

AM03

Notice of administrator's proposals



Companies House

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COMPANIES HOUSE

1 Company details

Company number 08140312

Company name in full London Capital & Finance Plc

→ Filling in this form
Please complete in typescript or in
bold black capitals.

2 Administrator's name

Full forename(s) Finbarr Thomas

Surname O'Connell

3 Administrator's address

Building name/number 25 Moorgate

Street London

Post town EC2R 6AY

County/Region

Postcode

Country

4 Other administrator's name

Full forename(s) Adam Henry

Surname Stephens

① Other administrator
Use this section to tell us about
another administrator.

5 Other administrator's address

Building name/number 25 Moorgate

Street London

Post town EC2R 6AY

County/Region

Postcode

Country

② Other administrator
Use this section to tell us about
another administrator.

AM03
Notice of Administrator's Proposals

| | | | | |
|------------------------------|-------------------------------|--|---|--|
| 6 | | Statement of proposals | | |
| | | <input checked="checked" type="checkbox"/> | I attach a copy of the statement of proposals | |
| 7 | | Sign and date | | |
| Administrator's Signature | Signature ✕ | | ✕ | |
| Signature date | ^d 2 ^d 5 | ^m 0 ^m 3 | ^y 2 ^y 0 ^y 1 ^y 9 | |

AM03

Notice of Administrator's Proposals



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|---------------|---|--|--|--|--|--|--|--|--|
| Contact name | Camilla Mulholland | | | | | | | | |
| Company name | Smith & Williamson LLP | | | | | | | | |
| | | | | | | | | | |
| Address | 25 Moorgate | | | | | | | | |
| | London | | | | | | | | |
| | | | | | | | | | |
| Post town | EC2R 6AY | | | | | | | | |
| County/Region | | | | | | | | | |
| Postcode | <table border="1"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr></table> | | | | | | | | |
| | | | | | | | | | |
| Country | | | | | | | | | |
| DX | | | | | | | | | |
| Telephone | 020 7131 4000 | | | | | | | | |



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Continuation page

Name and address of insolvency practitioner

✓ **What this form is for**
Use this continuation page to tell us about another insolvency practitioner where more than 2 are already jointly appointed. Attach this to the relevant form. ^①
Use extra copies to tell us of additional insolvency practitioners.

✗ **What this form is NOT for**
You can't use this continuation page to tell us about an appointment, resignation, removal or vacation of office.

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1 Appointment type

Tick to show the nature of the appointment:

- ☒ Administrator
- ☐ Administrative receiver
- ☐ Receiver
- ☐ Manager
- ☐ Nominee
- ☐ Supervisor
- ☐ Liquidator
- ☐ Provisional liquidator

^① You can use this continuation page with the following forms:

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- CVA1, CVA3, CVA4
- AM02, AM03, AM04, AM05, AM06, AM07, AM08, AM09, AM10, AM12, AM13, AM14, AM19, AM20, AM21, AM22, AM23, AM24, AM25
- REC1, REC2, REC3
- LIQ2, LIQ3, LIQ05, LIQ13, LIQ14,
- WU07, WU15
- COM1, COM2, COM3, COM4
- NDISC

2 Insolvency practitioner's name

Full forename(s) Colin

Surname Hardman

3 Insolvency practitioner's address

Building name/number 25 Moorgate

Street London

Post town EC2R 6AY

County/Region

Postcode

Country

Continuation page

Name and address of insolvency practitioner

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- CVA1, CVA3, CVA4
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- REC1, REC2, REC3
- LIQ2, LIQ3, LIQ05, LIQ13, LIQ14,
- WU07, WU15
- COM1, COM2, COM3, COM4
- NDISC

2 Insolvency practitioner's name

Full forename(s) **Henry Anthony**
Surname **Shinners**

3 Insolvency practitioner's address

Building name/number **25 Moorgate**

Street **London**

Post town **EC2R 6AY**

County/Region

Postcode

Country /



London Capital & Finance Plc (in administration)

Joint administrators' Report and Statement of Proposals pursuant
to Paragraph 49 of Schedule B1 Insolvency Act 1986

25 March 2019



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1. Glossary

| Abbreviation | Description |
|---|--|
| the Company/LCF | London Capital & Finance Plc |
| the administrators/joint administrators | Finbarr Thomas O'Connell, Adam Henry Stephens, Colin Hardman and Henry Anthony Shinnars |
| 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 |
| CVA | Company Voluntary Arrangement |
| CVL | Creditors' Voluntary Liquidation |
| HMRC | HM Revenue & Customs |
| the Landlord | The Marquess of Abergavenny |
| QFCH | Qualifying Floating Charge Holder - a secured creditor who has the power to appoint an administrator - in this case, Global Security Trustees Limited. |
| RPS | Redundancy Payments Service |
| FCA | Financial Conduct Authority |
| FSCS | Financial Services Compensation Scheme |
| VREQ | Voluntary Application for Imposition of Requirements |
| Prescribed Part | See explanation in section 8.3 |

2. Introduction

We, Finbarr Thomas O'Connell, Adam Henry Stephens, Colin Hardman and Henry Shinnars of Smith & Williamson LLP, 25 Moorgate, London, EC2R 6AY and licensed insolvency practitioners, were appointed administrators of the Company on 30 January 2019.

This report sets out our proposals in respect of the administration of the Company. Appendix I contains information in respect of the Company and the joint administrators that is required under the IR16.

We will deliver these proposals to the creditors on Wednesday 27 March 2019.

3. Key points

- We were appointed joint administrators of the Company on 30 January 2019 by the directors, with the consent of the QFCH and of the FCA.
- The objective of the administration is as in P3(1)(b) Sch B1, namely achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration).
- **At present the Administrators estimate a return to the Bondholders from the assets of the Company of as low as 20% of their investment. This is explained further in the body of this report.**
- There are a number of highly suspicious transactions involving a small group of connected people which have led to large sums of the Bondholders' money ending up in their personal possession or control. We are pressing these people to return those funds to us for the benefit of the Bondholders and failing this we will pursue those individuals, as appropriate, for recovery of those sums.
- The Company effectively ceased to trade in December 2018, further to the intervention of the FCA, however, whilst the Company explored its options, the staff continued to field enquiries from concerned Bondholders.
- On appointment, the majority of staff was made redundant, with a small number of key staff retained to assist the administrators with obtaining Company data, financial records and the closing down of the office premises. All staff had been made redundant by 13 February 2019.
- We have been in dialogue with the FCA, FSCS and HMRC from the outset of this appointment. We are aware of the enormous public and press interest and scrutiny of this appointment, entirely expected, given that there are over 11,500 Bondholders, who have invested in excess of £237m. We have been working extensively on communications with all major stakeholders, which has involved a considerable amount of time and resource.
- It should be noted that the FCA, in conjunction with the Serious Fraud Office, are investigating LCF. This is detailed further at section 7.7 of the report.
- The Company does not hold any immediately realisable assets, other than cash at bank of c£3.6m.
- The vast majority of the Company's assets are the loans made to a number of borrowers; details of which can be found at sections 7.6 and 7.7 of this report. As at 31 January 2019, the outstanding total loan book balance is calculated to be £237m.
- The administrators' initial findings on the recoverability of the loan book, is that a large number of the borrowers do not appear to have sufficient assets with which to repay the Company. A detailed explanation of the borrowers and the monies loaned can be found at section 7.2 of this report.
- There are a number of chattel assets that will be realised during the course of the administration.
- There is a registered fixed and floating charge debenture over the assets of the Company held on trust, on behalf of the Bondholders, by the security trustee, Global Security Trustees Limited. The Bondholders, therefore, are secured creditors of the Company.

- As a consequence of the fixed and floating charge debenture, a charge has been created over all assets of the Company, meaning that in order of priority, the Bondholders would rank ahead of other classes of creditor, for dividend purposes. The Company does not hold any 'fixed charge' assets. For avoidance of doubt, aside from the amount that may be set aside for the Prescribed Part, Bondholders will be paid ahead of all other creditors.
- We do not anticipate significant preferential creditor claims, as there were no unpaid wages and minimal accrued holiday entitlements. It is not possible at this juncture to determine whether a dividend will be available in respect of preferential claims. The joint administrators consider it unlikely that unsecured creditors will receive a dividend, other than by virtue of the Prescribed Part and this is explained in greater detail at section 8.3 of this report.
- At this point, approval of the proposals only is being sought and we will be seeking approval of the basis of our remuneration and disbursements as set out at section 14 and of the pre-appointment costs and expenses as set out in section 13 from the preferential (if applicable) and secured creditors in due course or from the Creditors' Committee, if and when one is formed.
- We will also be seeking approval of our discharge from liability from the preferential (if applicable) and secured creditors in due course.
- Creditors with partly or wholly unsecured claims are invited to form a Creditors' Committee which, if formed, will need to comprise three to five members. As indicated in the covering letter mailed to Bondholders on 25th March 2019, certain Bondholders may wish to give up £1 of their security in order to become unsecured creditors for that amount so that they may sit on a Creditors' Committee.

4. Background to the administration

The Company was incorporated in July 2012, under the names of alternately South Eastern Counties Finance Ltd and Sales Aid Finance (England) Limited, until 1 July 2015, when it became London Capital & Finance Limited. The Company moved to Plc status in November 2015.

In August 2013, the entire shareholding of the Company was transferred from Mr Michael Peacock to Michael Andrew ("Andy") Thomson. London Financial Group Ltd ("LFG"), wholly owned by Andy Thomson, was incorporated in November 2015. LCF's shares were subsequently held by LFG, with Andy Thomson remaining the ultimate controlling party of LCF.

As at the date of administration, there were four serving directors of LCF, with the following areas of responsibility:

Andy Thomson - Managing Director, in office from 15 August 2013

Floris Jakobus ("Kobus") Huisamen - Compliance Director, in office from 1 July 2016

Kevin Alan Maddison - IT Director, in office from 1 February 2017

Katherine Ruth Simpson - HR Director, in office from 1 October 2015

Other resigned directors include: Michael Peacock (July 2012 to Aug 2013), Michael David William Baldwin (Oct 2015 to June 2016), Martin John Binks (Oct 2015 to Aug 2016), Simon Patrick Hume-Kendall (Jul 2012 to Aug 2013), Paul Sayers (July 2012 to Aug 2015).

The Company was set up in July 2012 as a commercial finance provider to UK companies. From September 2013, the Company sold mini-bonds ("bonds"), with trading significantly increasing from 2015 onwards. A summary table on Appendix VI highlights the dramatic increase in year on year turnover from April 2016. LCF became a FCA regulated entity on 7 June 2016. However, the regulation only extended to the promotion side of the business, not the actual products.

LCF was granted "ISA Manager" status by HMRC on 1 November 2017, with LCF branded ISA bonds ("ISAs") introduced shortly thereafter. Our understanding is that the necessary requirements to qualify for ISA Manager status are fairly limited and that it is not a rigorous application process. We understand that ISA Managers are not routinely monitored by HMRC.

A number of series of bonds were sold to investors; a table summarising the products sold by LCF can be found at section 7.1. The funds generated were subsequently loaned to a small number of entities, details of which are set out at the Loans section of this report.

As at December 2018, there were some 16,706 LCF mini-bond/ISA products in issue, totalling £237,207,497, across 11,625 investors.

FCA Intervention

On 10 December 2018, the FCA issued a First Supervisory Notice directing LCF to immediately withdraw its promotional material, on the basis that, in the opinion of the FCA, the manner in which LCF was marketing its bonds was 'misleading, unfair and unclear'. Due to the concerns of the FCA as to how LCF was conducting its business, on 13 December 2018, a VREQ notice was entered into, with the following conditions:

- LCF was not to deal with, or dispose of any of its assets,
- Cessation of LCF's regulated activities, and
- LCF was not to communicate financial promotions.

A Second Supervisory Notice was issued by the FCA on 17 January 2019, the two main points of which stated that:

1. The ISAs sold by LCF were not qualifying investments (further detail can be found in the HMRC section of this report).
2. Undue prominence was given by LCF to the firm's FCA authorisation, despite the bonds not being regulated or having FSCS protection.

Appointment of administrators

Smith & Williamson LLP's Finbarr O'Connell and Colin Hardman met with representatives of Oliver Clive & Co Limited, the Company's (chartered) accountants, on 22 January 2019 to obtain an initial understanding of the business of the Company and the issues it was facing. They then met with Lewis Silkin, the solicitors to the Company, on 23 January 2019 to discuss the Company's current financial and operational circumstances. The Company's solvency issues were discussed at that meeting.

As a consequence of being unable to undertake daily business activities, primarily the payment of interest and maturing funds to Bondholders, in late January 2019 the Company sought legal advice as to its position and subsequently determined that, in accordance with the statutory definitions, the Company was insolvent.

Furthermore, it was resolved by the board of directors of LCF, that following this advice, the most appropriate course of action was to place the Company into administration.

Finbarr O'Connell, Adam Stephens, Colin Hardman and Henry Shinnars are all qualified insolvency practitioners and licensed by the Institute of Chartered Accountants in England & Wales. As proposed joint administrators, statements and consents to act were provided by the joint administrators on 30 January 2019.

The proposed joint administrators carried out conflict checks and confirmed that neither they nor Smith & Williamson LLP had any conflicts which would prevent them from acting as administrators in this case.

The joint administrators were appointed by the directors on 30 January 2019 having served notice of their intention on 30 January 2019 on Global Security Trustees Limited, the qualifying floating charge holder and receiving no objection.

By way of background with regard to their appointment as administrators it should be noted that Lane Bednash, an insolvency practitioner from CMB Partners (UK) Limited, had originally been approached by Oliver Clive & Co Limited to ascertain whether he could provide independent insolvency advice to the Company. Having successfully carried out his conflict checks he quickly determined that this assignment was too large for his firm and he then contacted Smith & Williamson LLP to enquire if they would be willing to meet the Company to be considered for an insolvency advisory role alongside CMB Partners (UK) Limited. Following a meeting with certain directors of the Company and having carried out their own conflict checks the proposed administrators from Smith & Williamson LLP began advising the Company alongside CMB Partners (UK) Limited with regard to the Company's financial affairs and options. Mr Bednash later decided that because of the specialist nature of the assignment, due to its partial FCA regulation, he would withdraw from being considered as a potential joint administrator of the Company.

Two key former members of staff have been retained on a temporary contractor basis, to assist the joint administrators with their strategy; the remaining employees having been made redundant by the administrators, shortly following their appointment.

5. Purpose of administration and strategy

The joint administrators must perform their functions with the objective of:

- rescuing the Company as a going concern; or
- achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration); or
- realising property in order to make a distribution to one or more secured or preferential creditors.

Given the unsustainable nature of the Company's business model (which led to the FCA's request that the VREQ be put in place), it was not possible to consider rescuing the Company as a going concern.

In this case, the second objective above is being pursued.

Our role, in the brief prior to appointment as joint administrators, was to advise the Company, not the directors or any other party. Once appointed, administrators are obliged to perform their functions in the interests of the Company's creditors as a whole. Where the objective of the administration is to realise property in order to make a distribution to secured or preferential creditors, we have a duty to avoid harming unnecessarily the interests of the creditors as a whole.

Section 7 provides details of the actions taken to date in pursuit of our strategy for the administration and section 10 details our proposals to achieve the purpose of the administration and to bring it to a conclusion in due course.

6. Joint administrators' receipts and payments

A summary of our receipts and payments for the administration period from the date of our appointment to 20 March 2019 is attached at Appendix V. This shows funds in hand of £3,653,515.04.

It should be noted that the administrators are currently taking legal advice with regard to the funds in hand. The outcome of this advice will be disclosed in our next report.

7. Conduct of the administration

Since our appointment our work can be broadly characterised as falling into the following work strands:

- Bondholders
- Loans/Borrowers
- FSCS, FCA, HMRC liaison
- Insurance
- Other administration matters, including investigatory work and recoveries from other assets.

We discuss these matters in more detail in the following sections.

7.1 Bondholders

According to Company records, the following table sets out the various 'live' products sold by LCF, by value and by number, detailing the periods within which the products were sold and the applicable interest rates:

| Mini-Bond | Duration (years) | Interest Rate % | Interest Paid | Period Sold | "Live" products | Value £ |
|-----------|------------------|-----------------|---------------------------------------|-------------------|-----------------|------------|
| Series 2 | 1, 3 | 8.5 | On maturity, Mar, Jun, Sep, Dec | Sep 13 to Jan 16 | 9 | 286,040 |
| Series 3 | 1 | 3.9 | On maturity | Dec 15 to Oct 18 | 458 | 7,393,900 |
| Series 4 | 2 | 6.5 | April, Oct | Nov 15 to Dec 18 | 1,411 | 16,972,300 |
| Series 5 | 3 | 8 | Mar, Jun, Sep, Dec | Dec 15 to Feb 17 | 1,613 | 24,910,300 |
| Series 6 | 2 | 6.5, 6.9 | Compounded annually, paid on maturity | Feb 16 to Dec 18 | 333 | 5,088,500 |
| Series 7 | 3 | 8, 8.6, 9.3 | Compounded annually, paid on maturity | Jan 16 to Dec 18 | 747 | 14,257,800 |
| Series 8 | 3 | 8 | Mar, Jun, Sep, Dec | Feb 17 to Sep 17 | 1,717 | 24,998,800 |
| Series 9 | 2, 5 | 11 | Annually | Feb 14 to Sep 15 | 7 | 408,000 |
| Series 10 | 3 | 8 | Mar, Jun, Sep, Dec | Aug 17 to Dec 18 | 1,958 | 32,219,900 |
| Series 11 | 5 | 8.95 | Annually on 5th April and on maturity | June 18 to Dec 18 | 115 | 2,514,700 |

| ISA | Duration (years) | Interest Rate % | Interest Paid | Period Sold | "Live" Products | Value £ |
|--------------|------------------|-----------------|---------------------------------------|------------------|-----------------|------------|
| Series 1 & 4 | 3 | 8 | Mar, Jun, Sep, Dec | Dec 17 to Jul 18 | 3,791 | 50,002,900 |
| | | | | Jun 18 to Dec 18 | 2,275 | 30,187,982 |
| Series 2 | 2 | 6.5 | April, Oct | Dec 17 to Dec 18 | 1,748 | 20,671,435 |
| Series 3 | 5 | 8.95 | Annually on 5th April and on maturity | Jun 18 to Dec 18 | 524 | 7,294,940 |

| Total Investments | | | | | "Live" Products | Value £ |
|-------------------|--|--|--|--|-----------------|-------------|
| Total Investments | | | | | 16,706 | 237,207,497 |

The joint administrators are aware that prior to the intervention of the FCA, all interest payments and maturing products had been paid to Bondholders, in accordance with the terms of the individual product/s invested.

Role of Global Currency Exchange Network Limited "GCEN"

GCEN are a global foreign exchange management company, who held LCF client funds during the application phase of a bond or loan. GCEN handled the anti-money laundering requirements and identification checks of clients, on behalf of LCF, during the application process. Once checks were complete, funds were then sent on to LCF.

GCEN were paid 0.5% of the gross investment, deducted at source from the initial transfer of funds.

GCEN is authorised and regulated by the FCA under the Payment Services Regulations 2007, Firm Reference Number 504346.

Role of Surge Financial Limited, otherwise known as "SURGE"

SURGE is an online marketing company, which, as it has been explained to us, facilitated information and application details received from prospective Bondholders (and re-investors), prior to the receipt of monies from an investor. The joint administrators were informed by SURGE that John Russell Murphy introduced SURGE to LCF via Spencer Golding.

SURGE employed approximately 40 staff who worked exclusively as agents for LCF, using LCF domain email addresses and contact details. These staff would deal with all applications, whether originating online, by telephone or by post. All applications were checked by SURGE for reasonableness/errors/signatures, before sending to LCF. Client queries were also dealt with by SURGE.

SURGE was responsible for the design and maintenance of the Company's website, investor portal and for the advertising and publication of the LCF financial products, via website comparison sites, internet search facilities and general press articles.

Bondholders unsurprisingly thought they were dealing with employees of LCF when they were, in fact, dealing with LCF branded operatives of SURGE.

For the above services, SURGE charged 25% of the gross investment, invoicing LCF directly after the client monies had been transferred from GCEN to LCF. For re-investors, SURGE charged 25% of additional 'new' monies, not on any original funds being reinvested. In some limited cases SURGE's charges were 22.5%.

The joint administrators have met with the directors and owners of SURGE; they continue to maintain a dialogue with SURGE as part of their investigations into the affairs of the Company. In particular the administrators are investigating the c£58m paid to SURGE by LCF in respect of its charges; what the profit element of that payment to SURGE was and what connections exist between those involved with SURGE, LCF and LCF's borrowers and sub-borrowers.

7.2 Loans/Borrowers/Sub-Borrowers

LCF entered into loan agreements with the following entities, with the gross amount due, plus accumulated interest detailed below:

| Borrower | 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 |

| Borrower | Amount due as at 30 January 2019 (£) |
|---------------------------------|---|
| Waterside Villages Limited | 15,733,152 |
| Waterside Support Limited | 5,084,345 |
| Costa Support Limited | 6,603,543 |
| 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 | 839,776 |
| Total | 237,854,124 |

The borrowers were charged 2% for the initial borrowing (and on subsequent lending) an annual interest of 1.75% was applied on a quarterly basis to their loan accounts. They were also charged, on top of these amounts, the rate of interest due to the Bondholders.

All borrowers had ceased paying the interest applicable to their loans by September 2018 which was 3 months before the FCA intervened into the Company in December 2018.

According to the Company's records, the total gross indebtedness (including all applicable interest) as at 30 January 2019 is £237,854,124. The actual cash received by the Company was less, as the Surge fee and other finance costs were applied. Consequently, for most loans the actual cash provided was approximately only 75% of the gross loan.

These funds have been loaned out to only twelve entities and can be further consolidated into only four controlling groups/entities:

1. **London Group LLP** (London Oil & Gas Limited, LPE Support Limited, Cape Verde Support Limited and CV Resorts Limited) - £154.6 million;
2. **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;
3. **FS Equestrian Services Limited** - £12.3 million; and
4. **London Financial Group Limited** - £0.8 million

All of the above have been secured by way of debenture with the exception of London Financial Group Limited which is unsecured.

With the exception of London Financial Group Limited, the borrowers were charged 2% for the initial borrowing (and on subsequent lending) and interest of 1.75% was applied on a quarterly basis. We provide further detail on the loans below.

1. **London Group LLP**

London Oil & Gas Ltd (in administration) (LOG) - £122,049,137 due to LCF

LOG is a subsidiary of London Power Corporation Limited whose ultimate parent is London Group LLP (the members being Simon Hume Kendall and Elten Barker). It has on-lent substantially all of these funds, directly and indirectly, to other companies (sub-borrowers). It has loaned amounts out on a secured basis to two natural resources companies - Independent Oil & Gas plc and p/f Atlantic Petroleum. It has also on-lent, on an

unsecured basis, to a number of connected companies operating in the technology sector - Asset Mapping Ltd, Intelligent Technology Investments Ltd and LPE Enterprises Ltd. The ultimate beneficial owner of these technology companies is TW Private LLP, the members and beneficiaries of which are Simon Hume-Kendall and Elten Barker. We provide as Appendix III the corporate relationships between these entities (as indicated by Companies House records and confirmed by the company directors) and the amounts due to LOG.

Unlike LCF's lending, none of the loans made by LOG have had commissions, similar to 25% charged by Surge to LCF, applied to them. However, the sub-borrowers will only have received the net value of the loan received by LOG from LCF. After the deduction of all costs of lending, including SURGE's fees, this figure is approximately £88.8 million, which we summarise as follows:

| | |
|--|---|
| Independent Oil & Gas plc | £38.6m |
| p/f Atlantic Petroleum | £5.4m |
| LPE Enterprises Limited | £28.2m - further funds on-lent to Asset Mapping Limited (£3m) |
| and Intelligent Technology Investments Limited (£5.3m) | |
| London Power & Technology Limited | £16.6m |

We are in the process of verifying the amounts, purposes and utilisation of these loans.

On 18 March 2019, LOG entered into administration, with Finbarr O'Connell, Adam Stephens and Colin Hardman of Smith & Williamson LLP and Lane Bednash of CMB Partners (UK) Limited appointed Joint Administrators.

The decision to put the Company into administration helps to facilitate safeguarding the value and security of the assets of LOG for the benefit of all its creditors, including Independent Oil & Gas plc. Indirectly, these creditors include the LCF bondholders.

Following the appointment of the administrators to LOG, Hilco Appraisal Limited have been instructed to provide valuations on these technology businesses (in particular, the subsidiaries of LPE Enterprises Limited, London Artificial Intelligence Limited and Asset Mapping Limited) and to consider how best to derive value from them for the benefit of LCF's creditors. Until a full review of these technology companies have been completed, in particular how they will be able to repay their loans from LOG, we are adopting a prudent attitude to the prospects of a recovery for LOG and hence LCF.

We provide further information on LOG's secured lending below.

Independent Oil & Gas plc (IOG) - £38.6 million due to LOG

IOG, which is quoted on the AIM market, is a gas development and production company operating in the Southern North Sea with proven gas reserves. It also owns a pipeline connecting its gas field assets to the Norfolk coast.

IOG's indebtedness to LOG (which is secured by way of debenture) stands at £38.6 million (including interest). LOG also holds various convertible instruments in IOG allowing it to convert certain loans into shares and various warrants. The administrators of LCF commissioned an independent report by an oil & gas specialist and have engaged other specialist professional advisors in order to assist them to assess the best strategy for realising LOG's financial interests in IOG, which are charged to LCF. Clearly, now that LOG is in administration, with insolvency practitioners from Smith & Williamson LLP and CMB Partners (UK) Limited as the joint administrators, the two sets of administrators will be better able to work with IOG, as a borrower, with the intention of maximising the financial outcome for the LCF Bondholders from this loan.

RockRose Energy plc (RockRose) announced on 5 March 2019 that it had made a formal approach to the board of IOG with a proposed takeover offer at 20p per share in cash. This approach was declined by the Board of IOG. RockRose has since confirmed that it is required to announce a firm intention to make an offer for IOG or to state that it will not proceed with any an Offer by no later than 2 April 2019, in accordance with the Rules of the Takeover Code. RockRose has also made an approach to the LCF administrators to buy LOG's debt, due from IOG, and any conversion rights attaching thereto together with the warrants.

The administrators of LCF consider LOG's financial interest in IOG to be of good quality and remain confident that they will achieve full repayment of LOG's loans, including interest. Furthermore, the administrators are

seeking to establish the value of the convertible loans mentioned and the share warrants they hold in IOG to enhance further the financial return to LOG over and above the debt repayment.

p/f Atlantic Petroleum (AP) - £5.4 million due to LOG

AP, an unconnected company, which is quoted on both the Danish & Norwegian Stock Exchanges, is a Faroese exploration & prospecting company with oil and gas interests in the North Sea. AP currently owes LOG approximately £5.4 million under a convertible loan.

Currently the main asset of AP is deferred consideration with regard to an oil field in respect of the sale of its 25% interest to Decipher Energy Limited. We understand that production from this well is close to coming on line. Based on proven reserves, we currently consider the prospects to be high for the net loan facility to be fully repaid.

Details on LOG's unsecured investments are provided below.

LPE Enterprises Ltd (LPE) - £23.2 million due to LOG

LPE, which is an immediate subsidiary of TW Private LLP, has shareholdings in Intelligent Technology Investments Ltd (95%, the balance is held by Mr Mark Ingham) and London Artificial Intelligence Limited (80%). We are informed that LPE has borrowed £28.2 million from LOG although we understand £5 million was repaid back to LOG. Out of the remaining £23.2 million, we understand that £8.3 million was sub-lent to Intelligent Technology Investments Ltd (see below) which subsequently sub-lent £3 million to Asset Mapping Limited.

We are investigating the whereabouts of the unaccounted for amount of £11.9m due from LPE to LOG and will update the Bondholders in our next report.

Intelligent Technology Investments Ltd (ITI) - £5.3 million due to LOG

ITI has no assets other than the £3m it lent to Asset Mapping Ltd. Consequently its ability to repay any of its £5.3 million loan is dependent on the financial performance of this company.

London Artificial Intelligence Ltd (LAI)

LAI, is an intermediate holding company which, according to Companies House records, is 80% owned by LPE Enterprises Limited and 20% by J. Gorla. We are not aware of any lending by LOG into LAI. But LOG is owed £23.2m by LPE.

From our discussion with management, we understand that LAI owns and operates a software system for the prediction of future commodity prices for the purpose of trading. Currently only one commodity is actively traded. Whilst still in its infancy the current results are considered strong. The system displays accuracy of prediction of over 85%. Development into other commodities has been analysed and whilst this is possible this has been shelved whilst the commodity trading platform continues its testing.

We believe that this business currently has limited value but has the potential to have great value. We, as administrators of LOG, are currently exploring with its directors a number of options to create value and/or seek external funding to develop the product further to extract greater value in the future.

Asset Mapping Ltd ("AM") - £3 million due to LOG

AM is a Software Platform aimed at digitalising building management and procurement and focusing on three key areas: building utilisation (occupancy), environmental wellness, and smart building maintenance.

AM is 50% owned by LPE Enterprises Ltd and 50% by an ex-employee. LOG has entered into an option agreement with TW Private LLP to acquire the shares in LPE Enterprises Limited, which our legal advisers are reviewing to ascertain exercisability. We understand that AM owes £3 million to ITI and will have difficulty repaying that amount.

Whilst AM has had some success in penetrating its market it is still seriously underperforming and short of the capital needed to develop its product further and for marketing costs. Until further analysis is undertaken on this company, the administrators do not have sufficient knowledge to ascertain how and when this unsecured loan will be repaid.

London Power & Technology Ltd (LPT) - £16.6 million due to LOG

This was the corporate vehicle used by London Group LLP to buy LOG. LPT owes LOG £16.6m. It has no assets other than its shares in LOG.

We were informed by the company's director, Simon Hume-Kendall, that the funds were principally used for the redemption of preference shares in London Power Corporation Limited held by LPT. We have commenced our investigations into this transaction including the review of a 'step plan' document prepared by Mazars. The overriding rationale appears to be for the ultimate benefit of London Group LLP, by splitting the share structure of London Power Corporation Limited (LPC) such that there can be direct institutional participation in LPC. Our investigations are ongoing but we see no commercial benefit for LCF in this loan. It does not appear to provide any security of any value to LOG. Whilst we are continuing to ascertain what value can be recovered on the loan we are currently not optimistic of a successful recovery for the benefit of LOG and hence LCF.

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

LPES entered into a facility agreement dated 29 April 2017 which is around the same time as certain other 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 current outstanding debt standing at £18,221,285. The loan is supported by a debenture in favour of LCF.

According to the Company's lawyers, this debt was created in order to facilitate the sale of the six opco/propco companies which make up the Prime Resort Development Limited loan group. We have not established with sufficient certainty the purpose of this loan, where the funds went, the nature or value of the security provided or the mechanism as to how the loan will be repaid; these matters are under continued, urgent investigation.

Cape Verde Support Limited (CVS) and CV Resorts Limited (CVR) - £12,064,871 due to LCF

The loans to CVS and CVR relate to a part built resort development on the island of Sal in Cape Verde, called the Paradise Beach Resort ("the Resort"). The ultimate parent of both companies is the London Group LLP (whose members are Simon Hume Kendall and Elten Barker). In May 2018, Robert Sedgewick (a former partner at Buss Murton Solicitors) replaced Mr Hume-Kendall and Mr Barker as sole director of both companies. Andy Thomson resigned his directorships of both companies in 2015.

CVS entered into a facility agreement with LCF on 29 April 2017 in the amount of £7,000,000 (with the current indebtedness being £7,176,112). The first and only cash drawdown on the loan was in April 2017. CVR entered into a facility agreement with LCF on 12 May 2017 in the amount of £20,000,000 (with the current indebtedness being £4,726,800). Drawdowns on the loan were between Aug 2017 and Dec 2018. Both CVS and CVR granted debentures in favour of LCF.

In respect of CVS, on 29 April 2018 guarantees were given by the London Group LLP, Colina Support Limited, Waterside Support Limited and Costa Support Limited. The guarantee by the London Group LLP is secured by debenture over all of its assets. For CVR, guarantees were given on 12 May 2017, in favour of LCF by London Power Management Limited (a subsidiary of the London Group LLP), Costa Property Holdings Limited, Colina Property Holdings Limited, Waterside Villages Limited and Waterside Villages Properties Limited. London Power Management Limited secured its obligations to LCF under the guarantee by way of a debenture.

According to the master plan the Resort consists of 732 apartments, 199 villas, 60 bedrooms, 16 shops, 9 swimming pools, a beach club and other leisure facilities. The seller of the development is Aldeamento Turístico Algodoeiro, S.A., a Cape Verde company whose directors are Jorge Lima, Edward Cotter and John Cotter. CVR has a right to purchase various phases of the resorts development in staged tranches. We understand that certain deadlines for payment/ purchase by CVR appear to have passed, suggesting that CVR was entitled to become the registered proprietor of the land provided the relevant conditions were met. We have yet to see any evidence that these conditions were met.

We have appointed advisers with experience in dealing with foreign leisure developments to assess LCF's security. The governing law for the Cape Verde development is Portuguese. We and our professional advisers have been in communication with Mr Sedgewick and CVR's solicitors in Portugal to gain a better understanding on the loan and the security behind it. From these discussions we understand that CVR made monthly payments to Paradise Beach for 18 months to assist with operational costs. We understand that CVR has never seen any operational or management accounts and none have been delivered up to the administrators. From our discussion with CVR's Portuguese lawyer we were informed that CVR does not have legal title to any land in Cape Verde. As such, we are currently assessing further options in respect of the recovery of any funds that CVR and CVS has contributed to the development to date.

Prior to administration, Andy Thomson had been negotiating with CVR and CVS to rectify the security shortfall or refinance the debt, which we understand included cross collateralising with other assets and personal guarantees (limited to £1m in aggregate) from Simon Hume-Kendall and Elten Barker. Unfortunately, those arrangements were never concluded.

We are highly suspicious of this transaction and currently can see no evidence that any of the c.£12m owed to LCF will be returned or recovered. We will update the Bondholders in future reports.

1. Prime Resort Development Limited (£70,144,694)

LCF is owed money from six 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 management company (the "opco").

The companies and the amounts due from them are set out below.

Waterside Resort (Waterside Villages Limited and Waterside Support Limited) (together "Waterside") - £20,817,496

Waterside Villages Limited (WVL), the propco, comprises a hotel and a series of lodges near Bodmin. We understand from the borrower that the intention is to refurbish, upgrade and expand this resort in the short to medium term. It entered into a facility agreement with LCF on 12 May 2017, under which the current outstanding debt is £15,733,152.

LCF has an all assets debenture from WVL. However, our investigations to date indicate that: (i) LCF has not taken/registered specific legal mortgages over WVL's property; and (ii) WVL has granted a series of leasehold interests out of its property.

Companies House records suggest competing, a prior ranking security was granted by WVL in favour of TMF Trustee Limited which includes a specific legal mortgage over certain freehold land at Lanivet, Bodmin, PL30 5JS under title number CL53252. We have requested but not yet been provided with further details and are investigating whether that security remains outstanding and, if so, the nature and quantum of the secured debt so that we can assess the potential impact on LCF's position.

Waterside Support Limited (WSL), the opco, entered into a facility agreement with LCF on 29 April 2017, under which the current outstanding debt is £5,084,345. LCF has an all assets debenture from WSL which does not capture any legal mortgages over real estate.

The administrators have appointed valuers to advise on the estimated value of Waterside. Following an initial site visit to the property we have some concerns as to whether its value will prove sufficient to satisfy the 75% loan to value (LTV) covenant under the facility agreement, but we do note that some refurbishment of the central amenity block is evident. We do not, at this time, have up-to-date information on current trading, which would inevitably have an impact. Our assessment in this regard is ongoing.

We are very concerned that the management of Waterside, which is well aware that the LCF Bondholders are depending on the value of the LCF borrowers and sub-borrowers for their repayment, has made no real efforts to prove to the administrators either the value of the Waterside business or of the security provided to secure the repayment of the debt. This means that the administrators will be continuing to increase the pressure on Waterside management in this regard.

Colina

Colina Property Holdings Limited (company number 10720222) (CPHL) is, we have been informed, the "propco" which owns an inland property in the Dominican Republic. This property is currently a brownfield (undeveloped) site but we understand from the borrower that the intention is to develop a resort on it. CPHL entered into a facility agreement with LCF on 12 May 2017, under which the current outstanding debt is £16,196,319.

The stated term of the loan is 3 years from drawdown.

LCF has an all assets debenture from CPHL which does not capture any legal mortgages over real estate. We would expect any property in the Dominican Republic to be subject to local law governed security but we have not found records of the same in LCF's files. We are exploring means to identify CPHL's interests in such property and LCF's rights to the same. The management of CPHL is being totally unhelpful in this regard and we currently have no evidence that any land in the Dominican Republic has been charged, in order to secure the amount owed to LCF nor that the Dominican Republic land which has been mentioned to us, in this regard, has any significant development potential and hence value. This means that the administrators will be continuing to increase the pressure on CPHL management in this regard.

Colina Support Limited (company number 10740889) (CSL) appears to be the "opco" in respect of the inland property in the Dominican Republic. It entered into a facility agreement with LCF on 29 April 2017, under which we understand from LCF's records that the current outstanding debt is £5,654,890. The stated term of the loan is 3 years from drawdown.

LCF has an all assets debenture from CSL which does not capture any legal mortgages over real estate.

Similarly, the management of CSL is being totally unhelpful and we currently have no evidence that CSL will be able to pay its debt due to LCF. This means that the administrators will be continuing to increase the pressure on CSL management in this regard.

Costa

We have been told that Costa Property Holdings Limited (CPHL2), the propco, owns a coastal property in the Dominican Republic and that this property is currently a brownfield (undeveloped) site and we again understand from the borrower that the intention is to develop a resort there. CPHL2 entered into a facility agreement with LCF on 12 May 2017, under which we understand from LCF's records that the current outstanding debt is £20,872,447. The stated term of the loan is 3 years from drawdown.

LCF has an all assets debenture from CPHL2 which does not capture any legal mortgages of real estate. As above, we would expect any property in the Dominican Republic to be subject to local law governed security but we have not found records of the same in LCF's files. We are exploring means to identify CPHL2's interests in such property and LCF's rights to the same. The management of CPHL2 is being totally unhelpful in this regard and we currently have no evidence that any land in the Dominican Republic has been charged, in order to secure the amount owed to LCF nor that the Dominican Republic land which has been mentioned to us, in this regard, has any significant development potential and hence value. This means that the administrators will be continuing to increase the pressure on CPHL2 management in this regard.

Costa Support Limited (CSL2), the "opco", was set up to operate the Costa resort. It entered into a facility agreement with LCF on 29 April 2017, under which we understand from LCF's records that the current outstanding debt is £6,603,543. The stated term of the loan is 3 years from drawdown.

LCF has an all assets debenture from CSL2 which does not capture any legal mortgages over real estate.

Similarly, the management of CSL2 is being totally unhelpful and we currently have no evidence that CSL2 will be able to pay its debt due to LCF. This means that the administrators will be continuing to increase the pressure on CSL2 management in this regard.

Our investigations to date indicate that in early 2017 the three propcos (WVL, CPHL and CPHL2) were sold by Simon Hume-Kendall, Elten Barker and Andy Thomson, first to Waterside Cornwall Group Limited (formerly Elysian Resorts Group Limited). The three opcos (WSL, CSL and CSL2) were incorporated by London Group LLP (the members of which are and were at that time Simon Hume-Kendall and Elten Barker).

In September 2017, Prime Resorts Developments Limited (whose sole shareholder is Ian Sands) acquired the shares in the Dominican Republic property propcos (CPHL and CPHL2) from Waterside Cornwall Group Limited and the shares in the Dominican Republic opcos (CSL and CSL2) from London Group LLP. Thereafter, in late 2017, Prime Resorts Developments Limited acquired the Cornwall property opco (WSL) and Waterside Cornwall Group Limited, which gave it (indirectly) the shares in the Cornwall property propco (WVL).

At initial meetings and discussions with the directors of these borrowers in early February it was reported to us that a group refinancing was anticipated in short order and that legal due diligence was about to commence. However, to date we have had no substantial response to our enquiries to give us any assurance as regards progress with this due diligence or the general financial position of the company. We have instructed property agents to value LCF's security, in as far as it exists, and to advise us how best to realise it.

Our investigations indicate that some of LCF's Bondholders' monies flowed through a variety of transactions, including with regard to deferred consideration, relating to the Waterside and Dominican Republic property companies (see references to WSL, CSL and CSL2 above), which resulted in multi million pounds of those monies going into the personal possession or control of:

- Simon Hume-Kendall
- Elten Barker
- Andy Thomson, and
- Spencer Golding related trusts or interests

The administrators have approached all four parties asking them to pay these monies into escrow for the benefit of the LCF Bondholders, to be returned to the four parties in the event that the LCF Bondholders receive full repayment from the assets of LCF. Simon Hume-Kendall and Andy Thomson have agreed to this arrangement and legal documents are currently being drawn up. Spencer Golding and Elten Barker have been asked to enter into similar arrangements and the administrators await hearing from them in this regard.

This area is a key focus for the administrators' activities at present.

2. FS Equestrian Services Limited, formerly River Lodge Equestrian Centre UK Limited (FSE) - £12,261,270.48 due to LCF

We have been informed that FSE operates as an equestrian business specialising in the selection of horses for the purpose of competing in eventing and show jumping.

LCF originally entered into a loan facility agreement with Spencer Golding trading as Home Farm Equestrian Centre, Warren Road, Crowborough TN6 1TX on 20 November 2015. The facility agreement provided funding of up to £15 million. By August 2017, Spencer Golding became liable for a debt of £10,439,062 due to the Company.

On 11 January 2017, FSE (then still named River Lodge Equestrian Centre UK Limited) was incorporated, with Mr Rafael Ariza-Sanctuary being the sole director and shareholder. On 9 October 2017, FSE entered into a facility agreement with LCF in the amount £20,000,000. We believe that loan to Spencer Golding was transferred to FSE in the books of LCF and we are investigating whether that is indeed the case. In January

2019, the directorship and sole shareholder of FSE was changed from Mr Sanctuary to Mr Sean Cubitt. On 5 February 2019, the name of the company was changed to its present form.

We have met with Mr Cubitt who informed us that no consideration was paid by him for the shares. On requesting a copy of the sale agreement between him and the former owner, he was unable to provide clarity as to whether one was ever executed. In terms of ongoing trading, we were informed that FSE does not operate a bank account. Spencer Golding was described as the 'company patron'. In return for Mr Cubitt/FSE running Mr. Golding's own horses, alongside the FSE business, we were informed that Mr. Golding takes full responsibility for the payment of all the costs of operating the FSE business.

The loan was secured over all of the assets of FSE. According to the last stock listing prepared by FSE and submitted to LCF in July 2018, the stock of horses which consisted of at 85 horses were valued at £15.13 million. We have attended on the site to undertake an inspection of the horses at stables leased from Spencer Golding. The stock list provided by management consisted of 50 horses, 35 of which we were able to physically verify to their passports and microchips. Out of the remaining 15 horses, 4 are currently out of the country competing on the 'Sunshine Tour' and 11 are being held by a third party agent for sale. We have requested additional information from management in order to ascertain the financial position of FSE, to value the horses and ascertain why the stock of horses has depleted since the last stock list provided to LCF. As it presently stands we have serious reservations regarding the full recoverability of the loan. We have last week issued a letter of default on FSE requesting that the loan be immediately repaid in full and we are taking legal advice with regard to any personal liability Spencer Goulding has with regard to the debt.

3. London Financial Group (LFG) - £839,775 due to LCF

LFG is the immediate parent of LCF and is managed and 100% owned by Andy Thomson.

We understand that funds were lent to LFG by LCF to fund the purchase of a helicopter (a Eurocopter/France AS55N twinstar aircraft) in order to undertake a transaction with a U.S. entity. The loan represents the consideration paid by LFG for the helicopter. We have not been provided with loan documentation and we are assuming that the loan is unsecured.

According to Mr Thomson the initial intention was to buy and to on-sell the helicopter, and in doing so making a quick profit. However, he later discovered that the purchasing party wanted to just charter the helicopter and this could not be done with an N registration helicopter. We have had sight of an unsigned operating agreement.

We are taking immediate steps to have the helicopter sold and the funds paid over to the administrators of LCF.

7.3 Insurance

Together with their legal advisors, the joint administrators have been dealing with the following insurance matters:

- Reviewing potentially relevant insurance policies taken out by LCF;
- Liaising and corresponding with relevant insurers;
- Liaising and corresponding with insurers' coverage solicitors;
- Reviewing letters re. potential claims by investors against LCF/its directors;
- Notifying to insurers: circumstances that could give rise to claims under the policies;
- Notifying to insurers: claims under the policies;
- Considering renewal of expiring insurance policies;
- Working with the brokers on insurance issues, including renewals.

Following a review of potentially responsive insurance policies, the joint administrators have made formal notifications of circumstances that could give rise to claims under the policies to insurers. The notifications were made prior to policy expiry in order to preserve LCF's/its directors' ability to submit claims under relevant insurance policies in relation to third party claims which could be brought against LCF and/or its directors, officers, employees etc.

The insurers have fully reserved their positions pending the outcome of their insurance coverage investigations.

The insurers' lawyers have recently written to the joint administrators' legal advisors requesting significant information and documentation, which they require to assist with their coverage investigations.

The joint administrators and their lawyers remain in dialogue with the insurers and their lawyers with the aim of securing coverage under potentially responsive insurance policies. Much will turn on the underlying facts and the application of particular policy terms, conditions and exclusions.

The joint administrators' lawyers are retained only to act for the Administrators in this matter and do not act for any of the directors of LCF.

7.4 HMRC

On 20 February 2019, HMRC served formal notice to the joint administrators under Schedule 36 Finance Act 2008 requesting certain information and documents to be provided to them. The joint administrators are currently assisting HMRC with this request.

On 19 March 2019, the joint administrators facilitated by email, the release of a statement prepared by HMRC which contains important information regarding the status of the LCF ISA products. The statement can be found on the Company's website: www.londoncapitalfinance.co.uk. If you hold an LCF ISA product, please refer to this statement at the earliest opportunity, as you may wish to take action for your financial benefit prior to the end of the tax year, being 5 April 2019. In broad summary, HMRC have stated that all of LCF's ISA accounts (being for the tax years 2017/2018 and 2018/2019) are void.

Having made enquiries of HMRC on behalf of the Bondholders, we are advised by HMRC that appealing HMRC's decision to void the ISAs is not possible, as the investments held in LCF's ISAs are not exempt from tax under the ISA regulations.

7.5 FSCS

The FSCS is the UK's statutory fund of last resort for customers of authorised financial services firms undertaking regulated activity. This means that FSCS can pay compensation if a firm is unable, or likely to be unable, to pay claims against it.

The FSCS is governed by statutory laws and rules made by the Financial Conduct Authority which set out the types of claim which are covered by the scheme and eligible for compensation. The FSCS does not have discretion to meet claims which fall outside the eligibility rules.

The issue and sale by a company of mini-bonds is not a regulated activity (even when undertaken by a regulated firm) and is therefore not FSCS protected. Accordingly the FSCS has published a statement on its website informing investors that it is not currently accepting claims against LCF. However, the FSCS is working closely with the Joint Administrators to understand whether some investors may still be entitled to claim compensation from the FSCS.

We have currently identified two circumstances which may entitle a small number of investors to claim:

1. Negligent advice

Providing advice on investments is a regulated activity which potentially attracts FSCS protection. Our current understanding is that LCF representatives (which were predominantly employees of SURGE, acting as agent for LCF) were trained not to provide investment advice to potential investors

who they spoke to by telephone or communicated with in other ways. However, we believe that in a small number of cases LCF representatives may have provided investment advice to customers. In such cases, customers might be entitled to claim that the advice was negligent and accordingly are entitled to FSCS compensation. The questionnaire we are sending to investors is intended to identify those individuals to which this may relate. We are investigating whether this is what happened in practice. The questionnaire invites Bondholders to provide information about their communications with LCF.

It is important to note that investment advice has a specific meaning for regulatory and FSCS purposes. Investment advice does not include the provision of information about the investment opportunity or risk, so for example, the repeating of information contained in the LCF information memorandum which was provided to investors would not generally amount to advice. Advice needs to amount to a personal recommendation and generally requires an element of opinion on the part of the adviser. The FCA provides further guidance on the difference between advice and information on its website at www.handbook.fca.org.uk/handbook/PERG/8/28.html. Information which is contained on the LCF website or in printed material would not generally amount to advice since it does not of itself amount to a personal recommendation. It is also important to note that to be eligible, any advice provided by LCF must have been provided after the date when LCF became regulated - 7 June 2016.

2. Negligent transfer from a stocks and shares ISA

Arranging deals in investments or dealing in investments as agent are regulated activities which potentially attracts FSCS protection. However, these regulated activities do not include the situation where a company issues its own bonds and accordingly the issue of mini-bonds by LCF is not covered.

We are aware that some customers invested in LCF ISA bonds by the transfer of funds from an ISA held by another ISA manager. In order to undertake such a transfer customers provided LCF with a form which enabled LCF to contact the previous ISA manager and arrange the transfer on behalf of the customer. We are investigating whether in some circumstances LCF could be considered to be either arranging deals in investments or dealing in investments as agent (a regulated activity). We think this is most likely to arise where the customer held bonds, unit trusts, shares or other investments in a stocks and shares ISA and where the ISA transfer instruction made by LCF caused those investments to be sold so the cash proceeds could be transferred to LCF for the purchase of LCF mini-bonds. It is important to note that for these purposes cash deposits are not considered to be eligible investments and so a transfer from a cash ISA would not be covered.

We are currently working with the FSCS to ascertain whether these types of claim are covered. As part of our ongoing investigations we are also considering whether there are other circumstances which may give rise to claims. The Joint Administrators and the FSCS will update investors when we have more information. There is no need to contact the FSCS at this stage, but Bondholders may wish to consider completing the questionnaire available to download from the LCF website.

If the FSCS confirms that it will accept claims, eligible investors will be entitled to make claims direct to the FSCS who will consider their claim, based on evidence provided in the claim as well as any evidence held by LCF (such as recordings of phone calls). The process is designed to be user friendly and no fee is payable to make a claim.

We have been in regular dialogue with the FSCS about the various matters raised in this section.

7.6 FCA

On 28 February 2019, the FCA delivered a formal notice under sections 171, 172 and 173 of The Financial Services and Markets Act 2000 ("FSMA"), to the joint administrators, to provide certain documents and information. The joint administrators are currently assisting the FCA with their request, and have been in regular dialogue with them about a number of matters.

7.7 Serious Fraud Office (“SFO”) – Operation Axite

On Monday 18 March 2019, it was publicly confirmed by the SFO that they had recently made arrests of four individuals, following a referral from the FCA to the National Economic Crime Centre. The SFO, in conjunction with the FCA, have opened an investigation into the association of the four individuals with LCF.

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

The joint administrators are unable to provide any information to Bondholders in respect of the SFO/FCA investigations.

7.8 Other Assets

SIA Group have been engaged as the joint administrators’ valuation agents and are working in conjunction with the joint administrators to realise chattel assets of the Company and assets in which the Company holds a financial or proprietary interest.

As at the date of our appointment, the Company owned several vehicles, including one horsebox. These vehicles have been taken into the custody of the joint administrators. There are other assets of a similar category that we are investigating and will report on in due course.

The office premises contain furniture and equipment that will be disposed of in due course. These assets are not expected to generate significant realisations.

7.9 Other steps taken since appointment

We summarise below the other key matters that we have dealt with since our appointment. We have:

- Negotiated arrangements with the Landlord regarding continued occupation of the premises
- Arranged security for the premises
- Engaged key members of LCF personnel to produce critical financial information for the joint administrators
- Overseen the removal of sold assets and third party assets in advance of the return of control of the premises to the Landlord is achieved
- Obtained funds from the Company’s former bank accounts
- Drafted and issued communications to Bondholders and creditors; this has taken the form of emails, website updates (such as the FAQ) and press releases.
- Reviewed and monitored Bondholder correspondence, dealt with the queries from various MPs, updated creditor details on request
- Organised the production and dispatch of P45s to former employees and correspondence with the Redundancy Payments Service
- Isolated and recovered records of the Company where required for the purposes of the administration
- Reported to the FCA and taken steps to cancel the Company’s regulatory permissions
- Dealt with a number of items of third party equipment
- Investigated the directors’ conduct, as required by statute
- Commenced reviewing LCF bank accounts for unexplained transactions within the relevant pre-appointment period

8. Financial position at the date of administration

8.1 Directors' SOA

The directors have a legal duty to provide a SOA in respect of the Company to the administrators. A SOA has not yet been received from the directors. Primary responsibility for delivery of the SOA remains with Andy Thomson, being the director with the ultimate oversight of the Company's finances. The Company's former accountants, Oliver Clive & Co have provided the joint administrators with management accounts as at 31 January 2019, which can be found at Appendix VI of this report. However, we still require a SOA from Andy Thomson which will include estimated realisable values for the assets of the Company as well as the book values, which are shown in the management accounts.

We have the following observations to make on the management accounts as at 31 January 2019:

- The management accounts show a solvent position. Clearly, the SOA will need to include estimated realisable values for the assets of the Company.

- Non-current assets:

Property, plant and equipment are shown to have a book value of £667k. This is comprised of a number of vehicles, fixtures and fittings and some computer equipment. In terms of realisable value, it is anticipated that this figure will be very considerably lower. Again, this will be amended when the SOA is produced.

Trade receivables of £202m is said to refer to the gross value of the loans, less the capitalised cost of funds/collection. As previously mentioned, the realisable value of the loan book is under review and there is no evidence that the receivables will achieve these amounts. Whilst the total amount due from borrowers is shown in this report at c£238m the administrators have received no evidence that substantial % amounts will be recoverable from the borrowers and, in fact, they have estimated likely recoveries from the borrowers at 20% of the amounts due to the Bondholders. This will need to be considered and amended in the SOA. We will also investigate the substantial difference between the borrowers figure in the management accounts, £202m, as compared with the borrowers list we have been provided with by the Company's staff, in the amount of £238m.

- Current assets:

Trade and other receivables - comprised of: a connected debtor of £350k (London Capital Marketing Ltd), director's loan account of c.£1m and £300k of prepayments. All aforementioned balances are subject to the scrutiny of the administrators and will be amended in the SOA.

- Current liabilities: Trade and other amounts payables of £299k are largely comprised of accrued professional fees, which are likely to constitute unsecured creditor claims in the administration.

Trade payables of £204m refer to the gross value of the bonds, less what is described as the capitalised cost of funds/collection. We are working with a figure for the total amount due to the Bondholders of c£237m, as supplied to us by the Company's staff.

The suspense account is a balancing figure that has arisen as a result of the net difference due to the figures being unreconciled to bank transactions.

There are likely to be discrepancies between the management accounts and the actual position, primarily due to the management accounts having been prepared on the basis that:

- all maturing bonds in December 2018 and January 2019 were paid out, and
- all borrower interest payments were made during the period.

We know that neither of the above assumptions took place.

Also at Appendix VI is a table summarising the turnover/net profits of LCF from years ended 30 April 2016, 2017, 2018 and the nine month period to 31 January 2019. The turnover expanded exponentially from 2016 onwards, increasing from £1m in 2016 to £29m in 2018/19. This figure refers to LCF's income derived from dealing with the Bondholders' funds.

The Company was audited by PricewaterhouseCoopers LLP for the year ended 30 April 2016. Ernst & Young LLP became the appointed auditors for the year ended 30 April 2017 and was yet to finalise the audit for the year ended 30 April 2018. The joint administrators are in dialogue with the former auditors, as part of their investigations into the Company's affairs.

8.2 Charges and secured creditors

Global Security Trustees Limited holds a debenture containing fixed and floating charges over the Company's assets. This debenture is held on trust, by the security trustee, on behalf of the Bondholders.

The security is in respect of all assets of the Company. The joint administrators are in dialogue with the security trustee, to ensure that the Bondholders' interests are safeguarded.

A full security review has yet to be undertaken; however, the current position is that the debenture documentation reflects that a valid trust is in place and that the Bondholders' position is secured.

| Chargeholder | Type of charge | Date |
|------------------------------|------------------------------|-------------|
| Global Security Trustees Ltd | Fixed and floating debenture | 29 Dec 2015 |
| Global Security Trustees Ltd | Fixed and floating debenture | 30 Dec 2015 |

8.3 Prescribed Part

Where a company has created a floating charge on or after 15 September 2003 Section 176A of the Insolvency Act 1986 makes provision for a share of the company's net property to be set aside for distribution to unsecured creditors in priority to the floating charge holder. The company's net property is the balance that remains after preferential creditors have been paid and which would then otherwise be available for satisfaction of the claims of any holder of a debenture secured by a floating charge. The funds are referred to as the Prescribed Part.

The amount of the Prescribed Part is calculated as follows:

- 50% of the net property up £10,000, plus
- 20% of the net property over £10,000
- up to a maximum Prescribed Part of £600,000.

The Company granted floating charges to Global Security Trustees Limited on 29 and 30 December 2015. Accordingly, we are required to set aside a Prescribed Part fund for unsecured creditors out of the Company's net floating charge property.

At this stage in proceedings, the joint administrators cannot estimate whether there will be net property of sufficient value to enable a dividend to unsecured creditors.

8.4 Preferential creditors

The Company's preferential creditors are expected to be minimal, as they comprise of arrears of wages and any element of a Protective Award that may relate to the four month period prior to insolvency (a maximum of £800 per employee) and all accrued but untaken holiday at that date. There were no outstanding wages due at the time of the redundancies and the holiday year had only commenced in January.

8.5 Unsecured creditors

We have currently received unsecured claims of £74,590. In addition to the current liabilities in the Estimated Financial Position of the Company, there are unsecured, unconfirmed amounts due to former employees in respect of their redundancy and statutory notice entitlements and, as yet, unquantified amounts due to the Landlord relating to future rents, dilapidations and other costs due under the terms of the lease.

9. Estimated outcome for creditors

Our current assessment of the likely outcome for creditors is as follows:

- Secured creditors' position - it is anticipated that there will be distributable funds available to the secured creditors, which in this case represents the Bondholders.

It is not possible at this stage in proceedings to fully quantify the value of those funds. At present the Administrators estimate a return to the Bondholders from the assets of the Company of as low as 20% of their investment. As the administration progresses, the administrators will be in a position to clarify in greater detail the prospects of recovery, and it should be noted that realisations to the estate may well be enhanced further, by potential legal actions that may be pursued by the joint administrators.

- Preferential creditors' position - presently, asset realisations are restricted for the benefit of the secured creditors.
- Unsecured creditors' position - as previously commented upon, it is not anticipated that there will be a dividend available to unsecured creditors, other than by virtue of the Prescribed Part.

10. Proposals for achieving the purpose of administration

Our proposals for achieving the purpose of administration for the Company are as follows:

- i. The administrators will continue to manage the affairs of the Company in order to achieve the purpose of the administration, namely with the objective of achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration) pursuant to P3(1)(b) Sch B1.
- ii. As the joint administrators do not consider that the survival of the existing Company is achievable they will take any action they consider necessary to achieve the sale of the assets, to maximise returns to the administration estate.
- iii. If having realised the assets of the Company, the joint administrators think that a distribution will be made to unsecured creditors, other than by way of any applicable Prescribed Part distribution, they propose filing 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 CVL in order that the distribution can be made.
- iv. If the administrators consider it appropriate and cost effective to do so, they may make an application to court for permission to make any distribution to the unsecured creditors that is not from the Prescribed Part in the administration instead of moving the Company to CVL and then making a distribution. (Note: If permission is granted, subject to the need for further investigations as detailed in the penultimate paragraph of Section 11 to this report, the Company will exit into dissolution once the distribution has been made and the administration concluded).
- v. If the joint administrators think that the Company has no property which might permit a distribution to its creditors, they will file a notice with the court and the Registrar of Companies for the dissolution of the Company.

- vi. The joint administrators shall do all such other things and generally exercise all of their powers as contained in Schedule 1 IA86, as they consider desirable or expedient to achieve the purpose of the administration.
- vii. The administrators propose asking creditors to consider establishing a creditors' committee. If such a committee is formed the creditors who become members of the committee will be responsible for sanctioning the basis of the joint administrators' remuneration and disbursements, any unpaid pre-administration costs and certain proposed acts on the part of the joint administrators. The committee will be able to make these decisions without the need to report back to a further meeting of creditors generally.

11. Exit route from administration

It is proposed that, 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 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, it is proposed that 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.
- (ii) Creditors have the right to nominate alternative liquidators of their choice. To do this, creditors must make their nomination in writing to the joint administrators prior to these proposals being approved. Where this occurs, the joint administrators will advise creditors and provide the opportunity to vote. In the absence of a nomination, the joint administrators will automatically become the joint liquidators of the Company in the subsequent CVL.

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 indeed 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.

If a creditors' committee is established the joint administrators will consult with the members and agree the most appropriate exit route from administration.

12. Other matters relating to the conduct of the administration

The matters detailed below are not considered to be part of the proposals but are intended to provide creditors with information concerning the remaining statutory and other matters that must be dealt with in the administration.

- Submitting confidential information relating to the conduct of the directors to the Department for Business, Energy & Industrial Strategy. This obligation arises under the Company Directors' Disqualification Act 1986. Creditors should note that the content of any submission is strictly confidential and under no circumstances will discussions be entered into regarding this.
- Agreeing and making payment of preferential claims, subject to availability of funds
- Agreeing the claims of and making payment to secured creditors, including floating charge holders, in accordance with their respective priorities, subject to availability of funds. In this case this will be the mechanism by which monies will be returned to the Bondholders.
- Filing corporation tax returns and obtaining tax clearance in respect of the administration period
- Paying all costs and expenses of the administration once any required approval has been obtained
- Further statutory reporting as required by IA86 and IR16.

13. Pre-administration costs and expenses

13.1 Pre-administration costs

Pre-administration costs are defined as fees charged and expenses incurred by the joint administrators or another person qualified to act as an insolvency practitioner before the Company entered administration (but with a view to its doing so), and "unpaid pre-administration costs" are pre-administration costs which had not been paid when the Company entered administration.

The basis of our pre-administration costs was set out in our engagement letter with the Company dated 25 January 2019. Our costs were to be charged on a time cost basis.

Our engagement was to carry out a review of the Company's current financial position and options and to provide assistance to management to ensure that appropriate action is taken with regard to the Company's financial position, in particular with regard to the impact of the VREQ.

We provided the following services:

- a) reviewing and commenting on the Company's financial performance and management forecasts and the financial and capital resources of the Company, including around its solvency in light of the current issues;
- b) a review the options available to the Company, in light of the existing FCA restrictions placed upon the Company;
- c) to the extent necessary, liaising with the FCA; and
- d) summarising our findings and conclusions that we reached in respect of the services in paragraphs (a) and (b) above.

Our total time costs in assisting the Company prior to our appointment as joint administrators are £142,435, a breakdown of which is given in Appendix VII. As at the date of this report none of these costs have been paid.

Pre-appointment fees charged and expenses incurred are detailed below:

| Charged by/service(s) provided | Total amount charged £ | Amount paid £ | Who made payment | Amount unpaid £ |
|--|---------------------------|------------------|------------------|--------------------|
| Smith & Williamson LLP | 142,435 | Nil | N/A | 142,435 |
| Mishcon de Reya LLP - 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 Company with regards to assisting S&W LLP with their enquiries | 4,026 | Nil | N/A | 4,026 |
| Oliver Clive & Co Limited | 18,250 | Nil | N/A | 18,250 |

Note: The pre appointment work undertaken by Mishcon de Reya includes the following:

- Work in preparation for appointment over LCF including review of security docs and obtaining FCA consent.
- Preparing and arranging for filing of LCF appointment documents.
- Review of finance and security documents.
- Advice in relation to enforcement of LCF security.
- Advice in relation to position of security trustee.

Note: The pre appointment work undertaken by Oliver Clive & Co Limited included work in explaining the Company's financial position to the proposed administrators and their lawyers. This included attendance at meetings with the proposed administrators and their legal advisors.

Pre-appointment fees charged and expenses incurred by CMB Partners (UK) Limited:

| Charged by/service(s) provided | Total amount charged £ | Amount paid £ | Who made payment | Amount unpaid £ |
|--|---------------------------|------------------|------------------|--------------------|
| CMB Partners (UK) Ltd - fees incurred as proposed advisors/prospective officeholders | 30,650 | Nil | N/A | 30,650 |

The time incurred by CMB Partners (UK) Limited relates to the initial meetings with the directors of the Company, the former legal advisors of the Company and the former accountants of the Company. This time was incurred as a direct result of the proposed administration and included providing the joint administrators with information collated by them to assist with their understanding of the business of the Company.

The payment of unpaid pre-administration costs set out above as an expense of the administration is subject to the approval of creditors, separately from the approval of the joint administrators' proposals. As we believe that the Company has insufficient property to enable a distribution to be made to the unsecured creditors, other than via the Prescribed Part, approval will be sought from the secured and (if applicable) the preferential creditors, unless a creditors' committee has been appointed, in accordance with R 18.18 IR16.

14. Joint administrators' remuneration

Insolvency Practitioners are required to provide stakeholders with details of the work they propose to do and the expenses that are likely to be incurred. Prior to drawing any fees, these details must be provided to creditors and approval given. Alternatively, creditors may form a committee and, if so, it is up to the majority of committee members to give consent.

Where it is proposed that fees are drawn from the insolvent estate on a time costs basis, a fees estimate will also need to be provided. Where it is unrealistic to estimate the work to be done at the outset, an estimate may be provided for a designated period or up to a particular milestone.

Creditors should be aware that the fees estimate is based on information available at present and may change due to unforeseen circumstances arising. If any approved fees estimate is exceeded, a revised estimate will need to be provided and approval given before any fees may be drawn in excess of the original approved estimate.

Some of the work required by Insolvency Practitioners is required by law and may not necessarily result in any financial benefit for creditors (or members). Examples of this work would include investigations required under the Company Directors' Disqualification Act 1986 or dealing with former employees' claims through the Redundancy Payments Service.

On some occasions, third parties may be instructed to provide expert advice on tax, legal or property matters to produce a financial benefit to creditors.

Each aspect of the work undertaken will require different levels of expertise and, therefore, cost. To make it clear, we have given the rates for each grade of staff with estimates of the total hours to be spent on each aspect in the table provided.

The basis of the joint administrators' remuneration may be fixed on one or more of the following bases and different bases may be fixed in respect of different things done by them:

- as a percentage of the value of the assets they have to deal with, or
- by reference to time properly spent by the joint administrators and their staff in attending to matters arising in the administration, or
- as a set amount

It should be noted that as the joint administrators are not seeking approval for the basis of their remuneration at this juncture, a fee estimate of their anticipated costs is not included within this document. This will be made available at the time when the joint administrators seek approval for the basis of their remuneration.

Where no creditors' committee is appointed, approval of the joint administrators' remuneration shall be fixed using the decision making process either at a virtual creditors' meeting or by electronic and/or postal voting. Where the joint administrators have concluded that the company has insufficient property to enable a distribution to be made to the unsecured creditors (other than via the Prescribed Part), approval will be sought from the secured and (if necessary) the preferential creditors in accordance with R18.18 IR16.

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:

<https://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 IX.

15. Administration expenses

Following the appointment, the administrators retained several key former employees, to assist us with clearing the offices, compiling financial information and maintaining essential IT services. Total fees paid to the former employees are £7,879.

15.1 Professional advisors

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.

| Professional adviser /service | Basis of fee arrangement | Costs incurred £ | Costs paid £ |
|--|--|---------------------|-----------------|
| Mishcon de Reya LLP (legal advice) | Hourly rate and | 411,006 | Nil |
| | Disbursements | 4,211 | |
| SIA Group Limited (valuation and disposal agents) | Hourly rate and disbursements (for dealing with the chattel assets | 9,060 | Nil |
| | percentage of realisations (for disposal) | | |
| Oliver Clive & Co Limited (accountants) | Hourly rate and | 31,300 | Nil |
| | disbursements | 375 | Nil |

Note: Mishcon de Reya have assisted the joint administrators in respect of a number of work streams including pre-litigation work, forensic 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 VIII.

15.2 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 £ |
|---|------------------------------------|--------------------------------|--|
| Statutory advertising | 85 | 85 | Nil |
| Joint administrators' bonds | 140 | Nil | 140 |
| Bondholder email credits | 235 | Nil | 235 |
| Subsistence | 19 | Nil | 19 |
| Travel | 837 | Nil | 837 |
| Courier | 4 | Nil | 4 |
| Call centre costs | 46,629 | Nil | 46,629 |
| Category 2 disbursements (see next section) | 500 | Nil | 500 |
| Total | 48,449 | 85 | 48,364 |

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. 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.

Travel - The joint administrators and their staff have incurred costs necessary in travelling to various locations including, the Company's trading premises, meetings with the borrowers of the Company and meetings with the directors of the Company. Visits to the Company's premises were necessary as the joint administrators retained key staff to assist with their initial enquiries who continued to work at the Company's premises.

Call Centre Costs - At the outset of the appointment, the joint administrators appointed external agents to handle calls from Bondholders. The volume of calls was monitored on a daily basis and the number of staff required at the call centre amended as necessary. The joint administrators felt that these costs were necessary as it was crucial that the Bondholders, as creditors of the Company, had a way to receive available information by way of a telephone call immediately upon appointment. Having the call centre in place allowed the joint administrators to prioritise their investigation strategy and realisation of assets for the benefit of the Company's creditors.

15.3 Category 2 disbursements

Since our appointment we have incurred the following Category 2 disbursements:

| Description | Cost incurred £ |
|-------------------------------|--------------------|
| Business mileage @ HMRC rates | 500 |
| Forensics data platform | 16,175 |

Business Mileage - These costs have been incurred due to costs in travelling to various locations including the Company's trading premises, meetings with borrowers of the Company and meetings with directors of the Company. Due to the location of the Company's former offices, it was often more cost effective for the joint administrators and their staff to incur business mileage costs than to travel by public transport during peak travelling times. It was necessary to incur these costs in order to deal with the former employees of the Company, the Company's trading premises and collection of the Company's books and records as is required by statute.

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 will be crucial to the joint administrators' investigations.

In accordance with SIP 9, Remuneration of Insolvency Office Holders, the joint administrators will be seeking approval to draw Category 2 disbursements in due course as and in accordance with Smith & Williamson's disbursement recovery policy.

15.4 Policies regarding use of third parties and disbursement recovery

Details of Smith & Williamson's policies regarding the use of subcontractors and professional advisors and the recovery of disbursements are set out at Appendix IX.

16. Creditors decisions

The joint administrators do not believe that the Company has sufficient property to enable a distribution to be made to unsecured creditors. In accordance with P52(1)(b) Sch B1, the administrators are therefore not required to seek a decision from the Company's creditors as to whether they approve the administrators' proposals.

Unless the joint administrators receive a request that the proposals be approved via a decision instead, the proposals detailed will have gained deemed consent. A request can only be made by creditors with claims totalling at least 10% of the total company's debts and this request must be received within 8 business days of these proposals being delivered.

Creditors considering whether to request a decision procedure may wish to note that the purpose of the decision is purely to approve or modify the proposals. It does not afford creditors the opportunity to question the directors of the Company.

The joint administrators will seek approval of their and third parties' pre-appointment remuneration, costs and disbursements and their discharge from liability from the secured and preferential creditors as appropriate, unless a creditors' committee is formed.

17. 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/rrsgdpr>

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.

18. Next report and creditors' rights

The joint administrators are required to provide a progress report within one month of the end of the first six months of the administration or earlier if the administration has been finalised.

From receipt of the first progress report, creditors have rights under IR16 to request further information and to challenge the joint administrators' remuneration and/or expenses incurred. In summary:

- Within 21 days of the receipt of a progress 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 joint administrators provide further information about their remuneration or expenses which have been itemised in the 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 a progress report make an application to court on the grounds that, in all the circumstances, the basis fixed for the joint administrators' remuneration is inappropriate and/or the remuneration charged or the expenses incurred (including any paid) by the joint administrators, as set out in the report, are excessive.

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

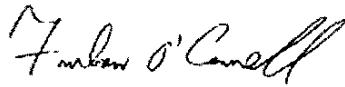
On a general note, if you have any comments or concerns in connection with our conduct, please contact Finbarr Thomas O'Connell or Adam Henry Stephens in the first instance. If the matter is not resolved to your satisfaction, you may contact our Head of Legal by writing to 25 Moorgate, London EC2R 6AY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



Finbarr Thomas O'Connell and Adam Henry Stephens

Joint Administrators

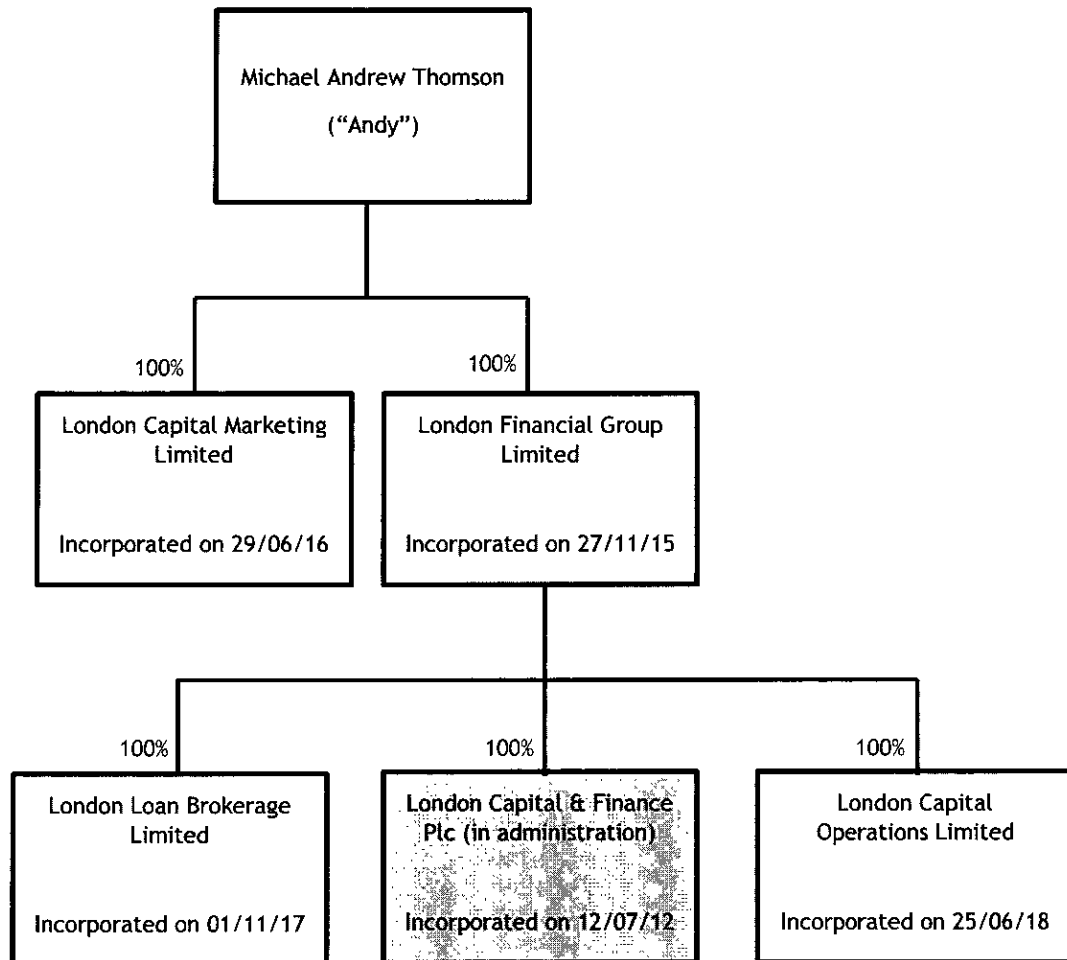
Date: 25 March 2019

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 | Finbarr Thomas O'Connell, Adam Henry Stephens, Colin Hardman and Henry Anthony Shinnars all of 25 Moorgate, London, EC2R 6AY (IP No(s) 7931, 9748, 16774 and 9280) In accordance with P100 (2) Sch B1 1A 86 a statement has been made authorising the Joint Administrators to act jointly and severally. |
| Date of Appointment | 30 January 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 | N/A |
| 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. |

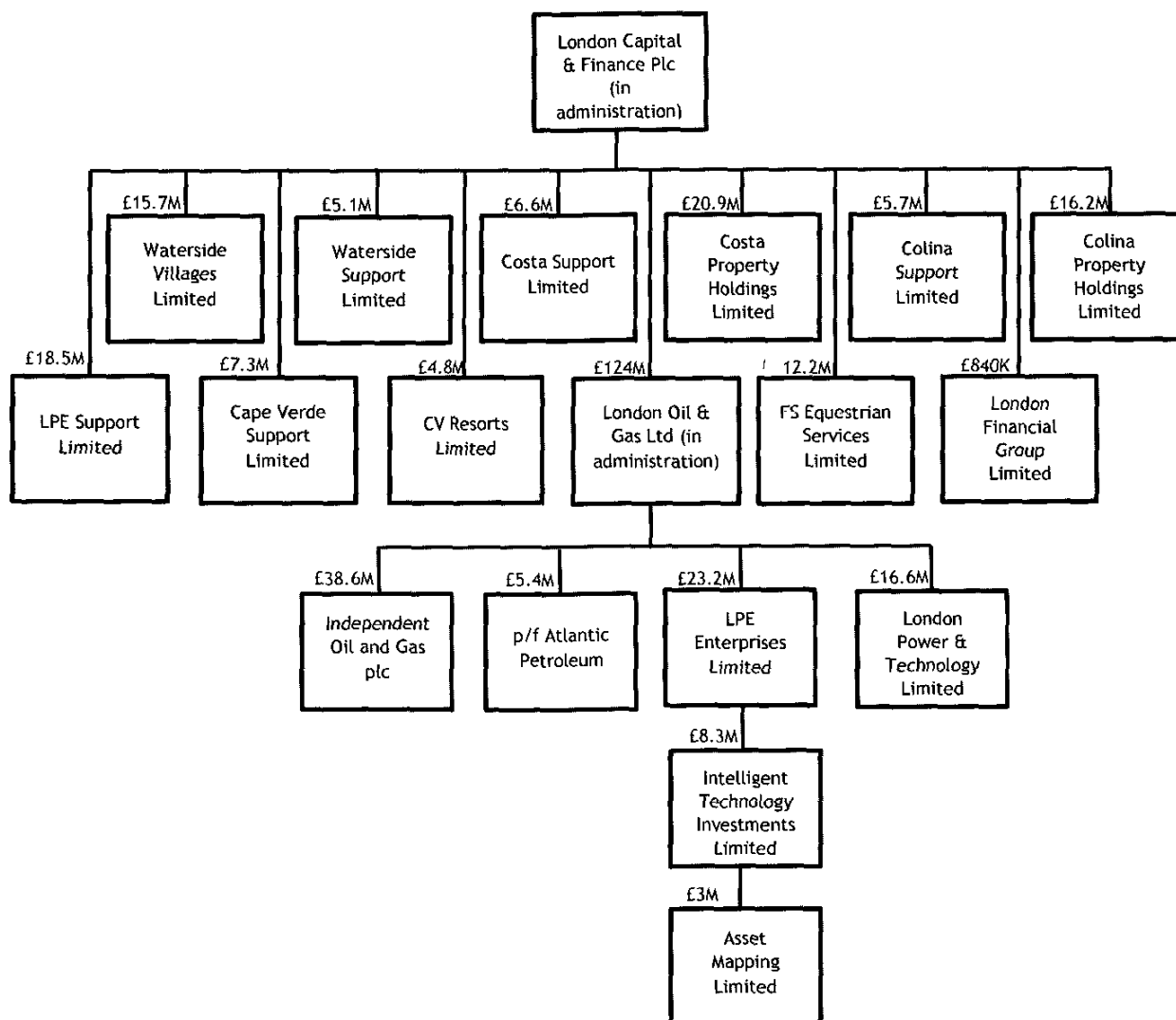
II Group Structure Diagram

London Capital & Finance Plc (in administration) Group Structure

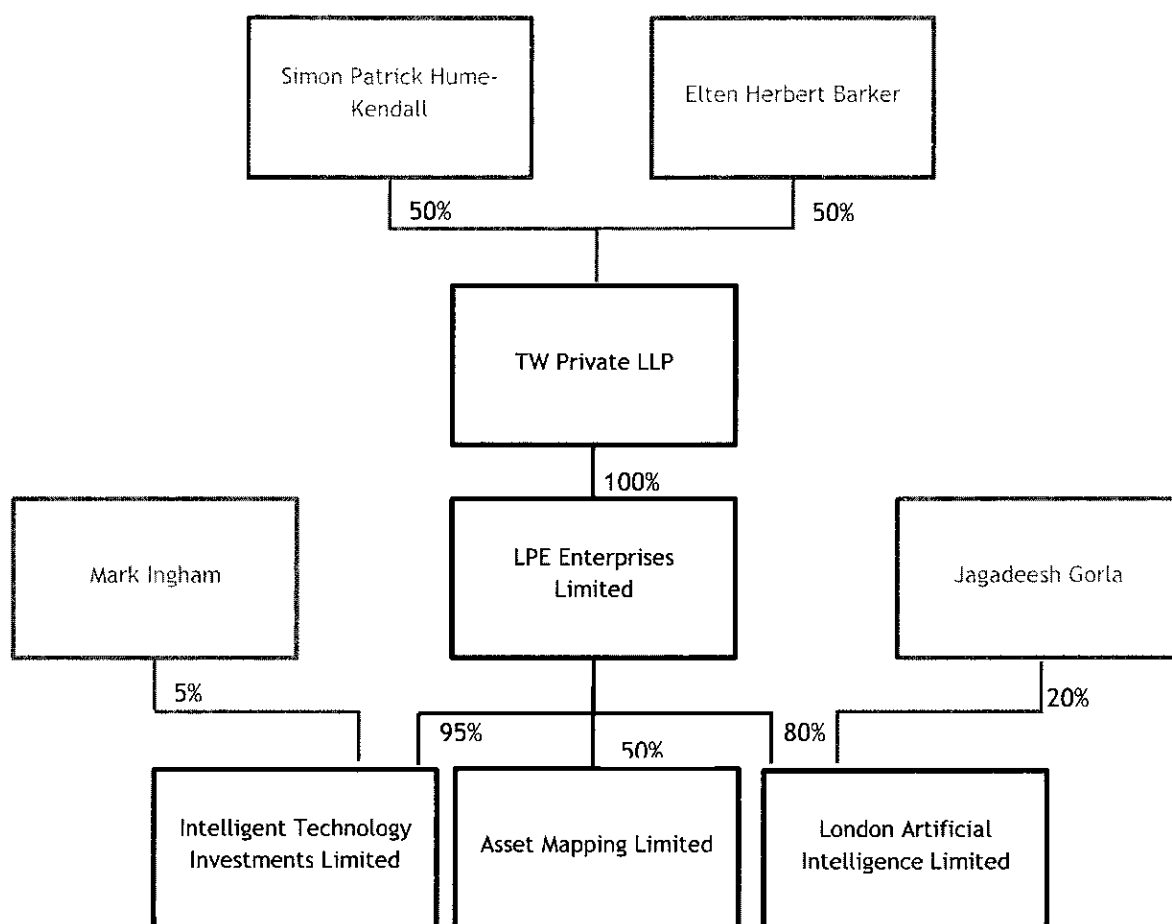


III Borrower Schedule

Borrower and sub-borrower loan structure



TW Private LLP structure



IV Prior professional relationship

Statement of prior professional relationship of Finbarr Thomas O'Connell, Adam Henry Stephens, Colin Hardman and Henry Anthony Shinnars in respect of the appointment of joint administrators

We have a prior professional relationship with London Capital & Finance Plc (in administration) to the extent set out below:

Smith & Williamson LLP was instructed by the Company by letter of engagement dated 25 January 2019 to carry out a review of the Company's financial position and options and to provide assistance to management to ensure that appropriate action was taken with regard to the Company's financial position, in particular with regard to the impact of the Voluntary Application for Imposition of Requirements notice (the VREQ). This work commenced on Tuesday 22 January 2019.

Neither the firm, nor any of the individual partners or directors, has had a material professional relationship with the Company, its directors or shareholders in the preceding three years other than under the terms of the engagement noted above.

No fees have been received by Smith & Williamson LLP in respect of work carried out under this engagement.

We confirm that we have fully considered the relevant guide to professional conduct and ethics issued by our professional body and are satisfied that the existence of this prior relationship does not create any conflict of interest or threat to independence for us as office holders.

V Receipts and payments account

Receipts and payments account to 20 March 2019

| Statement of Affairs | From 30/01/2019 To 20/03/2019 | From 30/01/2019 To 20/03/2019 |
|------------------------------------|----------------------------------|----------------------------------|
| £ | £ | £ |
| ASSET REALISATIONS | | |
| Insurance Refund | 7,902.72 | 7,902.72 |
| Cash at bank | 3,656,359.95 | 3,656,359.95 |
| Bank Interest Gross | 510.81 | 510.81 |
| | <u>3,664,773.48</u> | <u>3,664,773.48</u> |
| COST OF REALISATIONS | | |
| Irrecoverable VAT | 88.78 | 88.78 |
| Internet & Telephone Costs | 300.00 | 300.00 |
| Re-Direction of Mail | 490.00 | 490.00 |
| Statutory Advertising | 84.50 | 84.50 |
| Rates | 1,107.02 | 1,107.02 |
| Other Property Expenses | 237.50 | 237.50 |
| Wages & Salaries | 7,879.01 | 7,879.01 |
| PAYE & NI | 245.73 | 245.73 |
| Bank Charges | 3.10 | 3.10 |
| Pension contributions | 822.80 | 822.80 |
| | <u>(11,258.44)</u> | <u>(11,258.44)</u> |
| | <u>3,653,515.04</u> | <u>3,653,515.04</u> |
| REPRESENTED BY | | |
| Clients Deposit (Interest Bearing) | | <u>3,653,515.04</u> |

Notes and further information required by SIP 7

- The joint 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.
- Details of payments made to sub-contractors are shown 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. Where VAT is not recoverable it is shown as irrecoverable VAT. To our knowledge, LCF was not, and never was registered for VAT. We are exploring whether there is any possibility of recouping VAT to the estate; however, our VAT advisors currently consider this to be unlikely.

VI Estimated Financial Position of the Company as at 31 January 2019

| | 31 January 2019 |
|---------------------------------|--------------------|
| | £ |
| Non current assets | |
| Property, plant and equipment | 667,491 |
| Trade receivables | 201,899,076 |
| Deferred tax | 18,366 |
| | <u>202,584,933</u> |
| Current assets | |
| Trade and other receivables | 1,680,235 |
| Cash and cash equivalents | 2,128,338 |
| | <u>3,808,574</u> |
| Total assets | <u>206,393,507</u> |
| Current liabilities | |
| Trade and other payables | 299,331 |
| Net current assets | <u>3,509,242</u> |
| Non current liabilities | |
| Trade payables | 204,121,367 |
| Total liabilities | <u>204,420,699</u> |
| SUSPENSE | <u>(964,429)</u> |
| Net assets/(liabilities) | <u>1,008,379</u> |
| Equity | |
| Share capital | 50,000 |
| Accumulated profits | 958,379 |
| Total equity | <u>1,008,379</u> |

| | Year ending 30 April 2016 £ | Year ending 30 April 2017 £ | Year ending 30 April 2018 £ | Period ending 31 January 2019 £ |
|-------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| Turnover | 948,201 | 7,822,771 | 20,624,360 | 29,328,109 |
| Net Profit | 166,916 | 273,234 | 517,173 | 192,379 |

VII Time analysis for the pre-appointment period

From 21 January 2019 to 30 January 2019

| 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 | | | |
| Pre-Appointment | | | | | | | | |
| AML, Conflict & ethics checks, engagement letters | 0.60 | 0.00 | 4.50 | 5.75 | 0.10 | 10.95 | 3,995.00 | 364.84 |
| Initial meetings | 6.80 | 0.00 | 10.75 | 0.00 | 0.00 | 17.55 | 9,152.50 | 521.51 |
| Company searches and background checks | 2.80 | 0.00 | 0.00 | 0.00 | 0.00 | 2.80 | 1,820.00 | 650.00 |
| General advisory work insolvent | 124.05 | 0.00 | 0.00 | 0.00 | 0.00 | 124.05 | 77,976.25 | 628.59 |
| Appointment formalities | 8.90 | 0.00 | 0.25 | 6.25 | 0.00 | 15.40 | 7,397.50 | 480.36 |
| Preparation of pre-appointment documents | 3.60 | 0.00 | 8.75 | 1.50 | 0.00 | 13.85 | 6,670.00 | 481.59 |
| Creditors' (inc EE's) queries | 10.10 | 0.00 | 1.25 | 0.75 | 0.00 | 12.10 | 7,335.00 | 606.20 |
| Job planning | 18.90 | 0.00 | 14.10 | 0.35 | 0.00 | 33.35 | 18,054.50 | 541.36 |
| File and information management | 1.80 | 0.00 | 1.50 | 0.00 | 0.00 | 3.30 | 1,860.00 | 563.64 |
| Travelling | 0.00 | 0.00 | 2.00 | 0.00 | 0.00 | 2.00 | 920.00 | 460.00 |
| Other | 0.00 | 0.00 | 2.10 | 0.00 | 0.00 | 2.10 | 966.00 | 460.00 |
| Assurance & Business Services | 0.00 | 9.50 | 0.00 | 0.00 | 0.00 | 9.50 | 3,657.50 | 385.00 |
| Forensics | 3.00 | 0.00 | 2.00 | 0.00 | 0.00 | 5.00 | 2,630.00 | 526.00 |
| Total | 180.55 | 9.50 | 47.20 | 14.60 | 0.10 | 237.45 | £142,434.25 | £599.85 |

Explanation of major work activities undertaken

Pre-appointment

This section documents relation to Smith & Williamson LLP's work in professional services provided to the Company prior to the appointment of administrators. The work conducted prior to our appointment is required in order to finalise the administration of the Company and will not provide a direct financial benefit to the creditors of the Company. The work included the following:

Internal Procedures

This work includes tasks that are required to be carried out in accordance with Smith & Williamson LLP's internal requirements. No assignments can be undertaken until these requirements have been satisfied. This work included the following:

- Pre-appointment due diligence, case set-up, and fulfilling Anti-Money Laundering requirements
- Preparing and issuing the letter of engagement with the Company and undertaking relevant conflict checks
- Dealing with internal case take on requirements
- Completing the pre appointment conflict and ethical checklists in place in order to comply with SIP1 requirements
- Internal case set up on IPS (case management schedule)

- Setting up and preparing physical case files
- Undertaking relevant company searches
- Dealing with queries raised by our compliance department

Advisory

- Initial meetings with the directors of the Company
- Initial meetings with the Company's former accountants in order to gain an understanding of the current financial position
- Initial meetings to gain an understanding of the Company from an operational perspective
- Initial meetings with the Company's former legal advisors in respect of the VREQ put in place by the FCA and options open to the Company and other matters
- Review of the financial information provided by the Company, including the latest balance sheet and accounts, and their accountants including information obtained from public records. Also, considering the financial review of the recoverability of the Company's debts as carried out by, or on behalf of, the Security Trustee
- Advising the directors of the Company regarding its solvency and potential steps that can be taken
- Preparing and issuing formal letter of advice setting out options available to the directors
- To review the available records of the Company to understand its liabilities and creditor position

Preparation for administration

- Reviewing and signing of formal appointment documents including consent to acts and para 100(2) statements for each of the administrators
- Assisting the Company in relation to the administration process and filing documents at the Court
- Assisting the Security Trustee, who held a qualifying floating charge on behalf of the Bondholders, with preparing and providing their consent to the appointment
- Liaising with the FCA during the pre-appointment period, including by email and telephone, in respect of the appointment, including seeking approval of the appointment
- Liaising with and instructing call centre operatives in preparation for the administration
- Ensuring access to IT systems, communications and web addresses were, as far as possible, secured in preparation for the appointment
- Identifying assets of the Company including their whereabouts
- Instructing and liaising with our legal advisors in respect of the proposed appointment
- Preparing update templates for the Company's website, including liaising with the Company's website providers
- Setting up a case specific Smith & Williamson webpage for the attention of Bondholders
- Discussing appointment matters with the operational staff in order to obtain necessary information and knowledge regarding the Company's affairs

Creditors

- Preparing the frequently asked questions document for Bondholders in preparation for the administration
- Setting up a case specific email inbox for creditor communications including liaising with IT
- Preparing and uploading an auto response in relation to the case specific email inbox including liaising with IT
- Reviewing the Company's employee position in respect of monies owed
- Calculation of employee payments to be made by the RPS
- Requesting details of the Company's creditors, including Bondholders, for review
- Review of trade & expense creditors

Forensics

- Developing an understanding of the Company's IT systems by way of conference calls with various parties
- Preparation of visit to the Company's trading premises to begin imaging all information held by the Company
- Ensuring necessary equipment was ready to utilise immediately upon appointment in order to safeguard the Company's electronic records

Assurance & Business Services

- Meeting with the directors of the Company and their legal advisors in respect of the current financial position of the Company
- Assisting with review of accounts provided by the Company
- Meeting with the proposed administrators and their legal advisors to review options available to the Company

VIII Time analysis for the period

From 30 January 2019 to 28 February 2019

| 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 | 0.00 | 0.00 | 0.00 | 0.50 | 0.00 | 0.50 | 130.00 | 260.00 |
| Initial post-appointment notification letters, including creditors | 10.75 | 0.00 | 7.85 | 3.25 | 0.00 | 21.85 | 11,082.25 | 507.20 |
| Cashiering general, including bonding | 0.00 | 0.00 | 0.00 | 0.30 | 2.55 | 2.85 | 666.00 | 233.68 |
| Job planning, reviews and progression (inc 6 month reviews and planning meetings, checklist & diary | 33.80 | 0.00 | 25.50 | 51.40 | 0.00 | 110.70 | 46,681.50 | 421.69 |
| Post-appointment taxation (VAT, PAYE/NIC, Corp Tax that are not trading related) | 0.00 | 0.00 | 0.00 | 1.50 | 0.00 | 1.50 | 390.00 | 260.00 |
| Protection of company records (incl electronic) | 3.55 | 0.00 | 1.25 | 4.90 | 0.00 | 9.70 | 4,135.25 | 426.31 |
| Insurance & general asset protection | 4.30 | 0.00 | 0.00 | 1.45 | 0.00 | 5.75 | 3,172.00 | 551.65 |
| Filing, file and information management | 0.40 | 0.00 | 2.25 | 0.00 | 0.00 | 2.65 | 1,295.00 | 488.68 |
| Pre-appointment non creditor tax | 0.00 | 0.00 | 1.25 | 0.00 | 0.00 | 1.25 | 575.00 | 460.00 |
| Agents and advisers, general | 1.70 | 0.00 | 0.75 | 3.30 | 0.00 | 5.75 | 2,308.00 | 401.39 |
| Director/manager review, approval and signing | 0.00 | 0.00 | 0.00 | 0.00 | 0.30 | 0.30 | 120.00 | 400.00 |
| Other | 0.00 | 0.00 | 3.00 | 0.20 | 0.00 | 3.20 | 1,438.00 | 449.38 |
| Investigations | | | | | | | | |
| Directors' correspondence & conduct questionnaires | 0.00 | 0.00 | 0.75 | 3.75 | 0.00 | 4.50 | 1,320.00 | 293.33 |
| Statutory books and accounting records review | 0.00 | 0.00 | 0.95 | 4.85 | 4.50 | 10.30 | 2,215.50 | 215.10 |
| Borrowers/ Loans | 313.05 | 2.00 | 3.25 | 2.25 | 0.00 | 320.55 | 205,486.25 | 641.04 |
| SIP2 and SIP4 obligations (inc CDDA86 forms) | 1.40 | 0.00 | 0.00 | 0.00 | 0.00 | 1.40 | 910.00 | 650.00 |
| Asset tracing (e.g. Land Registry and Company Searches) | 0.60 | 1.30 | 0.00 | 25.35 | 0.00 | 27.25 | 7,663.50 | 281.23 |
| Enquiries of advisers | 4.80 | 0.00 | 3.00 | 1.10 | 0.00 | 8.90 | 4,786.00 | 537.75 |
| Other | 0.00 | 0.00 | 9.00 | 1.20 | 0.00 | 10.20 | 4,452.00 | 436.47 |
| Realisation of assets | | | | | | | | |
| Loan book | 56.30 | 0.00 | 0.00 | 4.50 | 0.00 | 60.80 | 33,047.50 | 543.54 |
| Other chattel assets | 1.25 | 0.00 | 2.00 | 0.00 | 0.00 | 3.25 | 1,732.50 | 533.08 |
| Financed assets (only if equity-otherwise creditors, incl HP and leasing) | 8.00 | 0.00 | 0.00 | 0.25 | 0.00 | 8.25 | 4,627.50 | 560.91 |
| Cash at Bank | 0.00 | 0.00 | 0.00 | 1.75 | 0.00 | 1.75 | 455.00 | 260.00 |
| Liaising with agents (general) | 0.00 | 0.00 | 1.25 | 0.40 | 0.00 | 1.65 | 679.00 | 411.52 |
| Other | 4.50 | 0.00 | 0.50 | 0.00 | 0.00 | 5.00 | 2,597.50 | 519.50 |

Trading/ Premises

| | | | | | | | | |
|---|------|------|------|------|------|------|----------|--------|
| 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 | 0.75 | 0.00 | 0.00 | 1.35 | 735.00 | 544.44 |
| Staff and payroll (inc PAYE/NIC for retention 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 | 0.00 | 3.50 | 0.00 | 3.50 | 910.00 | 260.00 |
| Shutdown | 0.00 | 0.00 | 0.00 | 6.50 | 0.00 | 6.50 | 1,690.00 | 260.00 |
| Other | 0.00 | 0.00 | 0.60 | 0.35 | 0.00 | 0.95 | 367.00 | 386.32 |

Creditors

| | | | | | | | | |
|--|-------|------|-------|-------|------|--------|-----------|--------|
| HP & lease creditors | 0.00 | 0.00 | 0.00 | 0.25 | 0.00 | 0.25 | 65.00 | 260.00 |
| RPO and ERA claims & tribunals | 0.00 | 0.00 | 0.00 | 0.50 | 0.00 | 0.50 | 130.00 | 260.00 |
| Employees & pension (other) (Incl Jobcentre/CSA etc) | 1.50 | 0.00 | 0.00 | 14.25 | 0.00 | 15.75 | 4,552.50 | 289.05 |
| 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 | 3.60 | 0.00 | 10.60 | 4,156.00 | 392.08 |
| Bondholders | 33.75 | 0.00 | 34.00 | 29.85 | 6.45 | 104.05 | 45,782.75 | 440.01 |
| Other creditor communications | 0.00 | 0.00 | 8.25 | 0.50 | 0.00 | 8.75 | 3,925.00 | 448.57 |
| Other | 0.00 | 0.00 | 13.05 | 0.00 | 0.00 | 13.05 | 6,003.00 | 460.00 |

Corporate Tax

| | | | | | | | | |
|---------------|------|------|------|------|------|------|----------|--------|
| Corporate Tax | 9.60 | 0.00 | 0.00 | 0.00 | 0.00 | 9.60 | 6,126.75 | 638.20 |
|---------------|------|------|------|------|------|------|----------|--------|

Assurance & Business Services

| | | | | | | | | |
|-------------------------------|------|------|------|------|------|------|--------|--------|
| Assurance & Business Services | 0.00 | 1.00 | 0.00 | 0.00 | 0.00 | 1.00 | 385.00 | 385.00 |
|-------------------------------|------|------|------|------|------|------|--------|--------|

Forensics

| | | | | | | | | |
|-----------|-------|------|-------|-------|------|--------|-----------|--------|
| Forensics | 23.75 | 0.00 | 53.40 | 73.10 | 0.00 | 150.25 | 50,639.50 | 337.03 |
|-----------|-------|------|-------|-------|------|--------|-----------|--------|

| | | | | | | | | |
|--------------|---------------|-------------|---------------|---------------|--------------|---------------|--------------------|----------------|
| Total | 517.40 | 4.30 | 182.85 | 246.85 | 13.80 | 965.20 | £471,982.75 | £489.00 |
|--------------|---------------|-------------|---------------|---------------|--------------|---------------|--------------------|----------------|

Explanation of major work activities undertaken

Administration and planning

This section of the analysis encompasses the cost of the administrators and their staff in complying with their statutory obligations, and internal compliance requirements and will usually not provide a direct financial benefit to the creditors of the Company. This work includes the following:

- Statutory notifications and advertising
- Initial post appointment notifications to trade & expense creditors
- Initial post appointment notifications to the Bondholders
- Initial post appointment notifications to the Registrar of Companies
- Initial post appointment notifications to HMRC
- Maintenance of compliance checklists in relation to the case
- Maintenance of the compliance diary in respect of the case
- Calculating the bonding requirement
- Completed the statutory one month case review
- Internal case staff strategy meetings
- Internal communications with the Forensics team
- Internal communications with the Assurance & Business Services team

- General case planning and administration including case strategy decisions
- Dealing with routine correspondence
- Arranging for adequate insurance cover to be obtained in respect of the Company's assets
- Arranging for a mail redirection to be put in place at the Company's former trading premises
- Securing the Company's physical books and records including instructing and assisting our agents. The Company had an extremely large quantity of books and records and the joint administrators are obliged by statute to collect and take in all records belonging to the Company
- Securing the Company's electronic records, including the time that has been incurred by an agent forensic team in relation to preserving, downloading and imaging from the Company's server
- Setting up and maintaining physical case files
- Setting up and maintaining IPS (case management schedule)
- Preparing the administrators' proposals
- Dealing and instructing agents and other professional advisers to assist with the case
- Communications with the FCA, including regular conference calls and emails
- Liaising with the Smith & Williamson IT department regarding the LCF email mailbox
- Dealing with lifted the restrictions in place due to the FCA's VREQ
- Liaising with the FCA in respect of cancellation of the Company's regulatory permissions
- Attending at various meetings in respect of the administration
- Attending at the Company's former trading premises
- Weekly update calls with HMRC in respect of the ISA products issued by the Company
- Drafting and issuing press released in relation to the administration of the Company in order to keep the Bondholders briefed

Cashiering time:

- Maintaining and managing the administrators' cash book and bank accounts
- Reconciliation of bank account
- Correspondence with banks
- Raising cheques/preparing telegraphic transfers

Investigations

This section relates to our statutory obligations to investigate the actions of the directors of the Company, in accordance with SIP2, and to review the Company's records with a view to making asset recoveries. 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. This investigative work has incurred a significant amount of time as there is a lot of planning that must take place ahead of any potential claims being brought for the benefit of the Company's creditors as is usual in any type of litigation.

The Company's largest asset is its loan 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.

Whilst some of this work is required by statute, it is likely that there will be a direct financial benefit to creditors in carrying out these actions. This work included the following:

- Corresponding with directors in accordance with our duties under SIP2
- Issuing our directors questionnaire to the directors and former directors of the Company
- Meeting with and interviewing some of the directors of the Company
- Investigating the actions of various parties in the lead up to the administration of the Company
- Meeting with and interviewing a number of third parties associated with the Company
- Requests for information belonging to, or held on behalf of, the Company from various parties including the former accountants, the former auditors, SURGE and other parties

- Reviewing the Company's books and records in relation to investigations
- Review of the Company's bank statements held by various parties including preparing summaries and associated schedules
- 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
- Investigating circumstances which might give rise to claims against various parties and hence potential realisations of assets for the benefit of the creditors.
- Tracing assets belonging to the Company, or purchased by the Company
- Tracing assets of third parties connected to the Company
- Assisting the FCA with their enquiries including providing information requested as detailed at section 7.6 of this report
- Liaising with the SFO by way of conference calls
- Liaising with the FCA by way of various conference calls
- Instructing agents in respect of the review of bank statements of the Company

The Loan Book:

- Review of all publically available information in respect of the Borrowers of the Company
- In depth review of the Company's loan book
- Attending meetings with the managing director of the Company in order to discuss and understand the Company's loan book
- Review of the security documentation provided by the Company in respect of the loans
- Creating and updating various loan profiles
- Liaising with our legal advisors in respect of the security documentation
- Meeting with and interviewing each of the borrowers of the Company
- Liaising with the borrowers of the Company
- Review of the financial position of each of the borrowers of the Company in order to determine their ability to settle the liability owed to the Company
- Attendance at borrowers' premises in order to obtain confirmation of assets
- Asset tracing for each of the borrowers of the Company including through Land Registry
- Discussions with interested parties in respect of the loan book/ aspects of the loan book
- Review of formal offers in respect of aspects of the loan book
- Meeting with our legal advisors in respect of the loan book
- Producing complex structure webs for each of the borrowers in order to understand the flow of funds
- Review of the flow of funds from the Company to the borrowers
- Collating information on third parties associated with each of the borrowers

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. This section is in relation to the realisation of the Company's assets and provides a direct financial benefit to the Company's creditors. The work includes the following:

- Correspondence with Lloyd's bank in respect of realisation of the cash at bank balances
- Liaising with the bank in relation to the funds transfers including remittance of funds
- Obtaining information from the Company in respect of the cash at bank balances
- Instructing SIA to deal with the chattel assets of the Company
- Liaising with our agents in respect of chattel asset realisations
- Liaising with the borrowers of the Company in an attempt to recover the amounts due to the Company

- Liaising with our legal advisors in respect of the insurance overpayment made by the Company prior to our appointment.

Trading/ Premises

This section is in relation to the evacuation of the Company's trading premises. Whilst this work does not provide a direct benefit to the creditors of the Company, the joint administrators have a duty to carry out these tasks. The work includes the following:

- *Attendance on site on day 1 of the administration including dealing with communicating with the former employees*
- *Dealing with the Company's internet provider to ensure the connection remains live*
- *Dealing with G-Suite, the Company's email host service*
- *Dealing with other property issues including clearing out the premises, dealing with matters necessary to retain members of staff*
- *Liaising with the Company's landlord and dealing with issues in respect of the lease*
- *Attendance at the Company's former trading premises*
- *Liaising with and assisting our agents in respect of clearance of the Company's records*
- *Dealing with matters in relation to the retained employees including correspondence*
- *Liaising with HMRC in respect of the retained employees*

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 as there are over 11,500 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. There are also a number of trade and expense creditors that are taken into account with regards to this section. This section also deals with actions take in respect of and correspondence with the former employees of the Company. This work does not provide a direct financial benefit for the creditors of the Company, however it is crucial that creditors are kept informed of the progression of the case. This work included the following:

- *Dealing with personal information update requests from Bondholders including email addresses and postal addresses*
- *Dealing with telephone calls received to this office from Bondholders and other creditors*
- *Monitoring the calls received through the call centre*
- *Liaising with the call centre in respect of the calls received*
- *Drafting and issuing responses to written correspondence received from 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*
- *Organising and holding the Bondholder meeting to gain an understanding of representations made to Bondholders by the Company during their application process*
- *Issuing formal notification of redundancy to the former employees of the Company*
- *Terminating contact agreements with the directors of the Company*
- *Dealing with routine correspondence from the former employees of the Company*
- *Liaising with the RPS in order to set up a case reference number for employees*

- Preparing and submitting the RP14 and RP14a forms to the RPS for the benefit of the former employees of the Company
- Assisting the former employees of the Company with submission of their claims to the RPS
- Preparing and submitting the section 120 notice in respect of the Company's pension scheme
- Drafting letters to NEST Pensions, the Pensions Regulator and the Pension Protection Fund in respect of the Company's pension scheme
- Calculating and settling the Company's final pension payment in respect of its pension scheme
- Corresponding with HMRC regarding NIC due in respect of the retained employees
- 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
- Calls with creditors who have provided leased or hire purchase assets to the Company
- Maintaining records of amounts owed to trade and expense creditors on IPS (case maintenance system)
- Liaising and meeting with the FSCS in respect of compensation

Corporate Tax

- Internal discussions with the joint administrators to develop an understanding of the case
- Reviewing the Company's tax position
- Reviewing the structure of the borrowers

Forensics

- Attendance at the Company's former trading premises on day one of the administration to begin imaging of the Company's electronic records
- Attendance at the Company's former trading premises to continue the imaging process of the Company's electronic records
- Taking control of all electronic systems used by the Company
- Disabling access to the Company's electronic records to directors and former employees of the Company
- Downloading all data held in the Company's drop box account
- Downloading all data held in the Company's G-Suite email hosting system
- Attendance at meetings with third parties who hold records belonging to or containing information in respect of the Company with a view to extracting that information
- Liaising with third parties holding records belonging to the Company
- Review of all information extracted from the Company's electronic systems
- Uploading information extracted from the Company's systems to the Eclipse system for ease of access

Assurance & Business Services

- Assisting with review of accounting information extracted from the Company

Explanation of major work undertaken by Mishcon de Reya (solicitors for the administrators)

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

1. **Investigations.** This included advice relating to gathering evidence, actions to safeguard assets, and investigating possible routes to recovery.
2. **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.
3. **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.
4. **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.
5. **Corporate.** This included advice around corporate aspects of the existing and proposed arrangements between LOG and IOG, and associated corporate regulatory issues.
6. **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.
7. **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.
8. **Insurance.** This included work around reviewing, analysing and advising on the implications of various insurance policies, and corresponding with various relevant parties.
9. **Miscellaneous.** This included advice relating to certain law enforcement activity.

IX 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 typically, 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.

In certain cases there is a classification of forensic costs that fall under a Category 2 classification. Details of these costs have/ will be disclosed and approval requested accordingly.

Charge out rates

A schedule of Smith & Williamson LLP's charge out rates was issued to creditors at the time the basis of the joint administrators' remuneration was approved.

The rates applicable to this appointment are set out below. There have been no changes to the charge out rates during the period of this report.

| Smith & Williamson LLP Restructuring & Recovery Services Charge out rates as at 1 July 2018 | London office £/hr | Regional offices £/hr |
|---|-----------------------|-----------------------------|
| Partner / Director | 650 | 360-380 |
| Associate Director | 525 | 290-320 |
| Managers | 315-460 | 225-310 |
| Other professional staff | 215-310 | 140-185 |
| Support & secretarial staff | 115-400 | 60-140 |

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 |
|------------------------------------|---------------|
| Forensics | £/hr |
| Charge out rates as at 1 July 2018 | |
| Partner / Director | 610 |
| Associate Director | 470-515 |
| Managers | 390-410 |
| Other professional staff | 340 |

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

| 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 |

www.smithandwilliamson.com

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

Smith & Williamson LLP is regulated by the Institute of Chartered Accountants in England and Wales for a range of investment business activities. A member of Nexia International. Registered in England at 25 Moorgate, London EC2R 6AY No OC369871.

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X Notice of a Decision being sought by the Deemed Consent Procedure

London Capital & Finance Plc- In Administration (the 'Company')
Registered Number - 08140312

This notice is given pursuant to Part 15 of the Insolvency (England and Wales) Rules 2016 (the Rules).

| Court details | |
|---------------|-----------------------|
| Court Name | High Court of Justice |
| Court Number | CR-2019-000755 |

| Office Holder details | |
|---------------------------------------|---|
| Joint Administrators' Names | Finbarr Thomas O'Connell, Adam Henry Stephens, Colin Hardman and Henry Anthony Shinnars |
| Administrators' Firm Name | Smith & Williamson LLP |
| Date of Appointment of Administrators | 30 January 2019 |

THE PROPOSED DECISION

The following decision is proposed by the joint administrators (the **Convener**) to be made under Rule 15.8 by the deemed consent procedure:

1. That the joint administrators' proposals for achieving the purpose of the Administration, as set out in the joint administrator's report and statement of proposals, be approved.

In the absence of 10% in value of the Company's creditors (the **Threshold**) objecting to the Proposed Decision by no later than **Wednesday 10 April 2019 (the Decision Date)**, creditors will be treated as having made the Proposed Decision.

Procedure for objecting

In order to object to the Proposed Decision, a creditor must have delivered a notice in writing of their objection, together with a proof of debt in respect of their claim (unless a proof has already been submitted)

to the Convener, whose contact details are below, by no later than the Decision Date, failing which their objection will be disregarded.

It is the Convener's responsibility to aggregate any objections to determine if the Threshold is met for the Proposed Decision to be taken as not having been made. A creditor may appeal the decision of the Convener on the aggregation of objections. However such an appeal may not be made later than 21 days after the Decision Date.

If the Threshold is met, the deemed consent procedure will terminate without a decision being made and if a decision is sought again on the same matter it will be sought by an alternative decision procedure.

Creditors with a small debt

Any creditor whose debt is treated as a small debt (less than £1,000 inclusive of VAT) must still deliver a proof in respect of their claim by no later than the Decision Date if they wish to object to the Proposed Decision.

Creditors who have opted out from receiving notices

Any creditor who has opted out of receiving notices but still wishes to object to the Proposed Decision is entitled to do so. However, they must have delivered a notice in writing of their objection, together with a proof in respect of their claim (unless a proof has already been submitted) to the Convener, whose contact details are below, by no later than the Decision Date, failing which their objection will be disregarded.

Request for a physical meeting

Creditors who meet certain thresholds prescribed by the Insolvency (England & Wales) Rules 2016, namely 10% in value of creditors, 10% in number of creditors or 10 creditors, may require a physical meeting to be held to consider the Proposed Decision. However, such a request must be made in writing to the Convener within 5 business days from **Wednesday 27 March 2019 (i.e. by Wednesday 5 April 2019)** and be accompanied by a proof in respect of their claim (unless one has already been submitted).

IN YOUR WRITTEN REQUEST, PLEASE STATE THAT YOU ARE REFERRING TO DEEMED CONSENT OF THE PROPOSALS

In the event that a physical meeting is convened and our fees are approved on a time cost basis (in line with any fee estimate(s)) and there are funds available in the estate, the associated costs will be charged to the estate and drawn accordingly.


Appeal of Convener's Decision

Pursuant to Rule 15.35 of the Rules, any creditor may apply to the court to appeal a decision of the Convener. However, an appeal must be made within 21 days of the Decision Date.

Contact details

The Convener's postal address is at Smith & Williamson LLP, 25 Moorgate, London, EC2R 6AY. Any person who requires further information may contact the Convener by e-mail at: LondonCapital@smithandwilliamson.com.

Dated: 25 March 2019



Signed:
Convener

XI Notice of a Decision being sought by a Decision Procedure

London Capital & Finance Plc- In Administration (the 'Company')
Registered Number - 08140312

This notice is given pursuant to Part 15 of the Insolvency (England and Wales) Rules 2016 (the Rules).

| Court details | |
|---------------|-----------------------|
| Court Name | High Court of Justice |
| Court Number | CR-2019-000755 |

| Office Holders' details | |
|---|--|
| Joint Administrators | Finbarr O'Connell, Adam Stephens, Colin Hardman and Henry Shinnars |
| Administrators' Firm Name | Smith & Williamson LLP |
| Date of Appointment of Joint Administrators | 30 January 2019 |

THE PROPOSED DECISIONS

The joint administrators (the Convener) are seeking under Rule 15.8 that the following decision be made by the Company's creditors by correspondence:

- 1 That a creditors' committee should be established if sufficient creditors are willing to be members of a committee.

ENSURING YOUR VOTES ON THE PROPOSED DECISION ARE COUNTED

In order for votes on the Proposed Decision to be counted, a creditor must have delivered the Voting Form accompanying this notice, together with a proof of debt in respect of their claim (unless a proof has already been submitted) to the Convener, whose contact details are below, on or before **Wednesday 10 April 2019** (the Decision Date), failing which their votes will be disregarded.

Appeal of Convener's decision

Pursuant to Rule 15.35 of the Rules, any creditor may apply to the court to appeal a decision of the Convener. However, an appeal must be made within 21 days of the Decision Date.

Creditors' committee - nominations

In relation to the proposed decision set out above concerning the formation of a committee, any nominations for membership of the committee must be received by the Convener by no later than the Decision Date and will only be accepted if the joint administrators are satisfied as to the nominee's eligibility to be a member of such committee under Rule 17.4 of the Rules. Please note that nominations for membership can be made on the Voting Form accompanying this notice.

Creditors with a small debt

Any creditor whose debt is treated as a small debt (less than £1,000 inclusive of VAT) must still deliver a proof of debt in respect of their claim by no later than the Decision Date if they wish to vote on the Proposed Decisions.

Creditors who have opted out of receiving notices

Any creditor who has opted out of receiving notices but still wishes to vote on the Proposed Decisions is entitled to do so. However, they must have delivered a completed Voting Form, together with a proof of debt in respect of their claim (unless a proof has already been submitted) to the Convener, whose contact details are below, by no later than the Decision Date, failing which their votes will be disregarded.

Request for a physical meeting

Creditors who meet certain thresholds prescribed by the Insolvency (England & Wales) Rules 2016, namely 10% in value of creditors, 10% in number of creditors or 10 creditors, may request a physical meeting to be held to consider the Proposed Decision. However, such a request must be made in writing to the Convener within 5 business days from **Wednesday 27 March 2019 (i.e. by Wednesday 5 April 2019)** and be accompanied by a proof in respect of their claim (unless one has already been submitted).

IN YOUR WRITTEN REQUEST, PLEASE STATE THAT YOU ARE REFERRING TO FORMATION OF A COMMITTEE

In the event that a physical meeting is convened and our fees are approved on a time cost basis (in line with any fee estimate(s)) and there are funds available in the estate, the associated costs will be charged to the estate and drawn accordingly.


Appeal of Convener's Decision

Pursuant to Rule 15.35 of the Rules, any creditor may apply to the court to appeal a decision of the Convener. However, an appeal must be made within 21 days of the Decision Date.

Contact details

The Convener's postal address is at Smith & Williamson LLP, 25 Moorgate, London, EC2R 6AY. Any person who requires further information may contact the Convener by e-mail at: LondonCapital@smithandwilliamson.com

Dated: 25 March 2019



Signed:

Convener