



London Capital & Finance Plc (in administration)

Joint administrators' progress report for the period from 30 July
2019 to 29 January 2020

26 February 2020



Contents

| | | |
|-----|---------------------------------|----|
| 1. | Glossary | 1 |
| 2. | Introduction & Summary | 2 |
| 3. | Progress of the administration | 3 |
| 4. | Investigations | 10 |
| 5. | Pre-administration costs | 12 |
| 6. | Administrators' remuneration | 12 |
| 7. | Administration expenses | 14 |
| 8. | Estimated outcome for creditors | 17 |
| 9. | Outstanding matters | 18 |
| 10. | Privacy and data protection | 19 |
| 11. | Ending the administration | 20 |
| 12. | Creditors' rights | 20 |
| 13. | Next report | 21 |

Appendices

| | | |
|------|---|----|
| I | Statutory information | 22 |
| II | Receipts and payments account | 23 |
| III | Previous Fee Estimate | 26 |
| IV | Time analysis for the period | 28 |
| V | Cumulative time analysis | 34 |
| VI | Second Fee Estimate | 37 |
| VII | Group Structure Diagram | 39 |
| VIII | Group Structure Diagram - 'London Group' | 40 |
| IX | Group Structure Diagram - 'Prime' | 41 |
| X | Debtor/ Loans Schedule | 42 |
| XI | Staffing, charging, subcontractor and adviser policies and charge out rates | 43 |

1. Glossary

| Abbreviation | Description |
|---|--|
| the Company/ LCF | London Capital & Finance plc |
| the administrators/joint administrators | Finbarr Thomas O'Connell, Adam Henry Stephens, Henry Anthony Shinnars and Colin Hardman of Smith & Williamson LLP and Geoff Rowley of FRP Advisory LLP |
| SIP | Statement of Insolvency Practice (England & Wales) |
| IA86 | Insolvency Act 1986 If preceded by S this denotes a section number |
| Sch B1 | Schedule B1 to the Insolvency Act 1986 If preceded by P this denotes a paragraph number |
| IR16 | Insolvency (England and Wales) Rules 2016 If preceded by R this denotes a rule number |
| SOA | Statement of Affairs |
| ETR | Estimated to realise |
| HMRC | HM Revenue & Customs |
| QFCH | Qualifying Floating Charge Holder - a secured creditor who has the power to appoint an administrator |
| RPS | Redundancy Payments Service |
| FSCS | Financial Services Compensation Scheme |
| FCA | Financial Conduct Authority |
| SFO | Serious Fraud Office |
| SURGE | SURGE Financial Limited |
| LOG | London Oil & Gas Limited (in administration) |
| MdR | Mishcon de Reya LLP, the joint administrators appointed legal advisors |
| LCM | London Capital Marketing Limited |
| GST | Global Security Trustees Limited |
| LFG | London Financial Group Limited (in liquidation) |
| CVL | Creditors' Voluntary Liquidation |

2. Introduction & Summary

This report provides an update on the progress in the administration of the Company for the six month period ended 29 January 2020. It should be read in conjunction with our previous reports. By way of reminder, we, Finbarr Thomas O'Connell, Adam Henry Stephens, Colin Hardman and Henry Shinnars of Smith & Williamson LLP, 25 Moorgate, London, EC2R 6AY, were appointed administrators of the Company on 30 January 2019. Geoff Rowley of FRP Advisory LLP, 110 Cannon Street, London, EC4N 6EU was subsequently appointed as conflict administrator by the Court on 30 October 2019.

- The Company effectively ceased to trade in December 2018, following the intervention of the FCA, which had concerns over how LCF was conducting its business.
- We were appointed joint administrators of the Company by the directors and with the consent of the QFCH, being the security trustee, Global Security Trustees Limited (“GST”).
- There is a registered fixed and floating charge debenture over the assets of the Company held on trust, on behalf of the Bondholders, by GST. The Bondholders, therefore, are secured creditors of the Company. The Bondholders’ claims total c.£237m as at the date of administration.
- Objective 3(1)(b) of Sch B1 is currently being pursued, which is namely to achieve a better result for the creditors, which mostly represents the Bondholders, than would have been the case had the Company been wound up (without first being in administration).
- **The Administrators are still estimating a return to the Bondholders from the assets of the Company of as low as 25% of their investment. This would represent a loss of 75% of their investment. This is explained further in the body of this report.**
- **A dividend has been announced by the joint administrators, payable to Bondholders with outstanding claims, of 5% of the total principal invested. This represents 5% of the estimated total return of 25%. The dividend is scheduled to be paid in March 2020. The exact date and further details will be confirmed in due course.**
- The vast majority of the Company’s assets were the debts due from a number of debtor entities; details of which can be found at section 3.1 of this report. As at 30 January 2019, the outstanding total amount of debts due was calculated to be £237m and is continuing to accrue interest. As previously reported, most of the debtors do not have sufficient assets with which to fully pay their debt due to the Company and some are not in a position to make any payment to the Company at all. An update on the position of each debt (and the position on the onward lending by some borrowers, if applicable) is provided at section 3 of this report.
- A Creditors’ Committee has been duly constituted and the first formal Committee meeting was held on 20 May 2019. Subsequent meetings have taken place on 12 June, 2 July, 13 July, 5 September and 27 November 2019. It is anticipated that the next meeting will take place after the first dividend has been paid to Bondholders. There have also been weekly update calls as between the Committee and the administrators and it has just been agreed that these will now move to fortnightly calls.
- Approval for the joint administrators’ fees is required from the Creditors’ Committee. As previously disclosed, the joint administrators have, in agreement with the Creditors’ Committee, engaged the services of an independent fee assessor, who will provide guidance and advice to the Committee in respect of the reasonableness and quantum of the administrators’ time costs. The work of the fee assessor in respect of the joint administrators’ fees to date is anticipated to be undertaken over the course of the next month and their observations will be reported to the Committee. Once the basis and level of the joint administrators’ remuneration has been agreed, this will be disclosed in our next report. It should be noted that the administrators have not drawn any remuneration from the estate, since the outset of this case, which is now into its second year.

- In January 2020, the joint administrators applied for and were granted by the Court, an extension to the administration period of a further 24 months, beyond the original 12 month term. The Creditors' Committee were in support of this approach. It has previously been reported that, due to the level of complexity of this case and the scale of the financial loss to the Bondholders and creditors, this case would be expected to last a number of years before the officeholders have finalised their investigations and realisation of assets for the benefit of the creditors. The Court, when handing down the extension to the administration, did not question the application and immediately acceded to the request as such extensions are normal in cases of this type.
- The administrators' progress with their enquiries into the monies due from the debtor entities has been impeded by a number of legal actions which commenced since the last reporting period, which the administrators were obliged to defend. The administrators' view has always been that these actions were launched merely to frustrate the administration process. The Bondholders have received email updates on this subject, which have recently confirmed that these actions have now largely been defeated, however, at a significant cost to the administration estates of both LCF and LOG. The administrators are hopeful that all or part of these costs can be recovered from the opposing parties.

3. Progress of the administration

Attached at Appendix II is our receipts and payments account for the period from 30 July 2019 to 29 January 2020. This account includes cumulative figures for the period from 30 January 2019 to 29 January 2020.

There is no available comparison with the director's Statement of Affairs ('SOA') values, as the director has yet to comply with the administrators' formal request to deliver a SOA. In the Proposals dated 25 March 2019, the administrators provided an estimated financial position of the Company as at 30 January 2019, based on information provided by the Company's former accountants, Oliver Clive & Co.

The principal director of the Company is Michael Andrew Thomson (also known as Andy Thompson). Mr Thomson has claimed through his various solicitors to be too unwell to attend on the administrators. This has been the position since late February 2019. The other directors of the Company claim not to have sufficient knowledge of the Company's affairs to fulfil the directors' legal responsibilities to compile a SOA.

3.1 Debtor Entities/Amounts due to the Company

By way of reminder and to illustrate how the monies invested by Bondholders have been recorded within the Company's books and records, the following table sets out the amounts shown as being due by each debtor entity:

| Debtor | Amount due as at 30 January 2019 (£) |
|--|--------------------------------------|
| London Oil & Gas Limited (in administration) | 124,083,128 |
| LPE Support Limited | 18,460,382 |
| Cape Verde Support Limited | 7,268,038 |
| CV Resorts Limited | 4,796,834 |
| Waterside Villages Limited | 15,733,152 |
| Waterside Support Limited | 5,084,345 |
| Costa Support Limited | 6,603,543 |

| Debtor | Amount due as at 30 January 2019 (£) |
|---|--------------------------------------|
| Costa Property Holdings Limited | 20,872,447 |
| Colina Support Limited | 5,654,890 |
| Colina Property Holdings | 16,196,319 |
| FS Equestrian Services Limited | 12,261,270 |
| London Financial Group Limited (in liquidation) | 839,776 |
| Total | 237,854,124 |

It should be noted that the c.£237m due from the Company's debtors includes the commission of 25% paid over to SURGE, therefore the actual cash received by any borrower from LCF was net of this commission and other finance costs applied and so borrowers from LCF only received cash of a maximum of 75% of the gross loan, even though they took on a liability to LCF of the amount of the gross loan. Sub-borrowers, for instance borrowers from London Oil and Gas Limited ('LOG'), did not suffer this 25% commission. However, please note in this regard that the management of LOG has stated that they expected to make back this 25% from the profits LOG would make on its investments.

These debtor entities can be further consolidated into only 4 controlling groups/entities, as set out below:

| Controlling groups/ entities | Amount due as at 30 January 2019 (£) |
|---|--------------------------------------|
| London Group LLP (London Oil & Gas Limited, LPE Support Limited, Cape Verde Support Limited and CV Resorts Limited) | £154.6 million |
| Prime Resort Development Limited (Waterside Villages Limited, Waterside Support Limited, Costa Support Limited, Costa Property Holdings Limited, Colina Support Limited and Colina Property Holdings Limited) | £70.1 million |
| FS Equestrian Services Limited | £12.3 million |
| London Financial Group Limited | £0.8 million |
| Total | £237.8 million |

All of the above debts due to LCF have been secured by way of debenture security with the exception of the loan to London Financial Group Limited which is unsecured.

Our observations from our review of the books and records of LCF, and of other relevant entities, primarily from a review of bank statements, are that whilst the loan figures have been recorded as set out above, it does not always follow that the debtor entity was the recipient of that amount of funds. Clearly, we are investigating the very substantial discrepancies which this analysis has highlighted.

Update on London Group LLP

The following table is a summary of the amounts due to London Oil & Gas Limited ('LOG') as at 30 January 2019, which has now been reconciled to a total figure of £83.1m, as opposed to the £88.8m as originally reported to us:

| Debtor | Sum advanced (£m) |
|--|-------------------|
| Independent Oil & Gas plc ("IOG") | 34.6 |
| London Group LLP ("LG") | 32.6 |
| London Power Corporation Ltd ("LPC") | 8.3 |
| p/f Atlantic Petroleum ("AP") | 3.8 |
| Intelligent Technology Investments Ltd ("ITI") | 3.8 |
| Total | *83.1 |

* Note: This sum excludes any accrued interest, costs and other charges due and payable to LOG.

Most importantly, please note that this detailed table shows a total amount due to LOG totalling c.£41m lower than the total figure of c.£124m shown as due from LOG to LCF. This is primarily due to the fact that LOG's sub-borrowers did not take on the SURGE 25% commission as part of their loans from LOG. However, in this regard, please note that the management of LOG has stated that they expected to make back the 25% SURGE commission, which it owed to LCF, from the profits LOG would make on its investments.

Independent Oil & Gas plc (IOG) £34.6m

The previously reported 'farm in' transaction with CalEnergy Resources Ltd was completed in the last quarter of 2019, which resulted in a loan repayment to LOG of £17.1m, together with a sale of shares for £2.2m. LOG now holds 29.78% of the issued share capital of IOG plus outstanding Loan Notes & Warrants with an aggregate market value of approximately £37m.

Together with the cash already received, the theoretical value of the IOG asset to LOG, and indirectly to LCF, is £57.61m (less any tax due) against cash advanced by LOG to IOG of £34.625m. The reference to a theoretical value takes into account the relative illiquidity of quoted small cap stocks, as regards the shares in IOG. Clearly, if LOG's total interest in IOG was to be sold other than on a willing buyer / willing seller basis, then the proceeds which would be realised could be very substantially less than this theoretical value.

However, the further sale of IOG shares by LOG is subject to the provisions of the orderly market agreement with IOG and it should be noted that the administrators of LOG will seek to sell at what is considered to be the best terms available, based on expert advice, as at the date of any such sale.

London Group LLP (LG) £32.6m

The financial records of LG indicate that LOG has lent £32.6m to LG. The joint administrators of LOG (and the administrators of LCF) are not aware of the purpose of this advance/loan as they have not had sight of any loan documentation. The designated members of London Group LLP are Elten Barker and Simon Hume-Kendall. The joint administrators are investigating what, if any, recoveries might be made from the debt due from LG to LOG.

London Power Corporation Ltd (LPC) £8.3m

Mr Kirker, of Kirker & Co, was appointed as administrator of LPC on 4 April 2019. LPC's financial records indicate that LOG on-lent £6.7m of Bondholder money to LPC. The balance shown in the accounting records of LOG recorded £6.7m owed by LPC. Having reviewed the bank statements of LCF and the drawdown requests from LOG to LCF, we believe the actual balance to be £8.3m. It appears that a number of payments were made directly to LPC from LCF, purportedly on behalf of LOG, in accordance with the LOG facility agreement.

The joint administrators are investigating what, if any, recoveries might be made from the debt due from LPC to LOG.

p/f Atlantic Petroleum (AP) £3.8m

The main asset of AP is deferred consideration due following the sale of its 25% interest in an oil field to Decipher Energy Limited which, from the information available to the joint administrators, is an unconnected company. LOG entered into a Standstill Agreement with AP in July 2019 to enable AP to raise bridging finance to assist with its trading operations and to continue to manage its assets, whilst proposing terms for the repayment of the Company debt due to LOG. Due to poor trading information from the well generating the cash flow to AP we are in discussions to extend the Standstill Agreement for a further (short) period. In view of the poor information and the reduced production from that forecast our views on recovery have been downgraded from high to medium meaning that whilst we still expect recovery of the outstanding debt it could take longer than originally forecast.

Intelligent Technology Investments Ltd (ITI) £3.8m

As previously reported, Finbarr Thomas O’Connell and Colin Hardman of Smith & Williamson LLP and Lane Bednash of CMB Partners UK Limited were appointed as Joint Liquidators of ITI on 5 July 2019, with a view to taking the necessary steps to recover ITI’s on-lending of c3m to Asset Mapping Ltd.

The known assets of ITI comprise cash at bank of £5,974 together with loans to Asset Mapping Ltd totalling £3,021,286 and shares in Reserec Ltd purchased for £981,000. To date, the cash at bank has been realised by the liquidators. See the further report sections below dealing with Asset Mapping Ltd and Reserec Ltd.

ITI loans to Asset Mapping Ltd of c.£3m

On 26 September 2019, Finbarr O’Connell and Colin Hardman of Smith & Williamson LLP, together with Lane Bednash of CMB Partners UK Limited, were appointed Joint Liquidators of Asset Mapping Ltd following the removal of Edwin Kirker of Kirker & Co as Liquidator. Mr Kirker had also previously been appointed as Administrator of Asset Mapping Ltd, prior to it converting into a Liquidation.

The assets of Asset Mapping Ltd were sold by the former Administrator, under a sale and purchase agreement, to Metrikus Ltd for an initial consideration of £150,000 plus potential consideration of 12.5% of sales generated from the sale of software licences to customers. Any additional consideration due to Asset Mapping Ltd is due during the period of three years post the sale and has been capped at £4 million.

Subject to payment of the additional consideration, it is anticipated that some level of recovery will be made from ITI to LOG, subject to the costs of the Liquidation of ITI. The liquidators of ITI are continuing to monitor this situation.

ITI shareholding in Reserec Ltd purchased for c.£1m

The value of the shares acquired in Reserec Ltd (15.6% - issued share capital) is currently unknown and subject to the ongoing performance and development of Reserec Ltd. The liquidators of ITI are in ongoing contact with the management of Reserec Ltd. Under the investment agreement entered into, ITI has an option to acquire further shares up to a total holding of 20%.

It is uncertain at this stage what recoveries will be made by ITI in respect of the Reserec Ltd shares.

LPE Support Ltd, formerly Atlantic Petroleum Support Limited (“LPES”) - £18,221,285 due to LCF

As previously reported, LPES entered into a facility agreement with LCF dated 29 April 2017, which is around the same time as certain other LCF loans to the property owning/ managing companies mentioned elsewhere in this report were set up. The LPES loan agreement is in the amount of £25,000,000 with the outstanding debt of £18,221,285 as at 31 January 2019, plus accrued interest of £1,649,494. The loan is supported by a debenture in favour of LCF.

We understand that this debt was created in order to facilitate the sale of the six operating companies and property companies which make up the Prime Group and, further, that part of the loan was created to cover interest payments for loans from LOG to p/f Atlantic Petroleum. We have been informed that one of these loans from LOG to p/f Atlantic Petroleum was assigned to LPE Support Limited, when it was operating under its former name of Atlantic Petroleum Support Limited.

The Joint Administrators of LCF, as the largest and only secured creditor of LOG, considered that in order to protect the assets of LOG, over which they hold a fixed and floating charge, they had no option but to place LPE Support Limited into Administration, therefore Finbarr O’Connell and Colin Hardman of Smith & Williamson LLP, together with Lane Bednash of CMB Partners, were appointed joint administrators of LPE Support Limited on 5 November 2019.

It is currently unclear if any value will be recovered from LPES for the benefit of the LCF creditors, including Bondholders.

Cape Verde - Cape Verde Support Limited (CVS) and CV Resorts Limited (CVR) (together, “the Cape Verde Companies”) c£12m

Detailed background on the Cape Verde Companies, and the monies owed by them to LCF, can be found in our previous progress report and Proposals.

The current debt now stands at c.£12 million (including interest). We have been informed that LCF refinanced its £1m original loan and also took over a £1m loan from a third party investor so that LCF was the only entity that held security over the Cape Verde Companies. However, we have not been able to trace any valuable security as regards this debt.

The Cape Verde Companies’ Portuguese lawyer has confirmed that the Cape Verde Companies do not have any registered title on the Resort’s land as they have not completed the full purchase of any of the phases that they had contracted to purchase.

We have been informed that, prior to the administration of LCF, Andy Thomson had been negotiating with the Cape Verde Companies to rectify the security shortfall or to force them to refinance the debt due to LCF. Unfortunately, no such arrangements were ever concluded and it is totally unclear why LCF ever exposed itself to become a creditor of the Cape Verde Companies for an amount of c£12m.

We and our professional advisers continue with our investigations into this debt due by the Cape Verde Companies to LCF. In the meantime, we continue to have very serious concerns over the proper due diligence, if any, undertaken by LCF as regards this debt (especially as regards security) and, as a consequence, the recoverability of the c£12m debt.

Update on the Prime Group £70.1m - LCF is owed money from six companies (“the Prime Companies”) which consist of three leisure investments: one in Cornwall (Waterside Resort) and two in the Dominican Republic (Colina and Costa). We understand that each investment consists of a property owning company (the “propco”) and a property operating company (the “opco”).

Waterside Resort

Waterside Villages Limited (WVL), the propco, comprises a hotel and a series of lodges near Bodmin in Cornwall. Since our appointment as administrators of LCF, we have not sought to take enforcement action in respect of our security held over this resort, as we were initially advised by Prime Group management that a substantial refinancing arrangement was under negotiation to refurbish and develop the resort. Over the past months, the LCF administrators received repeated assurances that the refinancing was progressing; together with comments from the management of the Prime Group that any intervention that the administrators may have considered would adversely affect the trading of the Waterside resort, including as regards forward bookings already secured for lodge lettings. There is competing security over the various land and lodge titles at Waterside, which complicates the strategy for dealing with LCF’s interest in the resort.

With Prime Group management having failed to substantiate any real evidence of a prospective substantial refinancing and with a view to preserving the value in the operating resort and to secure the books and records of the Prime Group, the administrators requested that an independent director of their choosing be appointed to all boards across the Prime Group entities. Prime management agreed to this demand and this happened over the last few weeks.

Update on Dominican Republic: Colina Property Holdings Ltd (“CPHL”)/Colina Support Ltd (“CSL”) - collectively “Colina” and Costa Property Holdings Ltd (“CPHL2”) and Costa Support Ltd (“CSL2”) - collectively “Costa”

CPHL is the “propco” which owns an inland property in the Dominican Republic. This property is currently a brownfield (undeveloped) site but we understand that the intention is to develop a resort on it.

CSL is the “opco” in respect of the inland property in the Dominican Republic.

CPHL2, the propco, owns a coastal property in the Dominican Republic which is currently a brownfield (undeveloped) site and we understand that the intention is to develop a resort there.

CSL2, the “opco”, was set up to operate the Costa resort. Similarly, the management of CSL2 has been totally unhelpful and we currently have no evidence that CSL2 will be able to pay its debt, or any part of it, due to LCF.

We were advised that the proposed refinancing of the Prime group, as referred to above as regards to Waterside, was also to extend to the development of the Dominican Republic sites into two luxury hotel developments.

The administrators of LCF had very serious concerns, due to the lack of engagement by Prime Group management, and due to the lack of readily available documentation regarding legal title etc. to the sites, that LCF’s interests and security in respect of those sites were at risk of compromise or capable of being sold/transferred without reference to the administrators.

Given the LCF administrators’ concerns with regard to the Waterside resort and the lack of transparency surrounding the Dominican Republic sites, with effect from 3 February 2020, Finbarr O’Connell, Colin Hardman and Mark Ford, of Smith & Williamson LLP, together with Lane Bednash of CMB Partners, were appointed as joint administrators of the ‘TopCo’ of the Prime Group, being Prime Resort Developments Ltd (‘PRDL’).

This appointment of administrators was made by LCF under its debenture. Due to this very recent appointment and the sensitivities surrounding the developing strategy of the joint administrators of PRDL, further detail will be provided in due course.

Update on FS Equestrian Services Limited (“FSE”)

We have continued our investigations in order to progress realisation of LCF’s assets for the benefit of creditors, including Bondholders. In particular, we requested that Mr Cubitt (the sole director and shareholder of FSE) attend for interview to assist us with our enquiries. Due to his lack of cooperation, the administrators were forced to make an application to the court for him to be privately examined before a judge.

Mr Cubitt eventually consented to attend for interview. Following their review of the available evidence, including Mr Cubitt’s interview, the administrators have no confidence at all that there is any financial recovery to be made by LCF from FSE. We continue to have concerns over the management of FSE and that horses are being sold, the proceeds of which are not being paid over to the administrators Of LCF for the ultimate benefit of the creditors of LCF, including the Bondholders.

We have requested Mr Cubitt, on numerous occasions, to provide an up to date list of all FSE’s assets, including the stock of horses and other equestrian related assets (which were provided as security by FSE in respect of its debt due to LCF), the names of such horses, their location and current value. In addition, we have requested details in relation to the sale of any horses and details of the use the proceeds of such sales was put to. Creditors will recall that Mr Cubitt confirmed to the administrators that Mr Golding was involved with FSE by way of funding the company as a ‘patron’.

Following that interview, upon the application of the administrators pursuant to S234 and S236 of the IA86, Mr Cubitt agreed to attend for a further interview last month and deliver up further information, some of which he had agreed to provide prior to his first interview. He has neither delivered up any of this information nor communicated with us at all with regard to agreeing a date to attend for interview. Due to his continued lack of cooperation we consider that Mr Cubitt should be privately examined in court and so we have restored the application for him to do so.

The administrators have significant concerns that any direct action taken by themselves as regards FSE might incur significant cost with respect to any residual equestrian related assets which may remain within FSE, potentially requiring immediate funding by LCF with regard to veterinary fees, insurances, stabling, essential maintenance etc.

As the administrators of LCF only wish to take enforcement action such as will return financial recoveries to the LCF creditors, including Bondholders, they are continuing to analyse the position and to develop their strategy as regards FSE. The administrators have very substantial concerns that there may be no net recoveries to LCF, and hence to its creditors, including Bondholders, from the £12.3m due to it from FSE. Notwithstanding this, we will continue to seek out all of the FSE horses and other equestrian related assets which LCF has security over, irrespective of whose property they are on or whose possession they are in, and consider whether there are grounds for them (or an alternative fair value of funds) to be returned to FSE, and hence to LCF under its security, for the benefit of the LCF creditors, including Bondholders.

The administrators will continue to update the LCF creditors, including the Bondholders, with regard to this position.

Update on London Financial Group (“LFG”) £0.8m

As explained in our proposals, LFG (the immediate parent company of LCF and which Andy Thomson is the sole director and shareholder of) owes LCF £839,775 (plus accruing interest). This debt, which we understand is an unsecured loan (and therefore in conflict with the terms set out in the Bondholder prospectus) was, we are informed, in respect of the purchase of a helicopter which we have been informed was part of a failed finance deal to a U.S. entity. It should be noted that the acquisition value of the helicopter was significantly less than the value of the loan from LCF to LFG.

The administrators of LCF were appointed as joint liquidators, by the Official Receiver, for the compulsory liquidation of LFG on 18 September 2019, following a winding up of LFG by the Court, granted on 17 July 2019.

The helicopter had been secured in a hangar, following the appointment of the administrators of LCF. The sale of the helicopter was not able to complete until after the appointment of liquidators over LFG. LFG does not hold any other assets. The helicopter has subsequently been sold, for £240,000, realised to the estate of LFG.

3.2 Cash at Bank

Our proposals reported that the joint administrators were seeking legal advice in respect of certain monies that had not formally cleared to the accounts of LCF during the period between the intervention of the FCA on 10 December 2018 and the appointment of the joint administrators on 30 January 2019. We obtained Counsel’s opinion in respect of these monies, which determined that the funds in question, in the sum of £503,037.19, could be repaid to the small number of investors concerned and these repayments happened in December 2019.

3.3 Motor Vehicles

As previously reported, the joint administrators engaged SIA Group to assist with the realisation of chattel assets belonging to the Company. These assets included a number of vehicles that have now all been successfully sold by private treaty. Funds of £203,110 have been realised as a result of the sale of the vehicles belonging to the Company. No further realisations are expected in respect of motor vehicles.

3.4 Administration strategy

There have been no changes to the administrators’ strategy, as documented in their Proposals dated 25 March 2019, which is to achieve a better result for LCF’s creditors as a whole, including the Bondholders, than would be likely if LCF was wound up (without first being in administration).

The administrators are continuing to pursue this objective and outstanding matters to be concluded in the administration are set out in section 9 of this report.

4. Investigations

Under the Company Directors Disqualification Act 1986 we have a duty to make a submission to the Secretary of State for Business, Energy & Industrial Strategy on the conduct of all those persons who were directors at the date the Company entered administration or who held office at any time during the three years immediately preceding the administration.

We have complied with our duty in this regard. As all submissions are strictly confidential and we are unable to disclose their content.

Additionally, we have a duty to investigate transactions to establish whether there may be any worth pursuing for the creditors' benefit from, for example, legal proceedings. Shortly after appointment, we made an initial assessment of whether there could be any matters that might lead to recoveries for the estate and what further investigations may be appropriate. This assessment took into account information provided by creditors either at the initial meeting of creditors or as a response to our request to complete an investigation questionnaire.

Due to the uncertainties regarding the recoverability of the amounts due from the debtors and, specifically, the nature of the investments which the directors caused the Company to make, a detailed forensic assessment has been (and continues to be) undertaken of matters that might lead to recoveries for the estate and which would indicate what further investigations may be appropriate. It is clear that a very significant amount of the monies invested by the Bondholders' will not be recovered.

As reported previously, given the value of funds concerned and the complexity of the transactions involved, there will be a significant number of legal actions that may be required by the joint administrators, over a period of time, in order to achieve the maximum recoveries for the creditors, including the Bondholders. It is important that the Bondholders and creditors understand that there is no short cut to reaching the appropriate juncture for engaging in litigation with certain individuals/entities, if the joint administrators are to be confident of a successful outcome, and, thus, a significant return to the administration estate, for the benefit of the creditors, including the Bondholders.

To avoid prejudicing the outcome of potential legal proceedings, and for confidentiality reasons, the joint administrators are unable to disclose more specific information at this time to the Bondholders and creditors. Whilst the joint administrators recognise that this may be frustrating, it would not be appropriate and would be counter-productive to provide details of their intended strategy or to identify their targets for future legal actions. Where we have been able to enlighten Bondholders and creditors in respect of litigation matters, we have done so, via our regular email communications.

The members of the Creditors' Committee, elected by the creditors to act on their behalf, have been required to enter into Non-Disclosure Agreements for the aforementioned confidentiality reasons. The Creditors' Committee continues to be updated in far greater detail with regards to the joint administrators' strategy and will be consulted, where appropriate, in respect of intended legal actions.

The Creditors' Committee are the representatives of the Bondholders and Creditors as a whole. One of the two principle functions of the Committee is to act as a sounding board for the joint administrators, as required.

It is unfortunate that the administrators have been required to deal with a concerted, and very likely co-ordinated, exercise on the part of a number of individuals aimed at frustrating the joint administrators' enquiries, for their own reasons. This has occurred by way of a number of legal actions which have been launched, unsuccessfully, against the administrators. This approach causes delay and additional expense to the joint administrators' objectives, to the prejudice of Bondholders and creditors and so is most unwelcome.

Appointment of the Conflict Administrator

As a result of matters arising in the course of the administration which could not have been reasonably foreseen when the Joint Administrators were originally appointed, Geoffrey Paul Rowley, of FRP Advisory LLP, was appointed as Conflict Administrator to the Company by the Court on 30 October 2019.

The appointment of a conflict administrator is common in many large administrations. A conflict administrator is standard procedure where there is a risk, real or perceived, of a conflict of interest arising in any work an insolvency practitioner carries out. The purpose of this appointment is to undertake certain investigatory work into the Company's affairs.

In the interest of minimising costs in the administration, the Conflict Administrator is currently limiting his investigations to one specific matter whilst maintaining a proportionate level of involvement and overview of the administration generally. To date, the work undertaken by the Conflict Administrator has included the handover of relevant information from the other Joint Administrators and liaising with the Joint Administrators' solicitors to determine appropriate avenues of investigation and potential litigation.

Given that these investigations are ongoing and privileged, it would not be appropriate to provide further details at this stage and updates will be provided once the matter(s) conclude during the relevant future reporting periods.

FCA

The joint administrators are continuing to assist the FCA with its formal request to deliver Company information to it and are in regular dialogue with the FCA about a number of matters. The independent investigation into the issues raised by the failure of LCF, headed up by Dame Elizabeth Gloster, is expected to conclude in July 2020 and the findings reported to HM Treasury thereafter. Dame Gloster has set out the remit of the investigation, which can be found here: <https://london-capital-and-finance-investigation.org.uk/>

The video of the Bondholder meeting, hosted by Dame Elizabeth and her team on 23 January 2020, can also be accessed via the weblink above. To contact the Independent Investigation team, please email: IndependentInvestigation.LondonCapitalFinance@fca.org.uk

SFO - Operation Axite

As previously reported, the SFO, in conjunction with the FCA, are progressing with an investigation into the activities of five individuals associated with LCF, following arrests of those individuals, who were all released pending further investigation. The SFO's investigation is not solely restricted to the afore-mentioned arrests and is extended to all individuals/entities of interest which are connected with the failure of LCF. The latest update in respect of the SFO's investigation can be found here: <https://www.sfo.gov.uk/cases/london-capital-finance-plc>

The SFO have requested that members of the public who have invested with LCF since 2016, contact them via a secure reporting form at <https://operation-axite.egressforms.com/>

The joint administrators are unable to provide any other information to Bondholders in respect of the SFO/FCA investigations, which remain separate from our own.

FSCS

We provided a detailed narrative on the position of the FSCS in our Proposals. In summary, as the products sold by LCF were not regulated products, the Bondholders do not automatically qualify for compensation from the FSCS. However, the FSCS are continuing to review circumstances whereby compensation may be available, should the circumstances of individual investments fall under certain criteria, as defined in the eligibility rules. The FSCS does not have discretion to meet claims which fall outside the eligibility rules.

The joint administrators are continuing to assist the FSCS with its enquiries and information gathering.

The FSCS declared that LCF had failed on 9 January 2020 and shortly thereafter, on 17 February 2020, announced that it would compensate a small number of Bondholders, being those who transferred a 'stocks and shares' ISA to LCF. The joint administrators understand that those 135 identified Bondholders have since received payment in respect of their compensation. The FSCS is asking for those investors, who believe (and can demonstrate) that they transferred a stocks and shares ISA to LCF, to contact them without delay.

The FSCS has confirmed that individuals who invested prior to 7 June 2016, being the date which LCF first became regulated as regards promotion by the FCA, will not qualify for compensation. For those Bondholders who invested on or after 7 June 2016 and who did not transfer a stocks and shares ISA, the FSCS has the following message:

*"We've also concluded there will be **some customers who were given misleading advice by LCF. These customers have valid claims for compensation**, and we are continuing to review the evidence as quickly as possible. We recognise the distress that the delay in confirming eligibility is causing. **We will update these customers by the end of March 2020.** At this stage, these customers do not need to make a claim."* (Our emphasis as regards **bold italics** added.)

Updates from the FSCS can be accessed here: <https://www.fscs.org.uk/failed-firms/lcf/>

The FSCS has become a subrogated creditor as regards the claims of those Bondholders that have received compensation i.e. to that extent the FSCS will stand in those Bondholders' shoes as creditors of LCF. As such, it should be noted that the FSCS will be entitled to receive a proportionate dividend, in line with the remaining Bondholders, for the value of the compensation that it has paid out.

5. Pre-administration costs

| Charged by/service(s) provided | Total | Amount | Who made | Amount |
|---|----------------|--------|----------|---------|
| | amount charged | paid | payment | unpaid |
| | £ | £ | | £ |
| Smith & Williamson LLP | 142,435 | Nil | N/A | 142,435 |
| Mishcon de Reya - legal advice | 52,805 | Nil | N/A | 52,805 |
| Clyde & Co - legal advice to the Company with regards to its insolvency position, in the context of the QFCH | 5,000 | Nil | N/A | 5,000 |
| Lewis Silkin LLP - legal advice provided to the Company with regard to assisting S&W LLP with their enquiries | 4,026 | Nil | N/A | 4,026 |
| Oliver Clive & Co Limited - accounting services | 18,250 | Nil | N/A | 18,250 |

The pre-administration costs were reported in the administrators' proposals date 25 March 2019. The joint administrators have taken steps to seek approval for the pre-administration costs incurred from the Creditors' Committee. As detailed at section 2, the joint administrators have, at the request of the Creditors Committee, engaged the services of an independent fee assessor, who will provide guidance and advice to the Committee in respect of the reasonableness and quantum of the administrators' time costs. Following the conclusion of the work of the independent fee assessor, it is expected that the Creditors' Committee will be better placed to agree the pre-administration costs detailed above. This process will also apply to the post-administration costs detailed below at section 6.

6. Administrators' remuneration

The administrators' time costs are:

| Period | Total hours | Total costs | Average hourly rate | Fees drawn |
|---------------------------------|--------------|------------------|---------------------|------------|
| | hrs | £ | £/hr | £ |
| 30 January 2019 to 29 July 2019 | 5,619 | 2,316,159 | 412 | Nil |
| 30 July 2019 to 29 January 2020 | 3,965 | 1,314,137 | 331 | Nil |
| Total | 9,584 | 3,630,296 | 379 | Nil |

Attached as Appendix IV, is a time analysis which provides details of the activity costs incurred by staff grade during the period of this report in respect of the costs fixed by reference to time properly spent by the administrators and their staff in attending to matters arising in the administration. Details of work carried out in the period are also included in the body of this report.

Also attached as Appendix V, is a cumulative time analysis for the period from 30 January 2019 to 29 January 2020 which provides details of the administrators' time costs since appointment. No fees have been drawn on account of these costs.

The joint administrators' costs to date are £3,630,296, as above, compared to our original estimate of £4,469,300, for the first year of the administration. Appendix III provides a copy of our original time cost estimate breakdown for comparison purposes.

Going forward, the joint administrators anticipate their future time costs for the year to 29 January 2021 to be in the region of £3,605,025 and Appendix VI provides a detailed breakdown of these costs.

Please note that this estimate is based on present information and may change due to unforeseen circumstances arising. In the event that the fee estimate for the relevant milestone period (in this case, for each complete year of the administration) is likely to be exceeded, the joint administrators will need to provide an update and seek approval from the Creditors' Committee before drawing any additional sums. Fee estimates may be given up to a certain milestone or for a designated period if it is not possible to provide an accurate estimate at any given point.

Creditors should be aware that some of the work is required by statute and may not necessarily provide any financial benefit to creditors. An example would include preparing and issuing the joint administrators' six-monthly progress reports.

A copy of "A Creditor's Guide to Administrator's Fees", as produced by the ICAEW, is available free on request or can be downloaded from their website as follows:

<http://www.icaew.com/-/media/corporate/files/technical/insolvency/creditors-guides/2017/administration-creditor-fee-guide-6-april-2017.ashx?la=en>

Details of Smith & Williamson LLP's charge out rates and policies in relation to the use of staff are provided at Appendix XI. On a general note, please be aware that the charge out rates are subject to an annual review.

6.1 Conflict Administrator's remuneration

Basis of remuneration

The basis of the Conflict Administrator's remuneration has not yet been fixed. It is a requirement that the 'Committee approve the basis upon which the Conflict Administrator's remuneration can be drawn and the Conflict Administrator will be seeking such approval in accordance with the Insolvency Rules at the appropriate stage.

Time incurred

The Conflict Administrator has incurred 71.85 hours during the period from 30 October 2019 to 29 January 2020. However, the fee basis of the Conflict Administrator's fees has not yet been fixed.

The time incurred by the Conflict Administrator and his staff during the period has been summarised below:

| Tasks | Total Hours |
|-----------------------------|--------------|
| Administration and Planning | 11.85 |
| Investigation | 33.15 |
| Statutory Compliance | 26.85 |
| Total Hours | 71.85 |

Fees drawn to date

To date, no fees have been drawn.

7. Administration expenses

7.1 Subcontractors

We have not utilised the services of any subcontractors in this case.

7.2 Professional advisers

On this assignment we have used the professional advisers listed below. We have also indicated alongside the basis of our fee arrangement with them, which is subject to review on a regular basis.

| Name of professional adviser/Service(s) | Basis of fee arrangement | Costs incurred in current period £ | Costs paid in current period £ | Total costs outstanding at period end £ | Total costs paid £ |
|---|-------------------------------|---------------------------------------|-----------------------------------|--|-----------------------|
| Mishcon de Reya (legal advice) | Hourly rate and disbursements | 333,333 | 115,000 | 2,165,581 | 672,047 |
| | | 233,092 | 66,635 | 298,306 | 115,600 |
| Farrer & Co LLP (legal advisors) | Hourly rate and disbursements | 14,235 | 7,480 | 6,755 | 14,730 |
| | | 1,330 | 1,330 | Nil | 1,330 |
| MAPS Solution Europe Ltd | Hourly rate and disbursements | 10,640 | 10,640 | Nil | 38,576 |
| | | Nil | Nil | Nil | Nil |
| SIA Group Limited (valuation and disposal agents) | Hourly rate and disbursements | Nil | 28,607 | Nil | 28,607 |
| | | Nil | 546 | Nil | 546 |
| Fraser CRE Ltd (Specialist property agents) | Hourly rate and disbursements | 3,310 | 3,310 | Nil | 37,406 |
| | | Nil | Nil | Nil | Nil |
| Maybern Consulting Ltd | Hourly rate and disbursements | 62,775 | 62,775 | Nil | 62,775 |
| | | 15 | 15 | Nil | 15 |
| Total | | 658,730 | 296,338 | 2,470,642 | 971,632 |

Note: Total costs outstanding may include costs incurred in prior periods, but not yet paid.

Mishcon de Reya - Mishcon de Reya have assisted the joint administrators in respect of a number of work streams including pre-litigation work, forensic legal analysis, advice in respect of insurance matters and general administration advice. A full explanation of major work activities undertaken by Mishcon de Reya can be found at Appendix II.

MAPS Solutions Europe Ltd (“MAPS”) - The joint administrators and their staff have spent much time in conducting a reconciliation of the Company’s bank accounts for the purposes of reviewing all entries for their investigations. MAPS have been engaged by the joint administrators in order to assist with their bank statement investigations and it is expected that this work will lead to realisations for the benefit of the Company’s creditors, including Bondholders.

Maybern Consulting Ltd (“Maybern”) - The joint administrators have utilised the services of Maybern in order to further their investigations into the entities which owe money to LCF. It is expected that the work undertaken by Maybern will lead to realisations for the benefit of the Company’s creditors, including Bondholders.

7.3 Administrators’ disbursements

We have paid and/or incurred the following disbursements in the current period:

| Description | Incurred in current period £ | Paid in current period £ | Total costs outstanding at period end £ |
|------------------------------------|---------------------------------|-----------------------------|--|
| Travel | 1,136 | Nil | 10,222 |
| Subsistence & Essentials | 1,040 | Nil | 3,774 |
| Specific Bond | Nil | Nil | 140 |
| Courier | 26 | Nil | 199 |
| Bondholder Email Costs (MailChimp) | 1,593 | Nil | 4,138 |
| Network, Internet & Telephone | 2,541 | Nil | 4,091 |
| Searches | 3 | Nil | 78 |
| Stationery & Postage | 291 | Nil | 1,311 |
| Storage Costs | 577 | 577 | Nil |
| Meeting Costs | Nil | 1,360 | Nil |
| Business mileage @ HMRC rates | Nil | Nil | 462 |
| Total | 7,207 | 1,937 | 24,415 |

Note: Total costs outstanding may include costs incurred in prior periods, but not yet paid.

Bondholder Email Credits - These costs have been incurred in order to send Bondholder updates by email. Creditors will be aware that due to the large number of Bondholders, the joint administrators have been using the MailChimp email platform which allows the joint administrators to manage communications with the Bondholders quickly and efficiently. Consequently, it is believed that these costs were necessarily incurred in order to effectively communicate with the Bondholders. If these costs had not been incurred, a significant amount of time would have been incurred by the joint administrators and their staff communicating with the Bondholders using alternative methods. It should be noted that this email platform is likely to be used throughout the administration and further similar costs will be incurred.

Travel - The joint administrators and their staff have incurred costs necessary in travelling to various locations including meetings with the Company’s debtors, meetings with legal advisors, attendance at Court to deal with various streams of litigation, interviews with key parties in the joint administrators’ investigations and meetings with various authorities including the FCA, SFO and FSCS. The joint administrators have also met with various people affiliated with the Company in order to obtain further information regarding the Company’s affairs and asset position.

Conflict Administrator's disbursements

The Conflict Administrator's disbursements have been incurred for the current period:

| Description | Incurring in current period £ | Paid in current period £ | Total costs outstanding at period end £ |
|--------------|-------------------------------------|--------------------------------|--|
| Advertising | 72 | Nil | 72 |
| Bonding | 18 | Nil | 18 |
| Total | 90 | Nil | 90 |

7.4 Category 2 disbursements (see appendix XI)

The following Category 2 disbursements have been incurred and/or paid in the current period:

| Description | Incurring in current period £ | Paid in current period £ | Total costs outstanding £ | Total costs paid £ | Estimated total costs £ | Variance |
|------------------------------------|-------------------------------------|--------------------------------|---------------------------------|--------------------------|-------------------------------|-----------------|
| Business mileage @ HMRC rates | Nil | Nil | 462 | Nil | 150 | 312 |
| Forensics data hosting platform | 82,190 | Nil | 192,990 | Nil | 223,200 | (30,300) |
| Total | 82,190 | Nil | 193,452 | Nil | 223,350 | (29,988) |

Note: Total costs outstanding may include costs incurred in prior periods, but not yet paid.

Forensic Technology Data Storage - The Company stored a large quantity of information in an electronic format that has been imaged by Smith & Williamson LLP's forensic technology team. This includes all Company emails and information stored on internal network drives. In order to easily access and search this information, it has been stored using the Forensics team's data hosting platform. These costs are necessary as accessing the Company's data has been and will continue to be crucial to the joint administrators' investigations. As our investigations progress, it is expected that the cost of this data hosting platform will reduce as the quantum of live information required to be hosted will not be as high.

Approval to recover the Category 2 disbursements shown above will be sought from the Creditors' Committee.

The Conflict Administrator has incurred no category 2 disbursements in the current period.

7.5 Other expenses

Other expenses (i.e. those not detailed in the preceding sections) paid during the period covered by this report are shown in the receipts and payments summary at Appendix II. Detailed below are those expenses which we consider to be significant in the context of this case. Also detailed below are expenses incurred but not paid in the current period:

| Supplier/Service provider | Nature of expense incurred | Incurring in current period £ | Paid in current period £ | Total costs outstanding at period end £ |
|------------------------------|-------------------------------|-------------------------------------|--------------------------------|--|
| Royal Mail Group | Mail Redirection | 791 | 791 | Nil |

| Supplier/Service provider | Nature of expense incurred | Incurred in current period £ | Paid in current period £ | Total costs outstanding at period end £ |
|---------------------------|----------------------------|---------------------------------|-----------------------------|--|
| Marsh Ltd | Insurance premiums | 577 | 577 | Nil |
| Total | | 1,368 | 1,368 | Nil |

Note: Total costs outstanding may include costs incurred in prior periods, but not yet paid.

7.6 Policies regarding use of third parties and disbursement recovery

Appendix XI provides details of Smith & Williamson LLP's policies in relation to the use of subcontractors and professional advisers, and the recovery of disbursements.

8. Estimated outcome for creditors

The estimated outcome for each class of creditors is set out below.

Please note that, where creditors have submitted claims in foreign currency, they have been converted to £Sterling at the applicable rate on the 30 January 2019. If any creditor considers the rate to be unreasonable, they may apply to court for determination.

8.1 Secured creditors

GST held a debenture containing fixed and floating charges over the Company's assets. This debenture was held on trust, by GST as security trustee, on behalf of the Bondholders.

The security is in respect of all assets of the Company. The debenture documentation reflects that a valid trust is in place and that the Bondholders' position is secured.

As confirmed in previous communications, it became apparent, shortly after the appointment of administrators to LCF, that GST had never communicated or engaged in any meaningful way with the Bondholders and that GST had never actively taken a role in protecting the interests of the Bondholders. Conversely, GST acted so as to seek to prevent the establishment of a Creditors' Committee in defiance of the wishes of the Bondholders who GST claimed to represent. This, combined with a potential conflict for GST and its officers arising from the administrators' investigations into the affairs of LCF, resulted in an application to the High Court by the joint administrators to request the removal and subsequent replacement of GST as security trustee. The application was successful, with the Court ruling that GST be removed and that Madison Pacific Trust Limited be appointed as an independent security trustee.

Dividend prospects for Bondholders

As secured creditors, Bondholders are paid out in priority ahead of other creditors, once there are sufficient realisations to effect a dividend.

The joint administrators' view continues to be that, based on the anticipated level of asset recoveries, Bondholders should not expect to receive a return in excess of 25% of their original investment. The joint administrators and their advisers are obviously hopeful that this figure may increase but do not consider it appropriate at this juncture to speculate on the outcome of their continuing investigations into the debts due to the Company and the value of the potential claims the administrators have against various parties.

The joint administrators have stated that dividends will be paid in 5% increments, in the event that sufficient asset realisations are recouped to the estate to allow for such a dividend. For illustrative purposes, 5% of the total principal amount invested by the Bondholders equates to c.£12m, after costs.

Further to the completion of the IOG deal in September 2019 and the resultant payment to the estate of LOG, there are sufficient funds for onward distribution to the LCF estate to facilitate a 5% dividend to the Bondholders. The dividend will be paid in March 2020, with further details to be released in due course.

With regard to achieving potential additional recoveries the joint administrators will only continue to pursue avenues of enquiry which they are confident will result in net realisations to the administration estate. The joint administrators remain positive, however, that outside of the Company's debtors themselves, there is the possibility of recouping funds from other parties which are the focus of ongoing investigation.

8.2 Prescribed Part

The Company granted floating charges on 29 and 30 December 2015. Accordingly, we would be required to create a Prescribed Part fund out of the Company's net floating charge property for unsecured creditors.

At this stage in proceedings, the joint administrators do not anticipate that there will be net property of sufficient value to enable a dividend to unsecured creditors.

If there is a Prescribed Part distribution to be made, this will be distributed by the joint administrators in the administration, following the changes made by the Small Business, Enterprise and Employment Act 2015 with effect from 26 May 2015.

8.3 Preferential creditors

As at the date of the Company's administration, the Company employed 10 members of staff who were subsequently made redundant. In accordance with the Employment Rights Act 1996, certain members of staff were able to claim for any arrears of wages and holiday through the Redundancy Payments Service ("RPS"). The RPS has now submitted details of their preferential claim against the Company which is set out as follows:

| Preferential creditor | Claims received £ |
|-----------------------------|----------------------|
| Redundancy Payments Service | 1,073 |
| Total | 1,073 |

At present, we do not expect sufficient realisations to enable a dividend to preferential creditors. We have not therefore taken steps to agree preferential creditor claims.

8.4 Unsecured creditors

We have received 13 claims totalling £93,661.

At present we confirm that realisations in the administration are expected to be insufficient to pay a dividend to unsecured creditors apart from potentially the Prescribed Part, as referred to in section 8.2.

9. Outstanding matters

The joint administrators' actual time costs to date are £3,630,296, as detailed in section 6, compared to our original estimate of £4,469,300. Appendix V provides a comparison of these two sums and a narrative explanation. In addition to the original estimate, the anticipated future costs for the year to 29 January 2021 are in the region of £3,605,025 and Appendix VI provides a detailed breakdown of these future costs. A detailed narrative explanation of these future costs can be found below.

To clarify, given the costs incurred of £3,630,296 and the additional future costs of £3,605,025 this gives a revised total estimate of administrators' fees for the period up to the end of the second year of the administration which now stands at £7,235,321.

Please note that this estimate is based on present information and may change due to unforeseen circumstances arising. Prior to drawing any fees, the joint administrators will seek approval from the Creditors' Committee.

Fee estimates may be given up to a certain milestone or for a designated period if it is not possible to provide an accurate estimate at any given point.

The remaining actions to be concluded in the administration are as follows:

Investigations

As detailed at section 4, the joint administrators have a duty to investigate transactions to establish whether there may be any worth pursuing for the creditors' benefit from, for example, legal proceedings. Our investigations to date have involved a large number of entities and individuals, all of whom are relevant to our enquiries in respect of tracing the funds loaned, or transferred, by the Company to various parties. The flow of funds is complex and the transactions involved are numerous. The joint administrators and their legal advisors have spent, and will continue to spend, considerable time unravelling the transactions relating to connected parties, in order to maximise the chances of recouping monies on behalf of the Bondholders and creditors. Undoubtedly, there will be a significant number of legal actions which may be required by the joint administrators to achieve this, over a period of time.

To avoid prejudicing the outcome of potential legal proceedings and for confidentiality reasons, the joint administrators are unable to disclose specific information, in addition to those details provided within this report, at this time to the Bondholders and creditors. It would not be appropriate for the joint administrators to provide details of their intended strategy or to identify their targets for future actions. This work has the potential to provide a financial benefit to creditors of the Company, including Bondholders.

Realisation of assets/Potential Actions

Following the conclusion of the joint administrators' investigations as above, we will review any potential actions that can be taken for the benefit of the Company's creditors, including the Bondholders. It is likely that any actions pursued by the joint administrators may end up in court, if not settled out of court, and therefore be protracted, however, should any claims be successful, this will provide a direct financial benefit to the Company's creditors, including the Bondholders. It is not possible at this stage to estimate the cost, both legal and administrators', of this work, nor any associated expenses, and this will be provided once we have an understanding of the potential actions that can be taken, following the conclusion of the investigations stage.

Other matters

Other actions that remain outstanding include:

- Statutory obligations, including preparing and issuing the joint administrators' progress reports;
- Distribution to Bondholders;
- Consideration of any tax implications within the administration; and
- Closure of the administration.

Details of the estimated future cost of these workstreams can be found in the joint administrators' revised fee estimate at Appendix VI.

10. Privacy and data protection

As part of our role as joint administrators, I would advise you that we may need to access and use data relating to individuals. In doing so, we must abide by data protection requirements. Information about the way that we will use and store personal data in relation to insolvency appointments can be found at

<https://smithandwilliamson.com/rsgdpr>

If you are unable to download this, please contact my office and a hard copy will be provided free of charge.

To the extent that you hold any personal data of the Company's data subjects provided to you by the Company or obtained otherwise, you must process such data in accordance with data protection legislation. Please contact us if you believe this applies.

11. Ending the administration

Following the approval of the joint administrators' proposals, at the appropriate time, the joint administrators will use their discretion to exit the administration by way of one of the following means:

- (i) If having realised the assets of the Company, the joint administrators think that a distribution will be made to the unsecured creditors other than by virtue of the Prescribed Part, they may file a notice with the Registrar of Companies which will have the effect of bringing the appointment of the joint administrators to an end and will move the Company automatically into Creditors' Voluntary Liquidation ('CVL') in order that the distribution can be made, but only if they consider that the associated incremental costs of a CVL are justified. In these circumstances, the joint administrators (being Finbarr O'Connell, Adam Stephens, Colin Hardman and Henry Shinnars) will become the joint liquidators of the CVL. The acts of the joint liquidators may be undertaken by any one, or all of them. (Creditors had the right to nominate alternative liquidators of their choice if they made their nomination in writing to the joint administrators prior to the administrators' proposals being approved. However, as the creditors did not make such a nomination, the joint administrators will automatically become the joint liquidators of the Company in any subsequent CVL). (Geoff Rowley of FRP was not nominated as a potential joint liquidator of the Company when the Proposals were issued as he was only appointed as a conflict administrator by the court on 30 October 2019. However, it is envisaged that if the Company converts into a CVL that an application will subsequently be made to Court for the appointment of Geoff Rowley as an additional liquidator of the Company to take on the role of a conflict liquidator.)
- (ii) If the joint administrators have, with the permission of the court, made a distribution to unsecured creditors in addition to any Prescribed Part distribution, or they think that the Company otherwise has no property which might permit a distribution to its unsecured creditors, subject to there being a need for further investigations as described below, they will file a notice, together with their final progress report, at court and with the Registrar of Companies for the dissolution of the Company. The joint administrators will send copies of these documents to the Company and its creditors. The joint administrators' appointment will end following the registration of the notice by the Registrar of Companies.

Administrators have the power to bring claims against former officers of the company in respect of transactions that may have caused or exacerbated a company's insolvency. Claims with a good prospect of success may be pursued by administrators but there may be cases where it would be more appropriate if a liquidator brought the claim or where the timeframe would not be long enough, given the maximum extension period available to administrators. The proposed exit route would, in these cases, be liquidation. (Again, Geoff Rowley of FRP was not nominated as a potential joint liquidator of the Company when the Proposals were issued as he was only appointed as a conflict administrator by the court on 30 October 2019. However, it is envisaged that if the Company converts into a liquidation, whether a CVL or a compulsory liquidation, that an application will subsequently be made to Court for the appointment of Geoff Rowley as an additional liquidator of the Company to take on the role of a conflict liquidator.)

Authorisation for the joint administrators to be discharged from liability under P98(3) of Sch B1 immediately upon their appointment as administrators ceasing to have effect will be sought from the Creditors' Committee.

12. Creditors' rights

Within 21 days of the receipt of this report, a secured creditor, or an unsecured creditor (with the concurrence of at least 5% in value of the unsecured creditors or otherwise with the court's permission) may request in writing that the administrators provide further information about their remuneration or expenses which have been itemised in this report.

Any secured creditor, or an unsecured creditor (with the concurrence of at least 10% in value of the unsecured creditors or otherwise with the court's permission) may within 8 weeks of receipt of this report make an application to court on the grounds that, in all the circumstances, the basis fixed for the administrators' remuneration is inappropriate and/or the remuneration charged or the expenses incurred (including any paid) by the administrators, as set out in this report, are excessive.

The above rights apply only to matters which have not been disclosed in previous reports.

On a general note, if you have any comments or concerns in connection with our conduct, please contact Finbarr Thomas O'Connell or Adam Henry Stephens in the first instance. If the matter is not resolved to your satisfaction, you may contact our Head of Legal by writing to 25 Moorgate, London EC2R 6AY or by telephone on 020 7131 4000.

Thereafter, if you wish to take the matter further you may contact the Insolvency Services directly via Insolvency Complaints Gateway. They can be contacted by email, telephone or letter as follows:

i) Email: insolvency.enquiryline@insolvency.gsi.gov.uk

ii) Telephone number: +44 300 678 0015

iii) Postal address: The Insolvency Service, IP Complaints, 3rd Floor, 1 City Walk, Leeds LS11 9DA.

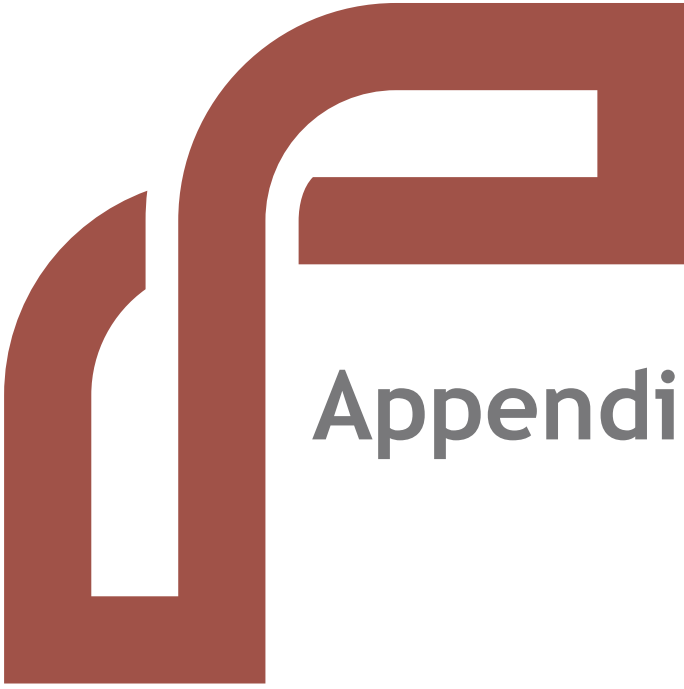
13. Next report

We are required to provide a further report on the progress of the administration within one month of the end of the next six month period of the administration unless we have concluded matters prior to this, in which case we will write to all creditors with our final report.



Finbarr Thomas O'Connell, Adam Henry Stephens, Colin Hardman, Henry Shinnars & Geoff Rowley
Joint Administrators

Date: 26 February 2020



Appendices

I Statutory information

| | |
|---------------------------------------|---|
| Relevant Court | High Court of Justice |
| Court Reference | CR-2019-000755 |
| Trading Name(s) | London Capital & Finance |
| Trading Addresses | The Old Coach House, Eridge Park, Eridge Green, Tunbridge Wells, Kent, TN3 9JS |
| Former Name(s) | London Capital & Finance Limited |
| Registered Office | 25 Moorgate, London EC2R 6AY |
| Registered Number | 08140312 |
| Joint Administrators | <p>Finbarr Thomas O'Connell, Adam Henry Stephens, Colin Hardman and Henry Anthony Shinnars all of Smith & Williamson, 25 Moorgate, London, EC2R 6AY and Geoff Rowley of FRP Advisory LLP, 110 Cannon Street, London EC4N 6EU.</p> <p>(IP No(s) 7931, 9748, 16774, 9280 and 8919)</p> <p>In accordance with P100 (2) Sch B1 1A 86 a statement has been made authorising the Joint Administrators to act jointly and severally.</p> |
| Date of Appointment | 30 January 2019 (Geoff Rowley was appointed as an additional administrator on 30 October 2019) |
| Appointor | Directors |
| Directors | Michael Andrew "Andy" Thomson, Floris Jakobus Huisanem, Kevin Maddison and Katherine Ruth Simpson |
| Shareholder(s) | London Financial Group Limited (owned 100% by Andy Thomson) |
| Secretary (if applicable) | CAA Registrars Limited |
| Extension to period of administration | The administration was extended by consent of the Court on 16 January 2020 for a period of up to two years ending on 29 January 2022. |
| EU Regulations | The EU Regulation on Insolvency Proceedings 2015 applies to the administration. The proceedings are main proceedings as defined by Article 3 of the Regulation. The Company is based in the United Kingdom. |

II Receipts and payments account

| Statement of Affairs £ | From 30/07/2019 To 29/01/2020 £ | From 30/01/2019 To 29/01/2020 £ |
|------------------------------------|---------------------------------------|---------------------------------------|
| ASSET REALISATIONS | | |
| Bank Interest Gross | 3,908.97 | 7,618.06 |
| Cash at bank | NIL | 3,189,912.30 |
| Insurance Refund | NIL | 7,902.72 |
| Loan Accounts (GC Partners) | NIL | 100,383.28 |
| Motor Vehicles | 203,110.39 | 203,110.39 |
| | <u>207,019.36</u> | <u>3,508,926.75</u> |
| COST OF REALISATIONS | | |
| Agents/Valuers Expenses | 545.85 | 2,296.38 |
| Agents/Valuers Fees | 42,557.19 | 150,439.17 |
| Bank Charges | 2.45 | 49.43 |
| Comittee Expenses | 1,320.80 | 3,569.77 |
| Consultant expenses | NIL | 574.90 |
| HP Finance | 888.45 | 888.45 |
| ICO Renewal | 40.00 | 40.00 |
| Insurance | 577.00 | 7,571.42 |
| Internet & Telephone Costs | NIL | 61,372.28 |
| Irrecoverable VAT | 59,357.04 | 238,597.13 |
| Legal Expenses | 67,964.87 | 116,930.14 |
| Legal Fees | 122,480.00 | 686,777.00 |
| Meeting costs | 1,360.00 | 4,575.17 |
| Other Property Expenses | NIL | 237.50 |
| PAYE & NI | NIL | 245.73 |
| Pension contributions | NIL | 822.80 |
| Petitioners Deposit | NIL | 1,891.00 |
| Professional Expenses | 14.99 | 764.99 |
| Professional Fees | 62,775.00 | 138,340.00 |
| Rates | NIL | 1,107.02 |
| Re-Direction of Mail | 791.00 | 1,281.00 |
| Rents Payable | NIL | 1,666.66 |
| Stationery & Postage | NIL | 18,133.31 |
| Statutory Advertising | NIL | 169.00 |
| Storage Costs | 576.88 | 2,682.88 |
| Wages & Salaries | NIL | 12,753.98 |
| | <u>(361,251.52)</u> | <u>(1,453,777.11)</u> |
| | <u>(154,232.16)</u> | <u>2,054,493.45</u> |
| REPRESENTED BY | | |
| Clients Deposit (Interest Bearing) | | 2,054,493.45 |
| | | <u>2,054,493.45</u> |

Notes and further information required by SIP 7

- The administrators' remuneration has not yet been approved.
- We have not yet sought approval of or drawn any other costs that would require the same approval as our remuneration.
- No payments have been made to us from outside the estate.
- Details of significant expenses paid are provided in the body of our report.
- Information concerning our remuneration and disbursements incurred is provided in the body of the report.
- Information concerning the ability to challenge remuneration and expenses of the administration is provided in our report.
- All bank accounts are interest bearing.
- There are no foreign currency holdings.
- All amounts in the receipts and payments account are shown exclusive of any attributable VAT. LCF is not, and has never been, registered for VAT; the issuing of bonds is a non-Vatable activity and LCF did not provide any other taxable supplies. Our VAT experts have examined the position and have determined that currently, there is no viable route to recovering the VAT incurred in the administration.

Notes and further information required by SIP 9

ICO Renewal

This cost was incurred in respect of the Company's data protection renewal with the Information Commissioner's Office in order to comply with data protection principles.

Agents & Professional Fees

A full breakdown of the fees incurred by agents and professional advisors of the joint administrators can be found in section 7 of the report. An explanation of the material costs incurred by the joint administrators' agents and advisors is also detailed at section 7 of the report.

Committee Expenses

In accordance with Section 17.24 of IR16, any reasonable expenses directly incurred by committee members of their representatives either in attending meetings or the committee or otherwise on the committee's business will be paid by the office holder out of the insolvent estate. These costs have been incurred in accordance with this legislation and therefore paid as an expense of the administration.

Legal Fees

The below is a summary of the work undertaken by Mishcon de Reya:

- **Investigations.** This included advice relating to gathering evidence, actions to safeguard assets, and investigating possible routes to recovery.
- **Forensic Analysis.** This included advice relating to structuring appropriate initial search methodologies, an initial targeted review of data, and a consideration of possible legal remedies.
- **Appointment of Administrators and related.** This includes advice around the formalities of appointment of the administrators, and advice as regards to the administrators' powers and various other matters under IA86.
- **Regulatory.** This included advice relating to the FCA, FSCS and the SFO, such as around the administrators' obligations and powers, attendance at various meetings, and a consideration of the potential claims for compensation and providing appropriate guidance to Bondholders.
- **Corporate.** This included advice around corporate aspects of the existing and proposed arrangements between LOG and IOG, and associated corporate regulatory issues.
- **Banking/Security/Loan Agreements.** This included advice around reviewing and analysing finance related documents such as loan security, on-lending arrangements, and possible routes to realisation.
- **Project and Document Management.** This included work around collecting, managing and processing data (please note that in excess of 1.5 million documents have been collected to date) pertaining to, amongst other matters, the asset realisation and investigatory work streams.

- **Insurance.** This included work around reviewing, analysing and advising on the implications of various insurance policies, and corresponding with various relevant parties.
- **Miscellaneous.** This included advice relating to certain law enforcement activity.

In addition, Mishcon de Reya have undertaken the following tasks:

- Proceedings with GST, LCM, LFG and applications for examination of individuals under Sections 235 /236 Insolvency Act 1986.
- Meetings and communications with LCF Creditors Committee and matters arising therefrom.
- Liaison with and meetings with bondholders where appropriate to the progress of the administrators' investigations and other matters.
- Legal research including Portugal (re Cape Verde), Ireland and Dominican Republic.
- Liaison with professional support teams.
- Undertaking interviews with a number of key individuals.
- Legal advice and analysis regarding application of recoveries.

Legal Expenses

A breakdown of the legal expenses incurred can be summarised as follows:

- **Counsel Fees - £48,920** - It has been necessary to seek advice from Counsel in respect of a number of matters regarding the administration. This includes in respect of the GST application, other litigation, advice regarding the creditor status of the Bondholders and other general administration advice. As large quantum of these costs have been incurred as a direct result of the joint administrators' investigations and it is therefore necessary that the exact details remain confidential.
- **Agents and Professional Advisors - £12,960** - It has been necessary to instruct various agents to assist with the joint administrators' investigation as detailed within the body of this report. A number of agents and professional advisors have been instructed directly by the joint administrators' legal advisors and, as these costs have been incurred as a direct result of the joint administrators' investigations, it is necessary that the exact details of these agents and advisors remain confidential.
- **General Legal Disbursements - £6,085** - The joint administrators' legal advisors have necessarily incurred general disbursement costs directly related to the administration. These costs include travel, subsistence, postage and courier costs, Company and Land Registry Searches, Court Fees and search fees.

III Previous Fee Estimate

| London Capital & Finance plc (in administration) ("the Company") Fees estimate according to number of hours, grade of staff and expected work to be undertaken for the year ending 29 January 2020 | | | | | | | | |
|--|--------------------|--------------------|-----------------|-----------------|----------------------------|-----------------|--|---------------------|
| Anticipated case duration | 5 | Year | | | | | | |
| | Partner / Director | Associate Director | Manager | Administrator | Assistants & support staff | | | |
| Hourly rate (£) | 650 | 525 | 460 | 290 | 115 | | | |
| | Hours | | | | | Total hours | Total estimated time costs (including costs to date) (£) | Average hourly rate |
| Classification of work function | | | | | | | | |
| Administration and planning | | | | | | | | |
| Statutory returns, reports & meetings | 150.00 | - | 160.00 | 175.00 | 20.00 | 505.00 | 224,150.00 | 443.86 |
| Initial post-appointment notification letters, including creditors | 13.00 | - | 8.00 | 5.00 | - | 26.00 | 13,580.00 | 522.31 |
| Cashiering general, including bonding | 1.00 | - | - | 3.00 | 35.00 | 39.00 | 5,545.00 | 142.18 |
| Job planning, reviews and progression (inc 6 month reviews and planning meetings, checklist & diary) | 220.00 | 20.00 | 170.00 | 150.00 | - | 560.00 | 275,200.00 | 491.43 |
| Post-appointment taxation (VAT, PAYE/IIIC, Corp Tax) | 2.00 | - | 4.00 | 5.00 | - | 11.00 | 4,590.00 | 417.27 |
| Protection of company records (incl electronic) | 10.00 | - | 4.00 | 7.00 | - | 21.00 | 10,370.00 | 493.81 |
| Insurance & general asset protection | 25.00 | - | - | 4.00 | - | 29.00 | 17,410.00 | 600.34 |
| Filing, file and information management | 10.00 | - | 5.00 | 5.00 | - | 20.00 | 10,250.00 | 512.50 |
| Agents and advisers, general | 5.00 | - | 7.00 | 10.00 | - | 22.00 | 9,370.00 | 425.91 |
| Director/manager review, approval and signing | 5.00 | 1.00 | 8.00 | - | - | 14.00 | 7,455.00 | 532.50 |
| Other | 4.00 | 1.00 | 19.00 | 24.00 | - | 48.00 | 18,825.00 | 392.19 |
| Investigations | | | | | | | | |
| Directors' correspondence & conduct questionnaires | 10.00 | - | 20.00 | 20.00 | - | 50.00 | 21,500.00 | 430.00 |
| Statutory books and accounting records review | 60.00 | 50.00 | 10.00 | 25.00 | 5.00 | 150.00 | 77,675.00 | 517.83 |
| Reviewing directors' conduct | 100.00 | - | 50.00 | 50.00 | - | 200.00 | 102,500.00 | 512.50 |
| Reporting to The Disqualification Unit (SIP 2 obligations) | 7.00 | - | 5.00 | 10.00 | - | 22.00 | 9,750.00 | 443.18 |
| Borrowers/Loans | 2,500.00 | 50.00 | 200.00 | 100.00 | - | 2,850.00 | 1,772,250.00 | 621.84 |
| Asset tracing | 50.00 | 75.00 | 225.00 | 150.00 | - | 500.00 | 218,875.00 | 437.75 |
| Enquiries of advisors and any parties with relevant information and former dealings | 100.00 | - | 50.00 | 50.00 | - | 200.00 | 102,500.00 | 512.50 |
| S235/6 Court applications & hearings, where applicable | 50.00 | - | 35.00 | 30.00 | - | 115.00 | 57,300.00 | 498.26 |
| Director/manager review, approval and signing | 5.00 | 10.00 | 3.00 | - | - | 18.00 | 9,880.00 | 548.89 |
| Other | 15.00 | - | 25.00 | 5.00 | - | 45.00 | 22,700.00 | 504.44 |
| Realisation of assets | | | | | | | | |
| Loan Book | 300.00 | - | 25.00 | 35.00 | - | 360.00 | 216,650.00 | 601.81 |
| Debtors | 75.00 | - | 7.00 | 10.00 | - | 92.00 | 54,870.00 | 596.41 |
| Chattell assets | 7.00 | - | 5.00 | 2.00 | - | 14.00 | 7,430.00 | 530.71 |
| Financed assets | 15.00 | - | - | 2.00 | - | 17.00 | 10,330.00 | 607.65 |
| Cash at Bank | 1.00 | - | 3.00 | 2.00 | - | 6.00 | 2,610.00 | 435.00 |
| Liasing with agents | 4.00 | - | 5.00 | 2.00 | - | 11.00 | 5,480.00 | 498.18 |
| Other | 20.00 | - | 3.00 | 2.00 | - | 25.00 | 14,960.00 | 598.40 |
| Actions at Premises | | | | | | | | |
| Property issues (inc landlord and site clearance) | 1.00 | - | 10.00 | 15.00 | - | 26.00 | 9,600.00 | 369.23 |
| Purchasing/ suppliers | 3.00 | - | - | - | - | 3.00 | 1,950.00 | 650.00 |
| Operations | - | - | 3.00 | - | - | 3.00 | 1,380.00 | 460.00 |
| Shutdown / Site visits | - | - | 15.00 | 15.00 | - | 30.00 | 11,250.00 | 375.00 |
| Accounting | 1.00 | - | 3.00 | - | - | 4.00 | 2,030.00 | 507.50 |
| Insurances | - | - | 6.00 | - | - | 6.00 | 2,760.00 | 460.00 |
| Staff and payroll | - | - | 1.00 | 1.50 | - | 2.50 | 895.00 | 358.00 |
| Other | - | - | 1.00 | 1.00 | - | 2.00 | 750.00 | 375.00 |
| Creditors | | | | | | | | |
| Bondholders | 200.00 | 15.00 | 400.00 | 750.00 | 650.00 | 2,015.00 | 614,125.00 | 304.78 |
| HP & lease creditors | - | - | 1.00 | 1.00 | - | 2.00 | 750.00 | 375.00 |
| Redundancy Payments Service | - | - | 1.00 | 2.00 | - | 3.00 | 1,040.00 | 346.67 |
| Employees & pension (Incl Jobcentre/CSA etc) | 1.50 | - | 5.00 | 20.00 | - | 26.50 | 9,075.00 | 342.45 |
| HMRc | 3.00 | - | - | 3.00 | 2.00 | 8.00 | 3,050.00 | 381.25 |
| Unsecured creditors | 1.00 | - | 5.00 | 10.00 | - | 16.00 | 5,850.00 | 365.63 |
| creditors' committee | 50.00 | - | 40.00 | 60.00 | - | 150.00 | 68,300.00 | 455.33 |
| Other | 5.00 | - | 15.00 | 10.00 | - | 30.00 | 13,050.00 | 435.00 |
| Distributions | 5.00 | - | 30.00 | 50.00 | - | 85.00 | 31,550.00 | 371.18 |
| Corporate Tax including VAT | | | | | | | | |
| Corporate Tax including VAT | 50.00 | - | 5.00 | 3.00 | - | 58.00 | 36,170.00 | 623.62 |
| Assurance & Business Services | | | | | | | | |
| Assurance & Business Services | 25.00 | 5.00 | 15.00 | 10.00 | - | 55.00 | 22,700.00 | 412.73 |
| Forensics | | | | | | | | |
| Forensics | 75.00 | - | 475.00 | 450.00 | 3.00 | 1,003.00 | 329,020.00 | 328.04 |
| Total | 4,184.50 | 227.00 | 2,087.00 | 2,284.50 | 715.00 | 9,498.00 | 4,469,300.00 | 470.55 |

| London Capital & Finance plc (in administration) | | |
|---|--|---------------------|
| Estimated expenses in accordance with Categories 1 & 2 (SIP 9) and payable to third parties * | | |
| For the year ending 29 January 2020 | | |
| Estimated expenses | | Total |
| Specific bond | | 140.00 |
| Statutory advertising costs | | 308.00 |
| Search costs (HM Land Registry & Companies House) | | 50.00 |
| Case specific costs | | |
| Security & other property costs | | 10,000.00 |
| Insurance | | 6,000.00 |
| Legal fees | | 4,000,000.00 |
| Agent's fees | | 200,000.00 |
| Storage costs | | 700.00 |
| Data hosting | | 223,200.00 |
| Irrecoverable VAT | | 2,084,629.60 |
| Business mileage | | 150.00 |
| Total | | 6,525,177.60 |
| <p>* Category 1 expenses, in accordance with Statement of Insolvency Practice 9 are specific costs payable to an independent third party and relate directly to the case in question. Category 2 expenses are payable to the office holder's firm and are shared or allocated costs, most notably business mileage.</p> | | |

IV Time analysis for the period

From 30 July 2019 to 29 January 2020

| Classification of work function | Hours | | | | | Total hours | Time cost | Average hourly rate |
|--|--------------------|--------------------|----------------------------|--------------------------|----------------------------|-------------|------------|---------------------|
| | Partner / Director | Associate director | Manager/ Assistant Manager | Other professional staff | Assistants & support staff | | | |
| Administration and planning | | | | | | | | |
| Statutory returns, reports & meetings | 55.50 | 0.00 | 20.75 | 27.35 | 0.00 | 103.60 | 55,189.75 | 532.72 |
| Initial post-appointment notification letters, including creditors | 0.00 | 0.00 | 0.00 | 0.25 | 0.00 | 0.25 | 75.00 | 300.00 |
| Cashiering general, including bonding | 0.05 | 0.00 | 0.00 | 11.40 | 0.00 | 11.45 | 2,878.75 | 251.42 |
| Job planning, reviews and progression (inc 6 month reviews and planning meetings, checklist & diary) | 57.20 | 0.00 | 37.55 | 58.40 | 0.00 | 153.15 | 69,601.25 | 454.46 |
| Post-appointment taxation (VAT, PAYE/NIC, Corp Tax that are not trading related) | 0.00 | 0.00 | 0.00 | 0.25 | 0.00 | 0.25 | 75.00 | 300.00 |
| Insurance & general asset protection | 0.00 | 0.00 | 0.00 | 0.90 | 0.00 | 0.90 | 270.00 | 300.00 |
| Agents and advisers, general | 0.00 | 0.00 | 0.50 | 2.00 | 0.00 | 2.50 | 837.50 | 335.00 |
| Director/manager review, approval and signing | 1.95 | 0.00 | 8.50 | 0.60 | 0.00 | 11.05 | 5,638.75 | 510.29 |
| Other | 1.25 | 0.00 | 0.00 | 2.50 | 0.00 | 3.75 | 1,493.75 | 398.33 |
| Investigations | | | | | | | | |
| Correspondence with directors | 0.00 | 0.00 | 0.00 | 0.15 | 0.00 | 0.15 | 45.00 | 300.00 |
| Review of the Company's books and records | 1.00 | 0.00 | 0.00 | 5.50 | 0.00 | 6.50 | 2,073.50 | 319.00 |
| debtors/ Loan Book and other investigations to identify asset recoveries | 370.15 | 0.00 | 86.45 | 46.50 | 0.00 | 503.10 | 291,987.25 | 580.38 |
| SIP2 obligations (inc liaising with the insolvency service) | 5.30 | 0.00 | 2.50 | 2.50 | 0.00 | 10.30 | 5,515.00 | 535.44 |
| Cash and other asset tracing | 61.95 | 0.50 | 320.05 | 1.75 | 0.00 | 384.25 | 164,080.00 | 427.01 |
| S235/6 hearings & applications | 50.80 | 0.00 | 0.20 | 5.90 | 0.00 | 56.90 | 33,209.25 | 583.64 |
| Other (including liaising with various bodies i.e. SFO, FCA, FSCS) | 10.25 | 0.00 | 2.50 | 7.15 | 0.00 | 19.90 | 9,915.25 | 498.25 |
| Realisation of assets | | | | | | | | |
| Debtors | 4.15 | 0.00 | 0.00 | 9.35 | 0.00 | 13.50 | 5,139.00 | 380.67 |
| Other chattel assets | 0.00 | 0.00 | 0.00 | 0.85 | 0.00 | 0.85 | 255.00 | 300.00 |
| Cash at Bank | 0.00 | 0.00 | 0.75 | 0.00 | 0.00 | 0.75 | 356.25 | 475.00 |
| Director/manager review, approval and signing | 0.50 | 0.00 | 0.00 | 0.00 | 0.00 | 0.50 | 337.50 | 675.00 |
| Other | 0.00 | 0.00 | 1.20 | 0.00 | 0.00 | 1.20 | 450.00 | 375.00 |
| Creditors | | | | | | | | |
| Bondholders | 26.95 | 0.00 | 106.55 | 404.70 | 40.45 | 578.65 | 183,584.35 | 317.26 |
| Employees & pension | 0.00 | 0.00 | 0.00 | 0.25 | 0.00 | 0.25 | 75.00 | 300.00 |
| Unsecured creditors | 0.00 | 0.00 | 0.00 | 0.70 | 0.00 | 0.70 | 210.00 | 300.00 |
| Creditors' committee | 30.25 | 0.00 | 34.00 | 41.45 | 0.00 | 105.70 | 48,715.75 | 460.89 |
| Distributions | 0.25 | 0.00 | 8.50 | 123.35 | 928.75 | 1,060.85 | 121,721.00 | 114.74 |
| Dealing with creditor queries in relation to regulatory bodies (i.e. FCA, FCSC, SFO) | 3.35 | 0.00 | 20.05 | 2.60 | 7.00 | 33.00 | 12,811.75 | 388.23 |
| Dealing with creditor queries (i.e. SAR requests) | 0.65 | 0.00 | 1.25 | 2.15 | 7.00 | 11.05 | 2,307.50 | 208.82 |
| Director/manager review, approval and signing | 0.00 | 0.00 | 18.00 | 0.00 | 0.00 | 18.00 | 8,550.00 | 475.00 |
| Other | 0.00 | 0.00 | 0.75 | 1.15 | 0.00 | 1.90 | 701.25 | 369.08 |

| | | | | | | | | |
|--|---------------|-------------|-----------------|-----------------|---------------|-----------------|----------------------|----------------|
| Corporate Tax | | | | | | | | |
| Corporate Tax | 0.25 | 0.00 | 0.00 | 0.00 | 0.00 | 0.25 | 178.75 | 715.00 |
| Assurance & Business Services | | | | | | | | |
| Assurance & Business Services | 4.05 | 0.00 | 0.00 | 0.00 | 0.00 | 4.05 | 2,673.00 | 660.00 |
| Forensics | | | | | | | | |
| Forensics | 40.00 | 0.00 | 432.35 | 393.35 | 0.00 | 865.70 | 283,186.00 | 327.12 |
| Total | 725.80 | 0.50 | 1,102.40 | 1,153.00 | 983.20 | 3,964.90 | £1,314,137.10 | £331.44 |

Explanation of major work activities undertaken

Administration and planning

The joint administrators have been required to spend a considerable amount of time in planning and administration tasks in respect of the administration strategy. Due to the scale of this case, it has been crucial to ensure that all statutory matters are dealt with efficiently and that all possible options when choosing strategy are fully explored. The joint administrators and their staff have been obliged to undertake certain areas of work in order to comply with their statutory obligations and internal compliance requirements. The following work has been conducted in respect of administration and planning:

- preparing and issuing the joint administrators progress report for the period ending 29 January 2020;
- dealing with the extension of the administration for the period of up to two years including reviewing witness statements for submission to the Court;
- attendance at Court for the hearing of the extension of the administration;
- maintenance of compliance checklists in relation to the case;
- maintenance of the IPS compliance diary in respect of the case;
- statutory case reviews (to be completed every six months);
- internal case staff strategy meetings, including weekly strategy meetings with Mdr and the administrators of LOG;
- dealing with case progression matters;
- general case planning and administration including case strategy decisions;
- liaising with insurers in respect of the sale of the Company's motor vehicles;
- arranging for a mail redirection to be put in place in respect of PO Boxes belonging to the Company;
- internal communications with the Forensics team;
- internal communications with the Assurance & Business Services team;
- dealing with routine correspondence;
- creating and maintaining schedules of professional advisor costs and expenses;
- corresponding with HMRC;
- reviewing and signing off various documents and correspondence by partners, directors and managers;
- completing paperwork to settle outstanding invoices;
- liaising with the Company's former IT provider regarding the hosting of the Company's website and Bondholder portal;
- setting up and maintaining physical case files;
- setting up and maintaining IPS (case management schedule);
- dealing with and instructing agents and other professional advisers to assist with the case;
- liaising with the Smith & Williamson IT department regarding the maintenance of the LCF email mailbox and webpage;
- dealing with the provision of various information to the FCA, FSCS, HMRC, the SFO and other parties;
- attending at various meetings in respect of the administration;
- drafting and issuing press releases, when appropriate, in relation to the administration of the Company in order to keep the Bondholders and other creditors, briefed;
- responding to various press queries in respect of the progression of the administration;

- dealing with the appointment of Geoff Rowley as conflict administrator; and
- liaising with FRP Advisory LLP regarding statutory requirements following the appointment of Geoff Rowley as conflict administrator.

Cashiering time:

- maintaining and managing the administrators' cash book and bank accounts;
- reconciliation of bank account;
- correspondence with banks; and
- raising cheques/preparing telegraphic transfers.

Investigations

This section relates to the work that the joint administrators have conducted in relation to their investigations into the failure of the Company. The joint administrators have a duty to consider any potential claims that the Company may have against third parties that may give rise to potential claims for the benefit of the Company's creditors, including the Bondholders. Whilst it is likely that the majority of this work will provide a direct financial benefit for the Company's creditors, including the Bondholders, some streams of the investigation work that will be, or have been, carried out are required by statute and may not necessarily provide a direct financial benefit for the Company's creditors.

As detailed at section 4 of this report, the joint administrators have a duty under Statement of Insolvency Practice 2 (SIP2) to investigate the conduct of the Company's directors. We have duly complied with this requirement and necessarily incurred time liaising with the Insolvency Service in this regard. This work is required by statute and may only indirectly provide a financial benefit to the Company's creditors. We do not expect that further time will be spent liaising with the Insolvency Service in this regard. This work has included the following:

- liaising with the Insolvency Service in respect of the Company Directors' Disqualification Act ('CDDA') report including by email, telephone and by attendance at meetings; and
- provision of information requested by the Insolvency Service.

The Company's largest asset is its debtor book and the joint administrators have dedicated a large quantity of time to understanding this asset in great detail. This work is not only necessary but crucial to the joint administrators' ability to determine any likely returns to the Company's creditors. By way of reminder, the joint administrators are working to identify assets to the value of £238 million which the Company is owed by a number of entities. Dealing with assets of this value will naturally result in a significant amount of time being expended in order to ensure the best chance of recoveries. The time incurred by the joint administrators to date in dealing with this asset is less than 1% of the total debtor book value. An overview of the debts totalling £237,854,124, which the Company is due, is detailed at section 4 of this report.

Understanding the Company's debtor book, including all onward lending, is a complicated matter which has been further complicated for various reasons including the lack of cooperation received from a number of associated parties. In addition, a number of the assets, which the joint administrators seek to recover, in respect of the Company's debtor book are overseas which adds an additional layer of complication. The time expended thus far by the joint administrators has allowed them to carefully assess the recoverability of each debt which will ultimately provide a direct financial benefit to creditors.

Following our initial stream of investigations, we have now begun interviewing a number of associated parties under S236 IA86. Where resistance has been given by these individuals the joint administrators have had to make applications to Court in order to question these individuals by way of an examination. This work is being undertaken with a view to identify any parties (not necessarily the interviewees) which the joint administrators can ultimately take further action against for the benefit of the Company's creditors.

It is important to note that further detail, beyond that disclosed in this report, regarding these investigations is required to be kept confidential in order to prevent jeopardising any potential actions that can be taken on behalf of the Company's creditors, including Bondholders.

Work which has been undertaken in order to fully understand the Company's debtor book can be broken down as to:

37% dealing with London Group,

36% dealing with Prime,

8% dealing with FS Equestrian,

1% dealing with LFG, and

18% dealing with streams of investigation work that may give rise to claims against other parties.

The work which has been undertaken to maximise the potential return of the greatest proportion of the c£238m for the benefit of the creditors, including the Bondholders, includes the following:

- review of all publicly available information in respect of the Debtors of the Company;
- in depth review of the Company's debtor book;
- review of the security documentation provided by the Company in respect of the debts;
- creating and updating various debt profiles;
- liaising with our legal advisors in respect of the security documentation;
- meeting with and interviewing representatives of each of the debtors of the Company (including under s236 IA86);
- liaising with the debtors of the Company;
- review of the financial position of each of the debtors of the Company in order to determine their ability to settle the liability owed to the Company;
- attendance at debtors' premises in order to obtain confirmation of assets;
- meeting with our legal and professional advisors in respect of the debtor book;
- review of the flow of funds from the Company to the debtors;
- interviewing various parties under S236 of the IA86;
- reviewing information provided by third parties in respect of the debtors;
- meeting with third parties to gather information in respect of the debtors;
- collating information on third parties associated with each of the debtors;
- reconciliation of the Company's bank accounts to the debtor book;
- petitioning for the administration of various debtors under the security documents in place (including LOG and Prime);
- reviewing and submitting various witness statements;
- discussions with LOG in respect of the IOG deal;
- site visits to various debtors' trading premises to identify any realisable assets;
- requests for information belonging to, or held on behalf of, the Company from various parties;
- investigating circumstances which might give rise to claims against various parties and hence potential realisations of assets for the benefit of the creditors;
- dealing with the removal of GST as security trustee;
- dealing with the appointment of Madison Pacific as the replacement security trustee (including reviewing appointment paperwork and AML matters)
- attendance at court for various matters (including the GST trial); and
- investigation of other potential litigation matters that may give rise to further recoveries for creditors, including Bondholders. At this juncture, it is necessary that these investigations remain confidential so as not to jeopardise any potential actions that may be taken.

Other work that the joint administrators have carried out in respect of their investigations includes the following:

- meeting with and interviewing a number of third parties associated with the Company;
- reviewing the Company's books and records in relation to the various key parties;
- review of the Company's bank statements held by various parties including preparing summaries and associated schedules;
- reconciling the debtor book to the Company's bank statements and requesting further information from the respective banks;
- review of the Company's financial accounting records;

- making enquiries of various parties associated with the Company in respect of the Company's finances and other business activities;
- dealing with the petition for the winding up of LCM;
- tracing assets belonging to the Company, or purchased by the Company;
- preparing for and attending various interviews under S238 IA86;
- tracing assets of third parties connected to the Company;
- liaising with agents in respect of the review of bank statements of the Company;
- assisting the FCA and the FSCS with their enquiries including providing information requested;
- liaising with the SFO;
- liaising with the FCA; and
- liaising with Dame Elizabeth Gloster and her team in respect of the enquiry into the FCA.

A great deal of time has been expended in the early stages of the administration as it was essential that the joint administrators and their team took immediate actions to gain an in-depth understanding of the Company's asset position to better safeguard them from any potential dissipation. As expected, the amount of time spent on these investigations has reduced significantly in the reporting period as the administrators have a greater understanding of how the Company's loans process operated and a clearer strategy of which routes of investigation they will be pursuing.

Realisation of assets

As previously mentioned, the joint administrators have a duty to realise assets belonging to the Company for the benefit of its creditors, including Bondholders. This work is in relation to the realisation of the Company's assets and will detail the time incurred by the joint administrators and their team in taking the necessary steps to make asset recoveries. This work provides a direct financial benefit to the Company's creditors and includes the following:

- correspondence with GC Partners in respect of realisation of cash held in the Company's account;
- liaising with the debtors of the Company in an attempt to recover the amounts due to the Company;
- dealing with the assets of the debtor companies where necessary; and
- liaising with our agents in respect of chattel asset realisations.

Creditors/ Bondholders

This section is in relation to time spent in dealing with correspondence from creditors including both Bondholders and trade and expense creditors. It should be noted that there are over 11,700 Bondholders who have been affected by the administration of the Company and consequently the joint administrators and their staff have incurred a significant amount of time in dealing with a wide range of communications with Bondholders. To date the costs incurred works out as approximately £50 spent per Bondholder since the start of the administration.

Whilst this work does not provide a direct financial benefit to the Company's creditors, it is crucial that all Bondholders are kept up to date on the progress being made in the administration and, given the extremely high volume of correspondence currently being dealt with, these costs cannot be avoided. The indirect financial benefit to the creditors from this work is the assistance given to the joint administrators by the creditors/ Bondholders with regard to their investigations. This section involves the following work streams:

- dealing with personal information update requests from Bondholders including email addresses and postal addresses;
- dealing with telephone calls received office from Bondholders;
- drafting and issuing responses to written correspondence received from certain Bondholders;
- drafting and issuing responses to written correspondence received from Members of Parliament on behalf of Bondholders;
- dealing with correspondence received in respect of deceased Bondholders;
- monitoring and responding to emails received to the dedicated LCF mailbox;
- creating and managing the MailChimp account for ease of communication to Bondholders;
- preparing updates to Bondholders and issuing these updates through the MailChimp service;

- preparing and updating the FAQ document for the benefit of the Company's creditors;
- dealing with requests from Bondholders to challenge the joint administrators' fees;
- liaising with the Financial Ombudsman Service in respect of complaints received against the Company;
- corresponding with Bondholders who have issued complaints to the Financial Ombudsman Service;
- liaising and meeting with the FSCS in respect of compensation;
- sending physical copies of correspondence to Bondholders;
- liaising with the Creditors' Committee;
- planning and organising Creditors' Committee meetings;
- attending Creditors' Committee meetings;
- preparing and circulating minutes following Creditors' Committee meetings;
- liaising with the Creditors' Committee in respect of the appointment of a fee assessor;
- holding weekly calls with the Creditors' Committee at their request;
- dealing with all other correspondence with the Creditors' Committee;
- adjudication of all Bondholder claims (i.e. reconciling the proof of debt forms received to the Company's records);
- dealing with queries in respect of the FSCS' announcement in respect of compensation;
- dealing with queries from Bondholders in respect of the SFO, FCA and other bodies;
- assisting Dame Elizabeth Gloster's team with issuing communications for the benefit of the Bondholders;

There are also a number of trade and expense creditors that are taken into account with regards to this section. Work conducted in this respect is as follows:

- dealing with correspondence received from trade and expense creditors including telephone calls, emails and letters;
- maintaining records of amounts owed to trade and expense creditors on IPS (case maintenance system).

This section also deals with actions taken in respect of, and correspondence with, the former employees of the Company. Work undertaken in this regard includes the following:

- drafting letters to NEST Pensions in respect of the Company's pension scheme.

Corporate Tax

- internal discussions with the joint administrators to develop an understanding of the case and to ensure that all potential tax liabilities are mitigated to the extent possible;

Forensics

- taking control of all electronic data storage systems used by the Company;
- attendance at meetings with third parties who hold records belonging to, or who hold media containing information in respect of, the Company with a view to extracting that information;
- liaising with third parties holding records belonging to the Company;
- uploading information extracted from the Company's systems to the Eclipse system (an electronic document review system) for ease of access;
- mining information from the Eclipse system in order to support the joint administrators' investigations; and
- provision of information to various bodies including the FCA and SFO.

Assurance & Business Services

- assisting with a review of the Company's records in respect of its auditors; and
- providing information in respect of the work conducted by the Company's auditors.

V Cumulative time analysis

From 30 January 2019 to 29 January 2020

| Classification of work function | Hours | | | | | Total hours | Time cost | Average hourly rate |
|---|--------------------|--------------------|----------------------------|--------------------------|----------------------------|-------------|--------------|---------------------|
| | Partner / Director | Associate director | Manager/ Assistant Manager | Other professional staff | Assistants & support staff | | | |
| Administration and planning | | | | | | | | |
| Statutory returns, reports & meetings | 144.25 | 0.00 | 83.05 | 117.25 | 14.00 | 358.55 | 162,875.25 | 454.26 |
| Initial post-appointment notification letters, including creditors | 12.60 | 0.00 | 7.85 | 5.40 | 0.00 | 25.85 | 12,899.50 | 499.01 |
| Cashiering general, including bonding | 0.40 | 0.00 | 0.00 | 30.90 | 0.00 | 31.30 | 8,133.75 | 259.86 |
| Job planning, reviews and progression (inc 6 month reviews and planning meetings, | 170.50 | 3.50 | 147.15 | 210.85 | 4.00 | 536.00 | 231,220.75 | 431.38 |
| Post-appointment taxation (VAT, PAYE/NIC, Corp Tax that are not trading related) | 0.35 | 0.00 | 1.00 | 2.10 | 0.00 | 3.45 | 1,213.75 | 351.81 |
| Protection of company records (incl electronic) | 8.15 | 0.00 | 1.25 | 8.10 | 0.00 | 17.50 | 8,034.75 | 459.13 |
| Insurance & general asset protection | 14.35 | 0.00 | 0.00 | 2.60 | 0.00 | 16.95 | 10,039.50 | 592.30 |
| Filing, file and information management | 5.70 | 0.00 | 2.25 | 1.50 | 0.00 | 9.45 | 5,062.50 | 535.71 |
| Pre-appointment non creditor tax | 1.60 | 0.00 | 1.75 | 0.00 | 0.00 | 3.35 | 1,852.50 | 552.99 |
| Agents and advisers, general | 1.70 | 0.00 | 4.25 | 8.75 | 0.00 | 14.70 | 5,481.25 | 372.87 |
| Filing - Administration and planning | 0.00 | 0.00 | 0.00 | 0.30 | 0.00 | 0.30 | 87.00 | 290.00 |
| Director/manager review, approval and signing | 5.05 | 1.25 | 12.50 | 2.25 | 0.00 | 21.05 | 10,847.50 | 515.32 |
| Other | 5.25 | 0.00 | 3.00 | 20.80 | 0.00 | 29.05 | 10,353.25 | 356.39 |
| Investigations | | | | | | | | |
| Correspondence with directors | 0.00 | 0.00 | 0.00 | 4.75 | 0.00 | 4.75 | 1,586.00 | 333.89 |
| Creditor & shareholder complaints | 0.00 | 1.20 | 0.75 | 0.00 | 0.00 | 1.95 | 630.00 | 323.08 |
| Review of the Company's books and records | 9.00 | 21.10 | 2.20 | 23.30 | 4.50 | 60.10 | 24,137.50 | 401.62 |
| Debtor/ Loan Book and other investigations to identify asset recoveries | 1,769.85 | 13.30 | 131.60 | 79.00 | 0.00 | 1,993.75 | 1,209,890.75 | 606.84 |
| SIP2 obligations (inc liaising with the insolvency service) | 10.90 | 0.00 | 4.25 | 10.80 | 0.00 | 25.95 | 12,041.25 | 464.02 |
| Cash and other asset tracing | 65.05 | 53.55 | 605.20 | 124.90 | 0.00 | 848.70 | 340,170.00 | 400.81 |
| Enquiries of advisers (including legal advisors and other professional advisors) | 18.40 | 0.00 | 8.05 | 7.20 | 0.00 | 33.65 | 17,611.75 | 523.38 |
| S235/6 hearings & applications | 72.65 | 0.00 | 1.45 | 6.55 | 0.00 | 80.65 | 46,807.00 | 580.37 |
| Director/manager review, approval and signing | 0.25 | 6.50 | 0.00 | 0.00 | 0.00 | 6.75 | 3,575.00 | 529.63 |
| Other (including liaising with various bodies i.e. SFO, FCA, FSCS) | 10.50 | 0.00 | 25.50 | 10.40 | 0.00 | 46.40 | 21,543.50 | 464.30 |
| Realisation of assets | | | | | | | | |
| Debtors | 24.30 | 0.00 | 0.00 | 18.10 | 0.00 | 42.40 | 19,264.25 | 454.35 |
| Other chattel assets | 3.75 | 0.00 | 2.00 | 0.85 | 0.00 | 6.60 | 3,050.00 | 462.12 |
| Financed assets (only if equity-otherwise creditors, incl HP and leasing) | 8.25 | 0.00 | 0.00 | 0.75 | 0.00 | 9.00 | 4,920.00 | 546.67 |
| Cash at Bank | 0.30 | 0.00 | 3.75 | 2.00 | 0.00 | 6.05 | 2,433.25 | 402.19 |
| Liaising with agents (general) | 0.00 | 0.00 | 1.75 | 0.40 | 0.00 | 2.15 | 909.00 | 422.79 |
| Director/manager review, approval and signing | 0.50 | 0.00 | 0.00 | 0.00 | 0.00 | 0.50 | 337.50 | 675.00 |
| Other | 15.25 | 0.00 | 2.95 | 0.25 | 0.00 | 18.45 | 8,466.25 | 458.88 |

| Trading | | | | | | | | |
|--|-----------------|---------------|-----------------|-----------------|-----------------|-----------------|----------------------|----------------|
| Trading on decision and day 1-3 operations | 0.00 | 0.00 | 2.50 | 0.00 | 0.00 | 2.50 | 1,150.00 | 460.00 |
| Purchasing/suppliers (not landlord) | 2.40 | 0.00 | 0.00 | 0.00 | 0.00 | 2.40 | 1,560.00 | 650.00 |
| Accounting | 0.60 | 0.00 | 3.00 | 0.00 | 0.00 | 3.60 | 1,770.00 | 491.67 |
| Insurances | 0.00 | 0.00 | 8.00 | 0.00 | 0.00 | 8.00 | 3,698.75 | 462.34 |
| Staff and payroll (inc PAYE/NIC for trading period) | 0.00 | 0.00 | 0.75 | 1.50 | 0.00 | 2.25 | 735.00 | 326.67 |
| Premises issues (inc landlord and site clearance) | 0.00 | 0.00 | 4.50 | 12.25 | 0.00 | 16.75 | 5,275.00 | 314.93 |
| Shutdown or handover | 0.00 | 0.00 | 0.00 | 15.50 | 0.00 | 15.50 | 4,030.00 | 260.00 |
| Other | 0.00 | 0.00 | 0.60 | 0.35 | 0.00 | 0.95 | 367.00 | 386.32 |
| Creditors | | | | | | | | |
| Bondholders | 171.00 | 2.45 | 386.55 | 1,024.10 | 611.60 | 2,195.70 | 596,296.65 | 271.57 |
| Floating charge creditors | 18.30 | 0.00 | 0.00 | 24.20 | 7.50 | 50.00 | 17,566.00 | 351.32 |
| HP & lease creditors | 0.00 | 0.00 | 0.00 | 0.85 | 0.00 | 0.85 | 245.00 | 288.24 |
| RPO and ERA claims & tribunals | 0.00 | 0.00 | 0.00 | 0.50 | 0.00 | 0.50 | 130.00 | 260.00 |
| Employees & pension | 1.50 | 0.00 | 0.00 | 18.40 | 0.00 | 19.90 | 5,641.50 | 283.49 |
| Crown (not RPO etc) | 1.40 | 0.00 | 0.00 | 0.75 | 0.00 | 2.15 | 1,105.00 | 513.95 |
| Unsecured creditors | 0.00 | 0.00 | 7.00 | 6.70 | 0.00 | 13.70 | 5,010.00 | 365.69 |
| Creditors' committee | 74.70 | 0.00 | 59.50 | 93.70 | 0.00 | 227.90 | 103,230.75 | 452.97 |
| Distributions for prefs and unsecured | 1.05 | 0.00 | 8.50 | 123.35 | 928.75 | 1,061.65 | 122,241.00 | 115.14 |
| Dealing with creditor queries in relation to regulatory bodies (i.e. FCA, FCSC, SFO) | 3.35 | 0.00 | 20.05 | 2.60 | 7.00 | 33.00 | 12,811.75 | 388.23 |
| Dealing with creditor queries (i.e. SAR requests) | 0.85 | 0.00 | 9.50 | 2.65 | 7.00 | 20.00 | 6,345.50 | 317.28 |
| Director/manager review, approval and signing | 0.00 | 0.00 | 18.00 | 0.00 | 0.00 | 18.00 | 8,550.00 | 475.00 |
| Other | 3.50 | 0.00 | 15.10 | 7.65 | 0.00 | 26.25 | 10,886.25 | 414.71 |
| Corporate Tax | | | | | | | | |
| Corporate Tax | 37.10 | 0.40 | 0.00 | 0.00 | 0.00 | 37.50 | 24,915.50 | 664.41 |
| Assurance & Business Services | | | | | | | | |
| Assurance & Business Services | 23.25 | 2.50 | 0.00 | 0.00 | 0.00 | 25.75 | 14,626.50 | 568.02 |
| Forensics | | | | | | | | |
| Forensics | 104.50 | 0.00 | 787.30 | 652.05 | 0.00 | 1,543.85 | 496,635.00 | 321.69 |
| Total | 2,822.35 | 105.75 | 2,384.35 | 2,687.15 | 1,584.35 | 9,583.95 | £3,630,296.40 | £378.79 |

Notes

The following gives a summary of our original estimates, provided in our previous progress report, and the actual time costs incurred as at 29 January 2020 for ease of comparison:

| Task | Estimated fees to be incurred | Actual Fees Incurred £ |
|-------------------------------|-------------------------------|---------------------------|
| Administration and Planning | 596,745 | 468,101 |
| Investigations | 2,394,930 | 1,677,993 |
| Realisation of Assets | 312,330 | 39,380 |
| Trading | 30,615 | 18,586 |
| Creditors | 746,790 | 890,059 |
| Corp Tax and VAT | 36,170 | 24,916 |
| Assurance & Business Services | 22,700 | 14,626 |
| Forensics | 329,020 | 496,635 |
| Total | 4,469,300 | 3,630,296 |

The material differences between our original estimates and our time costs which have actually been incurred as at 29 January 2020 can be explained as follows:

Investigations (£716,937 overestimated) & Realisation of Assets (£272,950 overestimated)

The joint administrators' time costs with regard to their work concerning Investigations and Realisation of Assets have been overestimated as, at the outset of the administration, the joint administrators could not foresee how complicated the case would be. In order to best manage creditors expectations, the joint administrators estimated incurring time on a worst-case scenario in respect of investigation time. In the event that the debtor companies had easily realisable assets, the joint administrators would have spent further time in realising these assets, however, due to the complexity with regard to the debtor book, greater focus has had to be placed on formulating a strategy for realisations.

Creditors (£143,269 underestimated)

The joint administrators' time costs with regard to their work concerning Creditors, including Bondholders, has been underestimated as the joint administrators and their staff have, understandably, dealt with an extremely high quantity of Bondholder correspondence through post, email and telephone. In addition, the joint administrators and their staff have held a number of meetings with the Creditors' Committee which last on average in excess of 5 hours. The Creditors' Committee has also requested weekly calls with the joint administrators and their team which last between 30 minutes to 1 hour on average. Going forward, it has been resolved to hold these calls fortnightly. In preparation for the initial dividend to Bondholders, the joint administrators have necessarily incurred fees in focusing on the Bondholders' details in order to ensure that the dividend takes place efficiently.

Forensics (£167,615 underestimated)

Forensics has been underestimated as, at the outset of the administration, the joint administrators could not foresee the quantum of information that would have to be hosted and reviewed in order to progress their investigations. In addition, a number of ongoing legal actions have required that the Forensics team expanded further time than initially anticipated in order to effectively deal with these matters.

The following gives a summary of our professional advisor estimate for the first twelve months of the administration and the professional advisor costs incurred as at 29 January 2020 for ease of comparison:

| Type of disbursement | Costs incurred £ | Costs paid £ | Total costs outstanding £ | Estimated total costs £ | Variance £ |
|--------------------------------------|---------------------|-----------------|---------------------------------|-------------------------------|--------------------|
| Legal Advice | 2,859,113 | 686,777 | 2,172,336 | 4,000,000 | (1,827,664) |
| Agents and Professional Advisor Fees | 288,779 | 288,779 | Nil | 200,000 | 88,779 |
| Total | 3,147,892 | 975,556 | 2,172,336 | 4,200,000 | (1,738,885) |

VI Second Fee Estimate

For the period 30 January 2020 to 29 January 2021

| Classification of work function | Hours | | | | | Total hours | Time cost | Average hourly rate |
|--|--------------------|--------------------|-----------------------------|--------------------------|----------------------------|-----------------|----------------------|---------------------|
| | Partner / Director | Associate Director | Manager / Assistant Manager | Other professional staff | Assistants & support staff | | | |
| | Estimate | Estimate | Estimate | Estimate | Estimate | | | |
| Administration and planning | 362.00 | 0.00 | 320.00 | 369.00 | 34.00 | 1,085.00 | 511,300.00 | 471.24 |
| Cashiering general, including bonding | 1.00 | 0.00 | 2.00 | 30.00 | 0.00 | 33.00 | £10,625.00 | £321.97 |
| Job planning, reviews and progression (inc 6 month reviews and planning meetings) | 200.00 | 0.00 | 175.00 | 200.00 | 7.00 | 582.00 | £279,000.00 | £479.38 |
| Post-appointment taxation (VAT, PAYE/NIC, Corp Tax that are not trading related) | 1.00 | 0.00 | 3.00 | 4.00 | 0.00 | 8.00 | £3,300.00 | £412.50 |
| Agents and advisers, general | 5.00 | 0.00 | 5.00 | 6.00 | 0.00 | 16.00 | £7,550.00 | £471.88 |
| Correspondence with joint liquidator | 10.00 | 0.00 | 10.00 | 15.00 | 0.00 | 35.00 | £16,000.00 | £457.14 |
| Filing - Administration and planning | 0.00 | 0.00 | 0.00 | 1.00 | 2.00 | 3.00 | £550.00 | £183.33 |
| Director/manager review, approval and signing | 10.00 | 0.00 | 15.00 | 3.00 | 0.00 | 28.00 | £14,775.00 | £527.68 |
| Other | 10.00 | 0.00 | 10.00 | 10.00 | 0.00 | 30.00 | £14,500.00 | £483.33 |
| Investigations | 1,725.00 | 0.00 | 665.00 | 393.00 | 5.00 | 2,788.00 | 1,598,775.00 | 573.45 |
| Directors' correspondence | 2.00 | 0.00 | 2.00 | 1.00 | 0.00 | 5.00 | £2,600.00 | £520.00 |
| Statutory books and accounting records review | 10.00 | 0.00 | 5.00 | 25.00 | 5.00 | 45.00 | £17,250.00 | £383.33 |
| Borrowers/ Loan Book and other investigations to identify asset recoveries | 1,500.00 | 0.00 | 200.00 | 200.00 | 0.00 | 1,900.00 | £1,167,500.00 | £614.47 |
| SIP2 and SIP4 Obligations (inc liaising with the insolvency service) | 1.00 | 0.00 | 2.00 | 2.00 | 0.00 | 5.00 | £2,225.00 | £445.00 |
| Cash and other asset tracing | 75.00 | 0.00 | 400.00 | 125.00 | 0.00 | 600.00 | £278,125.00 | £463.54 |
| Enquiries of advisers | 20.00 | 0.00 | 10.00 | 10.00 | 0.00 | 40.00 | £21,250.00 | £531.25 |
| S235/6 Court applications & hearings, where applicable | 100.00 | 0.00 | 20.00 | 15.00 | 0.00 | 135.00 | £81,500.00 | £603.70 |
| Director/manager review, approval and signing | 2.00 | 0.00 | 1.00 | 0.00 | 0.00 | 3.00 | £1,825.00 | £608.33 |
| Other (including liaising with various bodies i.e. SFO, FCA, FSCS) | 15.00 | 0.00 | 25.00 | 15.00 | 0.00 | 55.00 | £26,500.00 | £481.82 |
| Realisation of assets | 45.00 | 0.00 | 25.00 | 35.00 | 0.00 | 105.00 | 52,750.00 | 502.38 |
| Debtors | 25.00 | 0.00 | 10.00 | 20.00 | 0.00 | 55.00 | £27,625.00 | £502.27 |
| Liasining with agents (general) | 5.00 | 0.00 | 5.00 | 5.00 | 0.00 | 15.00 | £7,250.00 | £483.33 |
| Other | 15.00 | 0.00 | 10.00 | 10.00 | 0.00 | 35.00 | £17,875.00 | £510.71 |
| Creditors | 314.00 | 2.50 | 505.00 | 1,240.00 | 752.00 | 2,813.50 | 919,200.00 | 326.71 |
| Bondholders | 175.00 | 2.50 | 300.00 | 850.00 | 250.00 | 1,577.50 | 548,250.00 | 347.54 |
| Unsecured creditors | 5.00 | 0.00 | 5.00 | 10.00 | 2.00 | 22.00 | 9,000.00 | 409.09 |
| Creditors' committee | 95.00 | 0.00 | 70.00 | 80.00 | 0.00 | 245.00 | 121,375.00 | 495.41 |
| Distributions | 25.00 | 0.00 | 75.00 | 275.00 | 500.00 | 875.00 | 197,500.00 | 225.71 |
| Dealing with creditor queries in relation to regulatory bodies (i.e. FCA, FCSC, SFO) | 5.00 | 0.00 | 10.00 | 5.00 | 0.00 | 20.00 | 9,625.00 | 481.25 |
| Dealing with creditor queries (i.e. SAR requests) | 2.00 | 0.00 | 10.00 | 10.00 | 0.00 | 22.00 | 9,100.00 | 413.64 |
| Director/manager review | 2.00 | 0.00 | 20.00 | 0.00 | 0.00 | 22.00 | 10,850.00 | 493.18 |
| Other | 5.00 | 0.00 | 15.00 | 10.00 | 0.00 | 30.00 | 13,500.00 | 450.00 |
| Corporate Tax | 20.00 | 0.00 | 10.00 | 10.00 | 0.00 | 40.00 | 21,250.00 | 531.25 |
| Corporate Tax | 20.00 | 0.00 | 10.00 | 10.00 | 0.00 | 40.00 | 21,250.00 | 531.25 |
| Assurance & Business Services | 10.00 | 0.00 | 0.00 | 0.00 | 0.00 | 10.00 | 6,750.00 | 675.00 |
| Assurance & Business Services | 10.00 | 0.00 | 0.00 | 0.00 | 0.00 | 10.00 | 6,750.00 | 675.00 |
| Forensics | 100.00 | 0.00 | 550.00 | 550.00 | 10.00 | 1,210.00 | 495,000.00 | 409.09 |
| Forensics | 100.00 | 0.00 | 550.00 | 550.00 | 10.00 | 1,210.00 | 495,000.00 | 409.09 |
| Total | 2,706.00 | 2.50 | 2,635.00 | 3,157.00 | 811.00 | 9,311.50 | £3,605,025.00 | £387.16 |

London Capital & Finance plc (in administration)
Estimated expenses in accordance with Categories 1 & 2 (SIP 9) and payable to third parties *

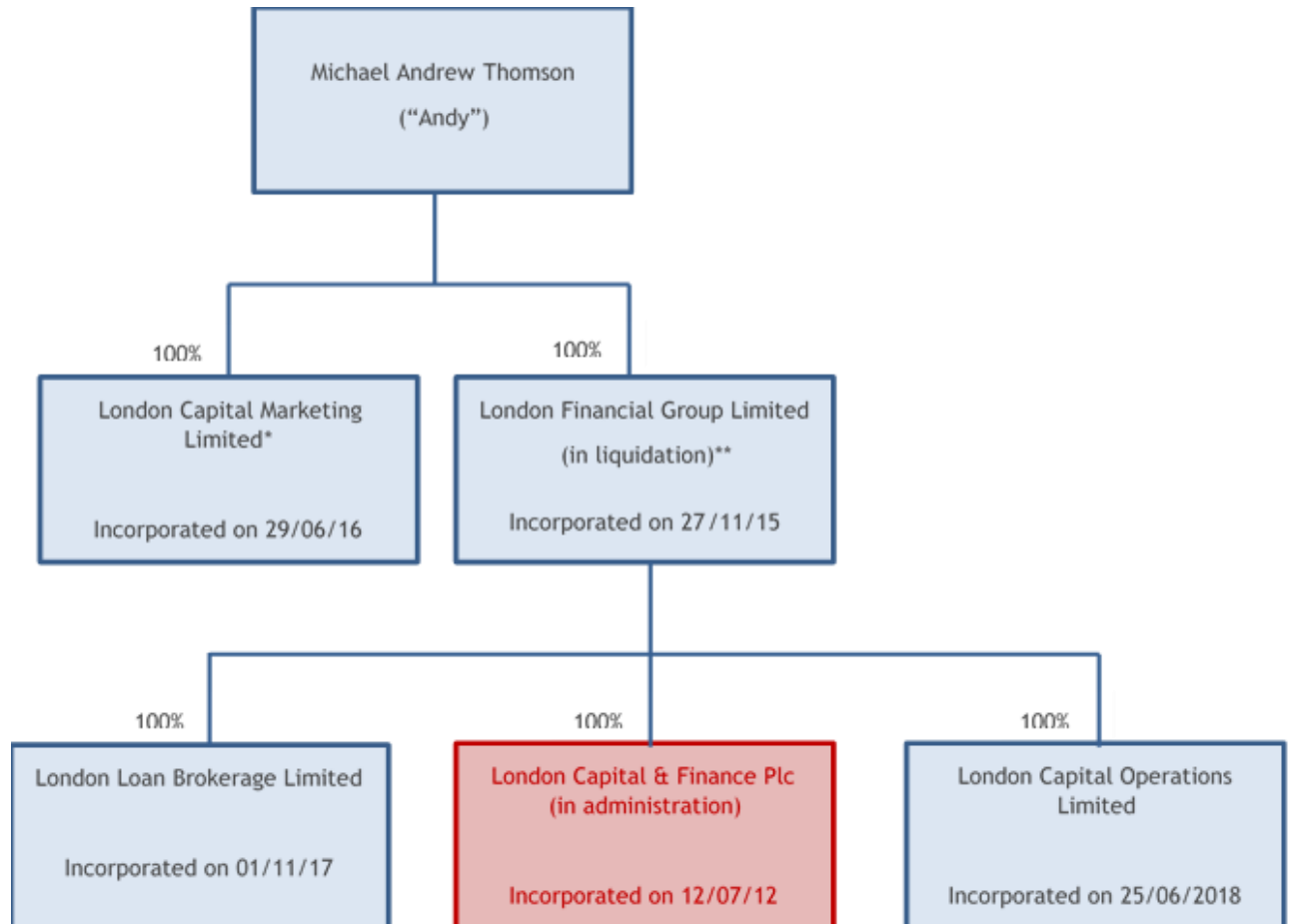
| Estimated expenses applicable to all cases | Total |
|---|----------------------|
| Search costs (HM Land Registry & Companies House) | £50.00 |
| Case specific costs - where applicable | |
| Agents' fees | £250,000.00 |
| Agent's expenses | £5,000.00 |
| Legal fees | £2,500,000.00 |
| Legal expenses | £500,000.00 |
| Other costs (i.e. mail redirection and other similar costs) | £1,500.00 |
| Security trustee fees | £10,000.00 |
| Storage costs | £500.00 |
| Committee expenses | £3,500.00 |
| Irrecoverable VAT | £743,400.00 |
| Business mileage* | £100.00 |
| Data hosting costs* | £450,000.00 |
| Total | £4,464,050.00 |

Category 1 expenses, in accordance with Statement of Insolvency Practice 9 are specific costs payable to an independent third party and relate directly to the case in question.

* These are Category 2 expenses and are payable to the office holder's firm and are shared or allocated costs, most notably business mileage and data hosting costs.

VII Group Structure Diagram

London Capital & Finance Plc (in administration) Group Structure

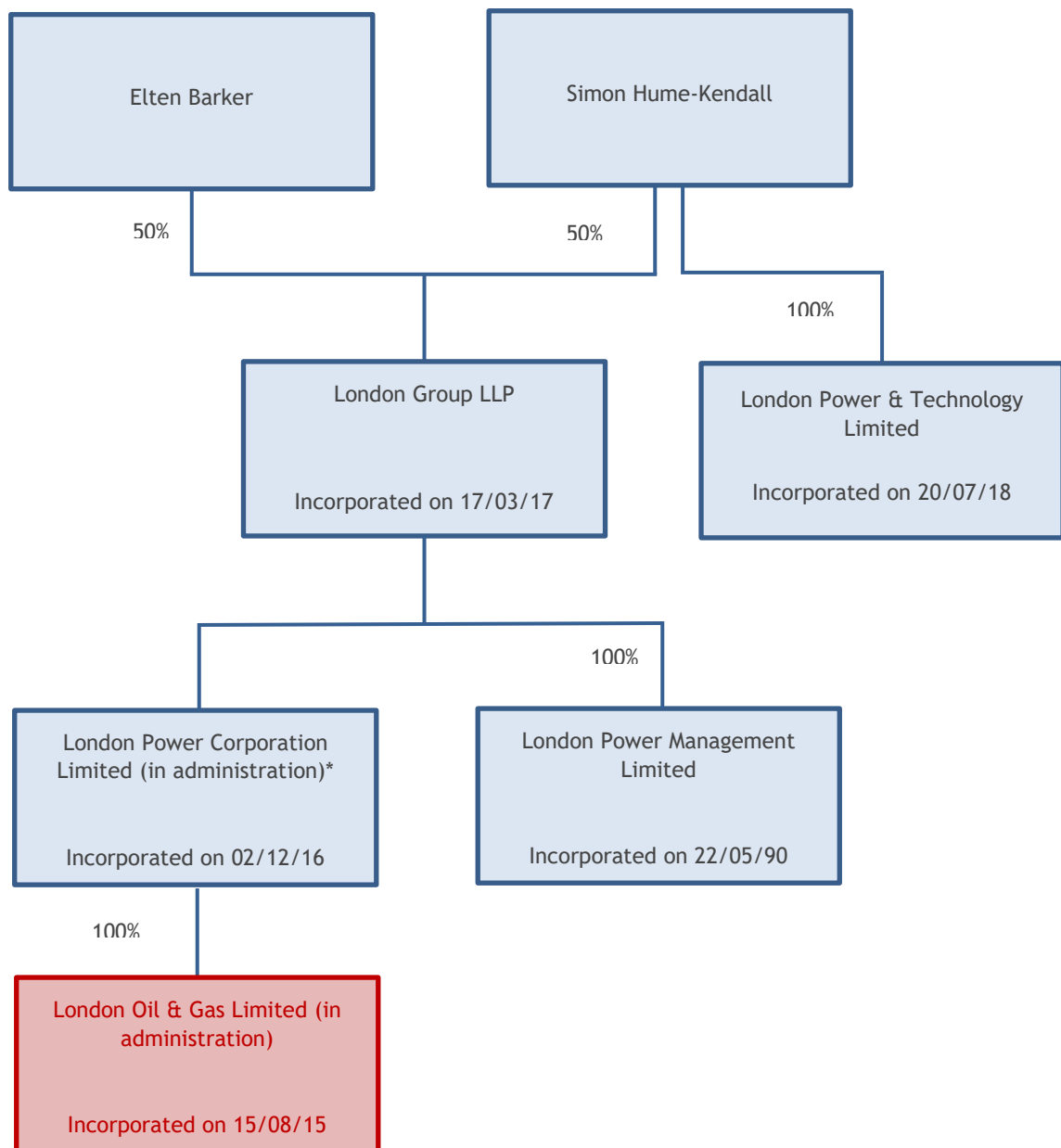


* The joint administrators issued a petition for the compulsory winding up of London Capital Marketing Limited ("LCM") on 1 July 2019. The petition was opposed by LCM, whose sole director is Mr Thomson and is scheduled to be heard in court in July 2020.

** The joint administrators issued a petition for the compulsory winding up LFG on 24 May 2019. On 17 July 2019 the winding up order was granted and LFG entered into compulsory liquidation. On 18 September 2019, Finbarr O'Connell and Colin Hardman of Smith & Williamson LLP and Lane Bednash of CMB Partners UK Limited were appointed as joint liquidators of LFG. Further details regarding the liquidation can be found at section 3 of this report.

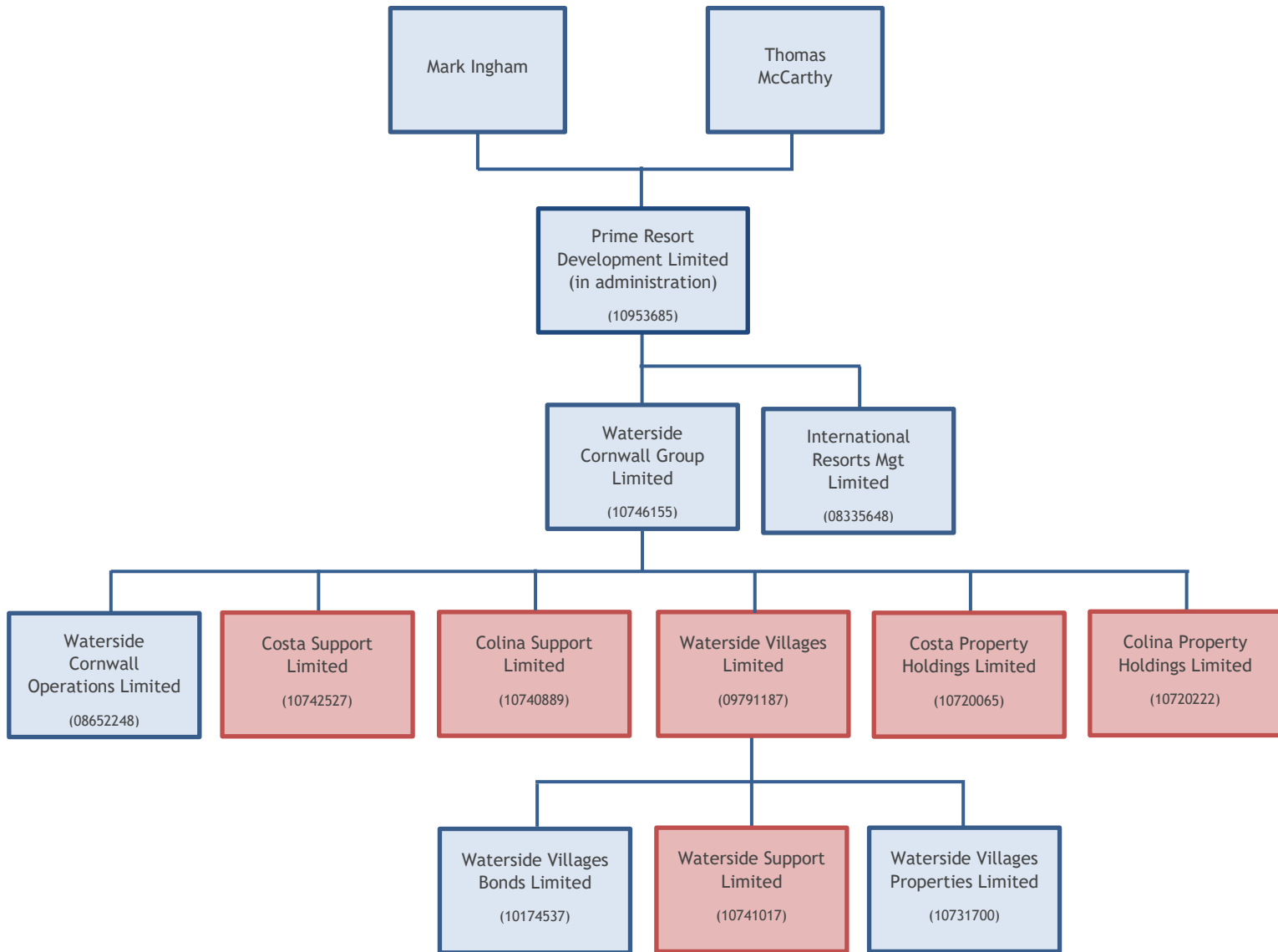
VIII Group Structure Diagram - 'London Group'

London Oil & Gas Limited (in administration) Group Structure



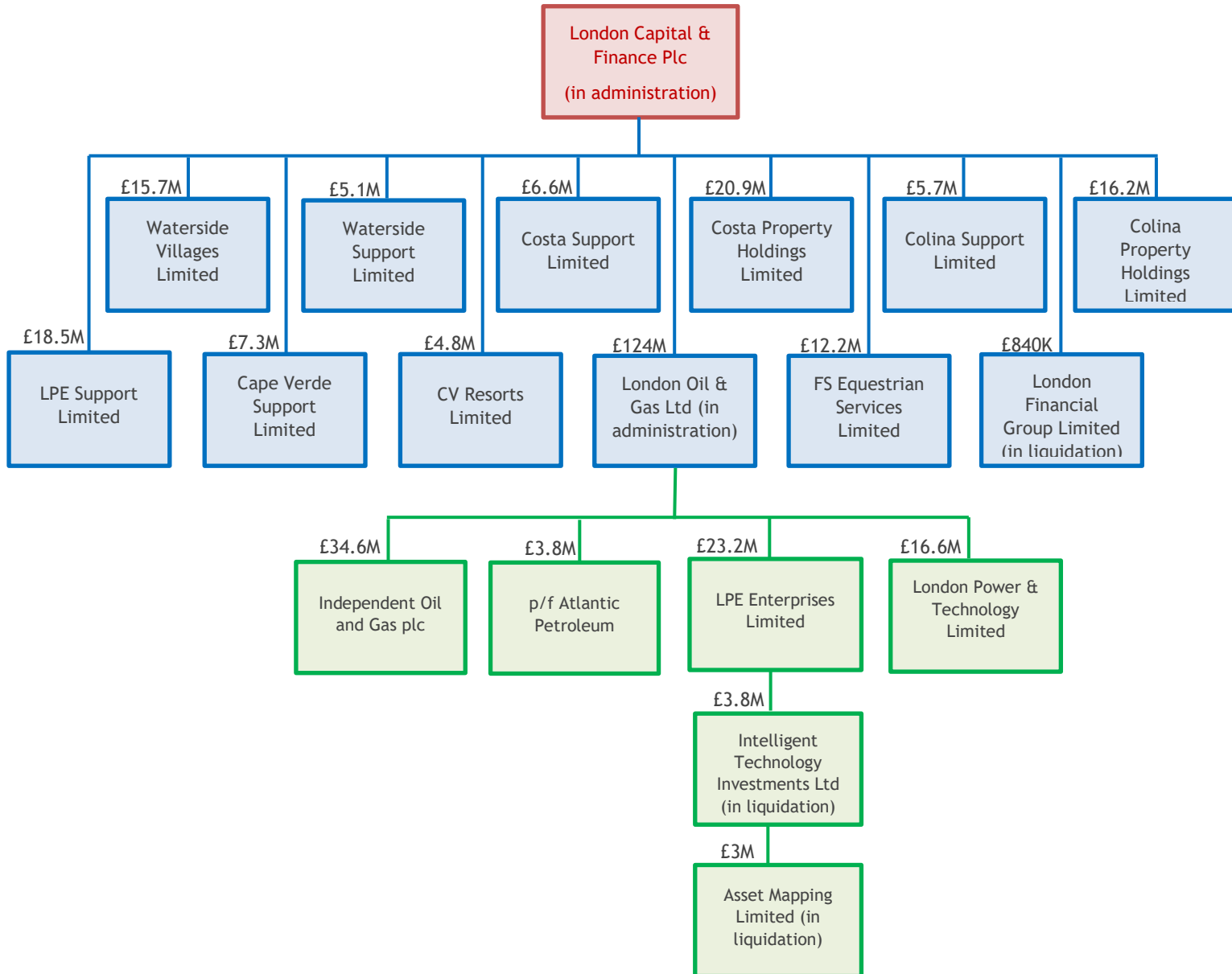
* London Power Corporation Limited ("LPC") was placed into administration on 4 April 2019. Edwin Kirker of Kirker & Co was appointed as administrator of LPC.

IX Group Structure Diagram - 'Prime'



X Debtor/ Loans Schedule

debtor and sub-debtor loan structure - gross loan amount quoted below:



XI Staffing, charging, subcontractor and adviser policies and charge out rates

Introduction

Detailed below are:

- Smith & Williamson LLP's policies in relation to:
 - Staff allocation and the use of subcontractors
 - Professional advisers
 - Disbursement recovery
- Smith & Williamson LLP's current charge out rates

Staff allocation and the use of subcontractors

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 will usually consist of a partner and a partner or director or associate director as joint office holders, a manager, and an administrator or assistant. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment. The charge out rate schedule below provides details of all grades of staff and their experience level.

We may use subcontractors to perform work which might ordinarily be carried out by us and our staff where it is cost effective to do so and/or where the specific expertise offered by the subcontractor is required.

Details of any subcontractors' services utilised in the period covered by this report are set out in the body of this report.

Use of professional advisers

We select professional advisers such as agents and solicitors on the basis of balancing a number of factors including:

- The industry and/or practice area expertise required to perform the required work.
- The complexity and nature of the assignment.
- The availability of resources to meet the critical deadlines in the case.
- The charge out rates or fee structures that would be applicable to the assignment.
- The extent to which we believe that the advisers in question can add value to the assignment.

Disbursements

Category 1 disbursements do not require approval by creditors. The type of disbursements that may be charged as a Category 1 disbursement to a case generally comprise external supplies of incidental services specifically identifiable to the case, such as postage, case advertising, invoiced travel and external printing, room hire and document storage. Also chargeable will be any properly reimbursed expenses incurred by personnel in connection with the case.

Category 2 disbursements do require approval from creditors. These are costs which are directly referable to the appointment in question but are not payments which are made to an independent third party and may

include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis such as internal room hire, document storage or business mileage.

Since 7 July 2012 Smith & Williamson LLP's policy is to recover only one type of Category 2 disbursement, namely business mileage at HMRC's approved mileage rates at the relevant time. Current mileage rates are 45p per mile plus 5p per passenger per mile. Prior to 7 July 2012 approval may have been obtained to recover other types of Category 2 disbursements.

Details of any Category 2 disbursements incurred and/or recovered in the period covered by this report are set out in the body of this report.

Charge out rates

The rates applicable to this appointment are set out below. Changes to the charge out rates during the period of this report were applied with effect from 1 July 2019.

| Smith & Williamson LLP Restructuring & Recovery Services Charge out rates as at 1 July 2018 | London office £/hr | Regional offices £/hr |
|---|-----------------------|-----------------------------|
| Partner / Director | 565-650 | 360-380 |
| Associate Director | 525 | 290-320 |
| Managers | 250-365 | 225-310 |
| Other professional staff | 170-400 | 140-185 |
| Support & secretarial staff | 115 | 60-140 |

| Smith & Williamson LLP Restructuring & Recovery Services Charge out rates as at 1 July 2019 | London office £/hr | Regional offices £/hr |
|---|-----------------------|-----------------------------|
| Partner / Director | 580-675 | 376-432 |
| Associate Director | 550 | 352 |
| Managers | 340-475 | 216-304 |
| Other professional staff | 225-475 | 144-192 |
| Support & secretarial staff | 125 | 80 |

Notes

1. Time is recorded in units representing 3 minutes or multiples thereof.
2. It may be necessary to utilise staff from both regional and London offices, subject to the requirements of individual cases.
3. The firm's cashiering function is centralised and London rates apply. The cashiering function time is incorporated within "Other professional staff" rates.

| Smith & Williamson LLP | London office |
|------------------------------------|---------------|
| Corporate Tax | £/hr |
| Charge out rates as at 1 July 2018 | |
| Partner / Director | 525 - 660 |
| Associate Director | 420 - 440 |
| Managers | 225 - 365 |
| Other professional staff | 190 |
| Support & Secretarial Staff | 100 - 120 |

| Smith & Williamson LLP | London office |
|------------------------------------|---------------|
| Corporate Tax | £/hr |
| Charge out rates as at 1 July 2019 | |
| Partner / Director | 575-690 |
| Associate Director | 460 |
| Managers | 245-400 |
| Other professional staff | 115-210 |
| Support & secretarial staff | 60 |

| Smith & Williamson LLP | London office |
|------------------------------------|---------------|
| Forensics | £/hr |
| Charge out rates as at 1 July 2018 | |
| Partner / Director | 470 |
| Associate Director | - |
| Managers | 320-410 |
| Other professional staff | 240 |

| Smith & Williamson LLP | London office |
|------------------------------------|---------------|
| Forensics | £/hr |
| Charge out rates as at 1 July 2019 | |
| Partner / Director | 480 |
| Associate Director | - |
| Managers | 320-410 |
| Other professional staff | 240 |
| Support & secretarial staff | - |

| Smith & Williamson LLP Assurance & Business Services Charge out rates as at 1 July 2018 | London office £/hr |
|---|-----------------------|
| Partner / Director | 650 |
| Associate Director | 480 |
| Managers | 220-450 |
| Other professional staff | 130-250 |
| Support & Secretarial Staff | 130-240 |

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Principal offices: London, Belfast, Birmingham, Bristol, Cheltenham, Dublin, Glasgow, Guildford, Jersey, Salisbury and Southampton.

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