £1 B Shares	(Value) £1 B Shares	Share Premium	(Value) £ Share Premium
A / B	£ 19,000,000			271,534,282	£ 18,930,284
C	£ 7,600,000			573,843,053	£ 7,586,779
	£ 26,600,000				£ 26,517,063
Existing Share Capital (Shares & Value as per Nominal)					
					£ 8,819,388
Revised Share Capital (Shares & Value as per Nominal)					

Appendix 6: undertakings in the SG Loan Agreement

Undertaking per the SG Loan Agreement	Comment
Deliver to SM any changes in key personnel or office bearers	Assume all changes have been notified
Deliver to SM monthly financial reports within 10 working days of the relevant month end	April 2018 MI Pack received 10 May 2018, ie within the agreed timescale
Deliver to SM weekly (or such other frequency as the SM may agree) update reports on progress with the Contracts	We are not aware of any weekly written updates being submitted to SG by the Company recently but are aware that the Company/its advisors are in frequent contact with SG, providing verbal and email updates on progress/issues with the Contracts
Deliver to SM monthly detailed contract tender pipeline report within 10 days of the end of the relevant month	As above
Deliver to SM monthly forecast model prepared on as 12 month rolling basis, within 10 days of the end of the relevant month	Not provided
Deliver to SM annual audited accounts within 9 months of the year end	N/a: financial year to be extended to end at 30 June 2018
Deliver to SM within 30 days after the beginning of the financial year an annual operating budget	N/a: as above
Deliver to SM pre-utilisation information packs at least 10 business days prior each and every utilisation	Received within this timescale (1 May 2018)
Notify the SM as soon as practicable of any and all material changes in the financial condition, business or prospects of the Company	Not aware of any communication barrier between the Company and SG that would negatively impact this

Undertaking per the SG Loan Agreement	Comment
Maintain its existence and carry on its activities in accordance with its constitutional documents...maintain in force all licences, consents, permits and insurances necessary for its business and assets	Due to the lack of committed contracts after completion of the SHL Contract, and in order to limit exposure to unnecessary cost, the Company has significantly reduced its staffing. However, it is continuing to services its on-going contracts with Siemens and SHL and we are not aware of i) any non-compliance with its constitutional documents or ii) lapse in licenses etc
Not amend its constitutional documents without prior written consent of the SM	Not aware of any such amendments
Take all steps and actions for the purpose of perfecting and giving effect to the terms hereof	Nothing to report
Immediately inform the SM if any significant cash flow or management problems	On-going communication
Ensure that adequate internal expenditure controls are in place and that resources are used economically, effectively and efficiently	We have not conducted any test of internal controls
Not acquire any company or any shares in any company or create any subsidiary nor enter into any partnership or joint venture with any party without SM consent	Not aware of any such proposals
Advise the SM immediately of any proposed acquisition of land and/or buildings	Not aware of any such proposals
Supply to SM promptly upon becoming aware of them details of any litigation, arbitration or administrative proceedings which are current, threatened or pending	We have been advised that Management are not aware of any creditors threatening legal enforcement of outstanding sums other than Kevin Boyle
Immediately upon becoming aware of it, inform the SM of the occurrence of an Event of Default or Potential Event of Default	Not aware of an occurrence
Not incur any Financial Indebtedness other than Permitted Financial Indebtedness	Not aware of an occurrence

Undertaking per the SG Loan Agreement	Comment
Operate each Account and any other bank account held in accordance with the Financial Transparency (EC) Regulations 2009	Not considered as part of scope of work
Not to pay, make or declare any dividend or other distribution, management fees or equivalent or pay any interest or unpaid dividends or distributions or any other sums intended to act as distributions or payment of fees to any of its shareholders	No dividends recorded in the information provided; all directors understood to be on payroll
Not to create or attempt to create or allow to be created or to exist any security charge (whether fixed or floating) or lien of any kind without the prior written consent of SM, other than a Permitted Security Right	Not aware of any
Not to make any loans or advance or enter into any guarantee or indemnity other than in the ordinary course of business	Not aware of any
Not to change the nature of the business undertaken by it from that undertaken as at the date of the Agreement	N/a: continuing to progress work on the SHL Contract
Promptly upon a request by the SM, supply a certificate signed by two of the Company's directors / senior officers on its behalf certifying that no Event of Default is continuing (or, alternatively, specify the remedial steps being taken)	Not considered as part of scope of work
Notify the SM in writing of any actual or threatened claim against it in respect of an alleged breach of Environmental Law or remedial obligation or liability under such law	Not considered as part of scope of work
Indemnify the SM against all costs and expenses suffered or incurred by them which arise as a result of i) any actual or threatened breach of Environmental Law, ii) any actual or threatened release of or exposure to a Dangerous Substance on, at or from the premises or operations or iii) any actual or threatened claim referred to in paragraph 10.19 of the SG Loan	Not considered as part of scope of work

Agreement above whether such claim has a Material Adverse Effect or not	
Not make any disposal of all or part of or interest in any asset, or agree to do so, other than in the ordinary course of its business whether absolutely or in security	Not considered as part of scope of work

Undertaking per the SG Loan Agreement	Comment
Permit a representative of the SM to attend all board meetings	Not considered as part of scope of work
Maintain all of its assets in a good state of repair and maintenance and in good working order	Not considered as part of scope of work
Comply in all respects with all laws to which it may be subject, if failure to comply would materially impair its ability to perform its obligations under the Finance Documents	Not considered as part of scope of work
Not to repay, pre-pay, redeem, purchase or otherwise satisfy in any way or make any payment of or in respect of any shareholder or directors loans	Shareholder loans have been either written off or converted to equity
Not to make any amendments to the Contracts, and not enter in to any new material contracts without SM prior written consent	Not aware that Company has entered into any material contracts (albeit not specifically considered as part of scope of work)
Procure the deliver to the SM of a legal opinion in Acceptable Form from Swedish advisers approved by the SM in respect of JCE's entry into the Subordination Deed; to be delivered as soon as reasonably practicable and in any event prior to second Utilisation under the SG Loan Agreement	Accepted by SG that it is no longer required

Appendix 7: confidentiality

This report is confidential and has been prepared exclusively for SG. It should not be used, reproduced or circulated to any other party in whole or in part, without our prior written consent. Whilst other parties may be interested in receiving a copy of this report we stress that, to the fullest extent permitted by law, we cannot accept any responsibility whatsoever in respect of any reliance that these parties may place on our report in any decision that they may make in relation to the Company and its subsidiaries.

We do not accept any responsibility for any loss or damages arising out of the use of this report by the addressee for any purpose other than in connection with Project Harris

