



# Strand Capital Limited (in special administration)

Joint special administrators' progress report

15 December 2017



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# 1. Glossary

Abbreviation	Description
Company	Strand Capital Limited (in special administration)
joint special administrators	Adam Henry Stephens and Henry Anthony Shidders of Smith & Williamson LLP and Virgil Harsham Levy of LA Business Recovery Limited
SIP	Statement of Insolvency Practice (England & Wales)
Regulations	The Investment Bank Special Administration Regulations 2011 as amended by The Investment Bank (Amendment of Definition) and Special Administration (Amendment) Regulations 2017
Rules	The Investment Bank Special Administration (England and Wales) Rules 2011
IA86	Insolvency Act 1986 If preceded by S this denotes a section number
IR86	Insolvency Rules 1986 If preceded by R this denotes a rule number
CASS	FCA “Client Assets Sourcebook” rules
OWG	Optima Worldwide Group Plc
FCA	Financial Conduct Authority
FSCS	Financial Services Compensation Scheme
TPR	The Pensions Regulator
Sch B1	Schedule B1 to the Insolvency Act 1986 as amended by the Regulations If preceded by P this denotes a paragraph number
SOA	Statement of Affairs
HMRC	HM Revenue & Customs
IFA	Independent Financial Advisor
SIPP	Self-Invested Personal Pension
S&WFS	Smith & Williamson Financial Services Limited

## 2. Introduction

We, Adam Stephens and Henry Shinnars, of Smith & Williamson LLP, 25 Moorgate, London, EC2R 6AY and Virgil Levy, of LA Business Recovery Limited, 1 Beasley Yard, 126 High Street, Uxbridge, Middlesex UB8 1JT, all being licensed insolvency practitioners, were appointed joint special administrators of the Company on 17 May 2017.

This report provides an update on the progress in the special administration for the Company for the six month period ending 16<sup>th</sup> November 2017.

Appendix I contains information in respect of the Company and the joint special administrators that is required under the Rules.

### 2.1 Key points to note

This is the six monthly progress report of the special administration of the Company.

- The Company was placed into special administration on 17 May 2017. Further details can be found in the joint special administrators' proposals dated 6 July 2017.
- The joint special administrators have various objectives to perform, as set out in the Regulations. One of these objectives, which we believe will be of particular interest to clients, is to ensure the return of client assets as soon as is reasonably practicable. Our work is focussing (not exclusively) on achieving this.
- The joint special administrators faced particular challenges on appointment in that there was no wholly live business relating to the Company. This is on the basis that access to the online trading platform was not immediately forthcoming, little activity was being undertaken at the Company's premises, and it had no current employees.
- Since our appointment we have:
  - Set up new communication routes for clients and creditors.
  - Contacted all relevant institutions that held client money and/or client assets, and also company (also known as house) money and assets. These matters are now broadly concluded, albeit this has proved particularly challenging in respect of certain aspects (discussed further in within the report).
  - Have taken steps to release the working draft of the reconciliation to SIPP providers, IFAs and Pension Trustees, to verify the underlying clients' individual holdings.
  - We are in regular contact with the FCA and FSCS. Periodic conference calls and face to face meetings have been held, and a bi-weekly written updates are being provided to them. We thank them for their assistance.
- In respect of the current position of the client reconciliation and arrears preventing client statements we summarise the following. There is:
  - A current client cash discrepancy of £119,539.13;
  - An unreconciled client asset position of 547,028 units relating to investments within the OWG Series D bonds; and
  - An unreconciled balance in respect of this December 2016 interest payment of £549,934.01 (plus accruing interest on it) in respect of the OWG bonds.

OWG representatives have been in discussions with the joint special administrators in respect of the queries we have on their bonds and their interest payments.

- Joint special administrators proposals were approved by creditors and clients at combined meeting of clients and creditors of the Company, convened and held on Friday 21 July 2017 at 10.30am in the Lower Hall at City Temple, Holborn Viaduct, London EC1A 2DE.
- The creditors and clients present at this meeting approved the joint special administrators' proposals and passed a resolution to establish a creditors' committee.
- The subsequent first formal meeting of the creditors' committee held on the 6<sup>th</sup> September 2017, approved the joint special administrators remuneration in line with the resolutions outlined in the joint special administrators' proposals.

For the purposes of this document, someone who is entitled to client money protection is referred to as a client, together with those for whom the Company holds client assets. Someone who is not entitled to participate in the client money pool or for whom no client assets are held is referred to as a Creditor.

Creditors comprise suppliers of utilities and other services to the Company, and are also known as unsecured creditors.

We understand that SIPP providers and Pension Trustees are the Company's clients, as distinct from the underlying beneficial investors. We believe ISA holders are clients.

## 3. Progress of the special administration

### 3.1 Background to the special administration

#### 3.1.1 History of Company

The following information was previously disclosed in the special administrators' proposals. It is included to save the reader having to refer back to that document directly.

- The Company was incorporated on 7 April 1999 with the name Interactive Clearing Services Limited, although it does not appear to have commenced trading until 2002.
- The Company is an 'investment bank' within the definition of the Banking Act 2009, in that it is a company incorporated in England and Wales with permission under Part 4A of the Financial Services and Markets Act 2000 to carry on regulated activities. This includes dealing in investments as agent, and it holds client assets (in particular interests in bonds and funds held through custodians for clients) and client money.
- The Company is authorised and regulated by the FCA, and its FCA number is 494001.
- The Company operated principally as a discretionary fund manager. It also arranged transactions on receipt of instructions from Independent Financial Advisers and Self Invested Personal Pension providers, amongst others. The Company's activities involved the use of an online algorithmic trading platform. However, in the weeks prior to the commencement of the special administration the director of the Company did not have access to this platform.

#### 3.1.2 Trading background

- In January 2014 the Company was acquired from Mr Martin McNally by Panacea Corporate Services Limited, and was subsequently transferred to Optima Worldwide Group Plc (OWG).
- In September 2014 Mr Hamilton Keats was appointed director of the Company, and OWG invested funds into the Company to support the development of an algorithmic trading platform.
- 5Alpha Limited ("5Alpha") provided IT services to the Company, in particular in relation to the development and maintenance of the algorithmic trading platform. No formal contract for services appears to have been entered into between the Company and 5Alpha. Mr Hamilton Keats was also the director and largest shareholder of 5Alpha.
- Until May 2016 the only investments arranged by the Company were in OWG bonds. However, investments in OWG bonds slowed thereafter as alternative investment products were introduced by the Company.
- The algorithmic trading platform went live in February 2016, and from circa May 2016 the Company began using the algorithmic model to pick investments on behalf of clients. Around this time the Company's online platform also went live, which provided clients with access to their individual investment account details.

- Until November 2016 the types of securities selected by the algorithmic model could be broadly categorised as relatively conventional, on the basis that they were typically listed on the London Stock Exchange.
- Around November 2016 a significant proportion of the security investments were transferred to one or both of the following UCITS (“Undertakings for Collective Investment in Transferable Securities”):
  1. 5Alpha Adventurous Fund; and/or
  2. 5Alpha Conservative Fund

Both UCITS are sub-funds of Newscape Plc and are open ended investment companies with variable capital. This means they are professionally managed collective investment funds whereby investors receive shares in the fund, to be subsequently redeemed at a time suitable to individual investors. Both 5Alpha Adventurous Fund and 5Alpha Conservative Fund are traded on the Irish stock exchange.

### 3.1.3 Summary of position in the lead up to appointment

The following information has broadly been provided by certain of the Company’s senior management and public records.

- The Company faced a number of challenges broadly derived from finalising its contractual relationship with 5Alpha, and shareholder relations. The shareholder entered into a limited marketing exercise to sell the Company or its business. No offers for the Company and its business were forthcoming, nor was it possible to agree terms for a management buy out of the business.
- Subsequently, Mr Hamilton Keats ceased to act as director on 20 March 2017, and Mr Joseph Egerton was appointed as replacement by the shareholder. Prior to this, Mr Egerton had been providing regulatory and compliance advice to the Company, and OWG approached him to become director in the short term.
- From this date it appears to be the case that the Company was no longer in a position to continue to trade as it no longer had access to the trading platform, as a result of Mr Keats and other key personnel leaving the business. These key personnel had the knowledge and skills to operate this software. The remaining personnel (being Mr Egerton) didn’t believe that they had these skills and knowledge, nor the requisite approval from the FCA, to oversee trading on behalf of the Company. On a very practical level, nobody remained in the business who had logon details to the trading platform.
- On 24 March 2017, at the director’s request, the Company was subject to a requirement imposed by the FCA to cease to carry on regulated activity and to prohibit it from dealing with client money and client assets. It was also no longer permitted to make any payment in excess of £5,000 without the prior written consent of the FCA.
- At this time, in broad terms, the client assets under management by the Company amounted to some £100m (according to the Director at the time of the commencement of the special administration) and represented the investments of individuals in their pensions (mainly SIPP’s) and ISAs. The Company had (and continues to receive) requests to liquidate holdings and transfer money. The Company and its director were not able to act upon those requests, and were obviously mindful that this situation was likely to give rise to enormous anxiety to the underlying SIPP and ISA holders (amongst others).
- Following discussions with the FCA in March and April 2017, the Company instructed LA Business Recovery Limited to provide professional guidance on the special administration procedure and engagement with the FCA, as well as considering the next steps the Company should take. Pinsent Masons LLP’s were also engaged as they had existing knowledge of the Company’s affairs and the requisite experience. Pinsent Masons LLP were engaged to consider CASS related matters and prepare an application to Court for the special administration of the Company.

### 3.1.4 Appointment of special administrators

- Having considered there were grounds to involve a CASS reconciliation team, Smith & Williamson LLP were formally engaged by the Company on 9 May 2017. In addition to this, Foot Anstey LLP were also engaged as legal advisors on 11 May 2017 as they have significant prior experience of the special administration process, having advised on a number of the 14 previous special administrations in England and Wales.
- In order to protect the Company’s position, and better safeguard the interests of clients and creditors, the Director applied for the Company to be placed into special administration and an application was filed in the High Court on Monday 15 May 2017. A brief hearing was held on the same day, with a more substantive

one scheduled for a later (but expedited) date. A hearing was subsequently held on Wednesday 17 May 2017, where an order was made for the Company to enter into special administration, as well as certain directions relating to the client money reconciliation required under the Regulations.

- The order obtained from the High Court of Justice appointed special administrators with effect from 17 May 2017. The case number is CR-2017-003691. The joint special administrators appointed are us, being Adam Stephens and Henry Shinnars of Smith & Williamson LLP, and Virgil Levy of LA Business Recovery Ltd.
- As at this date, according to the Company's own reconciliation, based on the last reconciliation available (being the 22<sup>nd</sup> March 2017) the Company had responsibility for 134,079,086 units in certain investments and cash of circa £12 million.

Apart from work undertaken by the joint special administrators in preparation for the special administration of the Company, none of the joint special administrators have a prior professional relationship with the Company.

Full details of the joint special administrators pre appointment work carried out in relation to the Company can be found in Section 5 and Appendix V.

## 3.2 Special administration strategy

The joint special administrators' statutory objectives are outlined in the Regulations and are as follows:

1. To ensure the return of client assets as soon as reasonably practicable; and
2. To ensure timely engagement with market infrastructure bodies and the Authorities; and
3. To rescue the Company as a going concern or wind it up in the best interest of the creditors.

There is no hierarchy to these objectives.

Special administrators are obliged to perform their functions in the interests of the Company's clients and creditors as a whole. At the time of this report, the joint special administrators are pursuing all three objectives.

The Regulations state that the order in which the objectives are listed is not significant. However, the joint special administrators commenced work on each objective immediately after appointment, prioritising the order of work on each objective as they saw fit in order to achieve the best result for clients and creditors. This approach continues. More detail is included in this report as to work carried out to date.

Whilst the joint special administrators, to date, have pursued all objectives, there has been particular focus on objective 1, being the finalisation of the reconciliation of client assets and monies to calculate individual client entitlements (with a view to the preparation of individual client statements). This is key to enabling the joint special administrators to distribute or transfer these assets back to clients as soon as possible. Whilst pursuing objective 1, the joint special administrators are ensuring that they continue to liaise with regulatory and market infrastructure bodies in a timely manner, in accordance with objective 2.

Alongside pursuing objective 1, the joint special administrators are mindful of their duties in accordance with objective 3. Whilst it is unlikely that a transfer of the Company as a going concern will be possible, appropriate steps are being taken to realise the Company assets in the best interests of creditors.

## 3.3 Steps taken since appointment

### 3.3.1 Overview

The joint special administrators faced particular challenges on appointment in that there was no wholly live business relating to the Company. This is on the basis that access to the online trading platform was not immediately forthcoming, little activity was being undertaken at the Company's premises, and it had no current employees.

At the date of appointment, the Company was operating from a small office, sublet from Brandon Hill Capital Limited. Following appointment the joint special administrators collected all papers remaining in the office

and took possession of the remaining computers. The office space has been handed back to Brandon Hill Capital Limited.

- Since our appointment we have:
  - Set up new communication routes for clients and creditors.
  - Contacted all relevant institutions that held client money and/or client assets, and also company (also known as house) money and assets. These matters are now broadly concluded, albeit this has proved particularly challenging in respect of certain aspects.
- In light of on-going questions in respect of client holdings, the joint special administrators have taken steps to release a working draft of the reconciliation to SIPP providers, IFAs and Pension Trustees, to verify the underlying clients' individual holdings.  
In light of the lack of full client records this has required execution of confidentiality agreements with the various parties, as well as establishing secure and encrypted data transfers.
- We are working to confirm the final client account balances for all clients. We will write again to clients with this information as soon as we are able to. This is an important matter and if your contact details change please let us, your provider and adviser know your new details immediately.
- We are in regular contact with the FCA and FSCS. Periodic conference calls and face to face meetings have been held, and a bi-weekly written updates are being provided to them. We thank them for their assistance.

The joint special administrators have, and will continue to, conduct the special administration in accordance with the purposes outlined in the Regulations.

In the period since appointment the joint special administrators have taken control of all Company and client assets. At the date of appointment all of the client assets were broadly under control of various other parties. As far as we are aware, all Company and client assets are now under the control of the joint special administrators, which has required considerable effort.

The joint special administrators have interviewed, and been assisted by, many of the personnel who were key to Company operations prior to appointment, primarily to understand the client money and client asset position in line with the duty to return client assets as soon as reasonably practicable. We thank them for their assistance to date.

### 3.3.2 Insurance

Prior to the commencement of the special administration, the Company maintained an Investment Managers Insurance Policy, which provided a range of covers. This policy expired on 28 June 2017.

As noted previously, the joint special administrators sought extension of the policy as it potentially could provide an alternative source of recovery to creditors and/or clients.

Clients and creditors will note that there were and are insufficient Company monies to settle the premium due, and a third party funded the cost.

The joint special administrators also took appropriate steps to place the insurance provider on notice of claims lodged against the Company and continue to do so. The joint special administrators, in conjunction with their lawyers, continue to liaise with the insurance provider and their lawyers in respect of matters in this regard.

### 3.3.3 Objective 1 – return of client assets as soon as reasonably practicable

The joint special administrators' principal focus has been to gain control of all client assets under management by the Company and to reconcile those assets to Company and client records. We are seeking to reconcile clients' individual positions, in accordance with CASS, but this process is ongoing and has not yet been finalised.

Overall, some of the key work streams for the joint special administrators have been:

- Gaining access to the trading platform. At the time of this appointment the joint special administrators had no contact with relevant personnel. However, we have been able to establish a dialogue, and overcome hurdles, to gain access.
- Gaining control of certain cash balances. At the time of appointment, circa £8.5 million of funds was not fully under the control of the Company. This was of concern, and considerable resource was dedicated



to regularising the position. This involved liaising with a number of banks and other parties, including Gallium Fund Solutions Limited (“Gallium”). The position of the funds has now been regularised.

- OWG Bond related matters. At the time of the appointment the Company’s director indicated that clients had invested in various issues of OWG bonds, with an issued and prospective redemption value of circa £25 million. Work has focused on ascertaining the precise constituency of the bond holders, and reconciling amounts due. Coupons are payable half yearly, and there appears to remain outstanding amounts in this regard. This matter remains outstanding and is a key focus of the joint special administrators continuing work.

Whilst we acknowledge that this is the principal matter delaying the finalisation of clients’ statement and the commencement of the client distribution process, we cannot provide extensive details of the on-going discussions with OWG. This is due to on-going legal discussions that prevent public disclosure.

The joint special administrators can confirm that the creditors’ committee have been provided with a more detailed update on this matter. Committee members have signed confidentiality agreements in respect of the information they receive through this process.

- As detailed above, in light of on-going questions in respect of client holdings, the joint special administrators have taken steps to release the working draft of the reconciliation to SIPP providers, IFAs and Pension Trustees, to verify the underlying clients’ individual holdings.

In light of the lack of full client records, this has required execution of confidentiality agreements with the various parties, as well as establishing secure and encrypted data transfers. This process is on-going with various parties and we thank them for their work on this matter to date.

### 3.3.3.1 Primary pooling event

The special administration of the Company triggered a primary pooling event pursuant to CASS, which means that all client monies are notionally pooled and will be distributed on a pro-rata basis to clients with entitlements to client money.

### 3.3.3.2 Client assets

The joint special administrators have ensured that all client monies and client custody assets have been secured and brought under their control. As part of the work to achieve this, there has been substantial liaison with various clearing banks (including NatWest) in order to achieve control. New client bank accounts have been opened, and new bank mandates established.

Client investments remain invested as they were prior to the special administration, with the custodians of these investments remaining Brandon Hill Capital Limited and Global Prime Partners Limited.

Mr Hamilton Keats and 5Alpha have assisted the joint special administrators to gain access to the algorithmic trading platform in order to complete a reconciliation of both client monies and client custody assets. They have also been able to provide valuable insight into matters affecting client positions in order to assist the joint special administrators in their independent assessment of client entitlements.

Work is currently ongoing to reconcile both the client monies and client custody assets to determine whether there is a shortfall to clients. Once this reconciliation to calculate individual clients’ entitlements has concluded, the joint special administrators will notify clients of their position in accordance with CASS. Shortly thereafter we will be in a position to commence the distribution of client monies and assets back to clients.

Whilst the reconciliation work still continues, it is anticipated there is likely to be a shortfall of client money and client custody assets, although it is not yet possible to estimate the quantum of such a shortfall. The joint special administrators’ current working position is included within Appendix III.

The main asset which has required considerable work is the OWG bonds. In simple terms the Company records do not accord with those of OWG in respect of the quantum of notes issued and in respect of the treatment of coupon interest payable at the start of 2017.

### 3.3.3.3 Monies owed to the Company from client assets

It is understood that certain commission payments and fees are owed to the Company for the period from 1

January 2017, although the quantum of this payment is yet to be confirmed. Once these fees and commission payments have been calculated and reconciled, the Company will raise an invoice to be deducted from client monies and assets as part of the client statements. These are debts owed to the Company which the joint special administrators will pursue to the extent that it is cost beneficial to do so.

### 3.3.4 Objective 2 - timely engagement with market infrastructure bodies and the Authorities

#### 3.3.4.1 Financial Conduct Authority

The FCA was consulted extensively prior to the appointment of the joint special administrators. The FCA indicated that it would not object to the appointment of joint special administrators and did not wish to make representations at the hearing at the High Court of Justice.

Since appointment we have liaised closely with the FCA in regard to our work completed since appointment and the status of client assets and monies. The FCA have been informed of the joint special administrators' activities to obtain access and control of client custody assets and client monies. The Company remains an FCA regulated entity, albeit with no current authority to trade.

Liaising with the FCA has continued during the special administration, and the joint special administrators will continue to co-operate and comply with any and all requirements imposed by the FCA.

#### 3.3.4.2 Financial Services Compensation Scheme

The FSCS is a statutory compensation scheme which may compensate eligible parties who have lost money as a result of the insolvency of a regulated entity. Compensation awards depend on a number of factors, and are subject to a maximum compensatory payment of £50,000 per person.

The joint special administrators have a legal obligation to cooperate with the FSCS, and since appointment we have liaised closely with them to ensure they are informed of the progress of the special administration. Like for the FCA, there are regular periodic updates provided to the FSCS.

Work is also being undertaken to provide the FSCS with information required to commence the process of assessing clients' claims for compensation. In the event a shortfall to clients is identified, the FSCS will automatically pay compensation to claimants without clients having to submit a claim or application form to FSCS.

The FSCS will update clients online at [www.fscs.org.uk](http://www.fscs.org.uk).

#### 3.3.4.3 The Pensions Regulator

TPR has been notified and kept informed of the progress of the joint special administration. Liaison with TPR will continue, especially in relation to matters affecting the two pension funds which arranged investments via the Company.

Liaison with TPR is likely to become key once a distribution to clients is possible.

#### 3.3.4.4 HM Revenue & Customs

HMRC have been and will continue to be consulted with during the special administration. Liaison with HMRC will be particularly key when the joint special administrators are in a position to distribute client assets, to ensure that tax efficient investment wrappers are maintained.

### 3.3.5 Objective 3 – to rescue the Company as a going concern or to wind it up in the best interests of creditors

#### 3.3.5.1 Sale of business or assets of the Company

Prior to special administration, the shareholder of the Company, OWG, entered into a limited marketing exercise to explore the possibility of a sale of the Company or its business, either to a 3<sup>rd</sup> party or its existing managing team. Such a sale was not achieved.

In preparation for the special administration consideration was given as to whether a sale of the business was possible in order to enable the company to continue to trade. However, there was significant uncertainty as to whether:

- i. The ongoing use of the algorithmic trading platform could be negotiated with 5Alpha; and
- ii. What the status of the client assets was and whether there was a shortfall, which a potential purchaser would have to underwrite.

With these considerations in mind it was determined by the director that a sale of the business at that time could not be achieved.

Following special administration, there were a number of discussions with parties who may be interested in purchasing part or all of the Company's business and assets. However, until such time as a full reconciliation of the client assets managed by the Company is complete a sale of the business or assets (in part or whole) cannot be pursued.

The joint special administrators will continue to consider whether a sale of any of the Company's assets may be possible, including a transfer of certain elements of client assets where permitted under the Regulation, although it is currently thought that such a transfer is unlikely.

### 3.3.5.2 Winding up the Company

In the event that a sale of business or some of the Company's assets is not achieved, the joint special administrators will pursue the objective to wind up the affairs and business of the Company.

This will involve a distribution of client assets (both client monies and client custody assets) to the Company's clients with entitlements.

Separately, realisations from any of the Company's own assets will be distributed amongst the Company's creditors.

## 3.4 Receipts and payments account

A summary of our receipts and payments account from the date of our appointment on 17 May 2017 to 16 November 2017 is attached at Appendix II.

Company assets and client assets have been shown separately.

### 3.4.1 Company/house receipts

Cash held in the Company's bank account at the date of appointment was £7,441.14, which has been transferred to the special administration estate account.

#### Computer equipment

Following the safeguarding of client and Company data (by removing the computers' hard drives) three of the Company's desktop computers were sold to Mr Hoyemsvoll for £250 plus VAT.

It should be noted that Mr Hoyemsvoll is an associate of the Company and agent's advice was sought on the value of the items prior to their disposal, and they gave their view that it was appropriate to undertake this sale. We highlight that no electronic data was sold.

#### Book debts

The director estimated that the Company had book debts of £349,000 at the date of special administration. This figure is based on the management accounts to 28 February 2017, and the director has raised concerns over the recoverability of these debts. We have obtained copies of the Company's nominal ledger as at 23 May 2017 and, whilst we can identify potential debtors relating to "loan" positions, there are no amounts that correlate to the £349,000. We therefore believe this asset is unlikely to be realised.

### VAT Refund

The director estimated within his witness statement that the Company would be entitled to a VAT refund of £12,000. The joint special administrators believe the quantum of the claim is likely to be more than this, in light of the costs incurred by the Company in the lead up to the special administration.

It should however be noted that any such claim is likely to offset against claims by HM Revenue & Customs. At present the quantum of any recovery is unclear.

### Management Fees

The director estimated outstanding fees of £469,113 and is not able to provide the basis upon which this estimate is provided. The joint special administrators considered this estimate to be unreliable have taken steps to calculate the fees due.

As reported previously, contractually management fees can continue to accrue (including post the date of special administration). However, clients will be entitled to submit counter claims (for lack of provision of service and other claims) which will result in an off-set being applied against further accruing fees. The joint special administrators having sought legal advice on the matter and have concluded that the management fees due should be calculated to the date that clients last received services from the Company being the 22<sup>nd</sup> March 2017.

Based on a system analysis undertaken as part of the client asset reconciliation and data for client statements, we believe the outstanding balance is £143,478.51. This balance will also be subject to set-off and the appropriate net balance which we estimate as £122,748.55 will be transferred to the Company upon the conclusion of the reconciliation and client agreement of their client statements.

## 3.5 Costs

To date no costs have been settled by the joint special administrators. Expenses incurred but not yet settled comprise:

Costs incurred but not yet met	In pursuit of Objective 1	In pursuit of Objective 2&3
	£	£
Printing and postage of letter to creditors and clients (approx.)	-	1,811.90
Extension of Investment Managers Insurance Policy	-	16,150.00
Collection of electronic books & records	-	647.59
Hire of room for creditors & clients meeting	-	620.00
<b>Total</b>	-	<b>19,229.49</b>

## 3.6 Unallocated assets

There are two Euro bank accounts holding a total of €6,158.08. Investigations are ongoing to confirm what these funds are and to whom they belong.

# 4. Investigations

The joint special administrators are required to investigate the affairs of the Company and the conduct of the directors and shadow directors in the three years preceding special administration. A report is then made to the Department for Business, Energy & Industrial Strategy, in accordance with the Company Directors' Disqualification Act 1986. The contents of this report are confidential.

Shortly after appointment, we made an initial assessment of whether there could be any matters that might lead to recoveries for the estate and what further investigations may be appropriate. This assessment took into account information provided by creditors at the initial meeting and as a response to our request to complete an investigation questionnaire.

I can confirm that we have complied with our statutory duty in this regard. Investigations in to matters brought to our attention continue in to the demise of the Company.

Should any creditor have any information that might assist us with our investigations, we request that you provide that information to us as soon as possible.

## 5. Pre-special administration costs and expenses

Pre-special administration costs are defined as fees charged and expenses incurred by the joint special administrators before the Company entered special administration (but with a view to it doing so). “Unpaid pre-special administration costs” are pre-special administration costs which had not been paid when the Company entered special administration.

Whilst taking steps to place the Company in to special administration, an element of work relating to the principle objectives of the special administration was undertaken by the prospective joint special administrators and other advisers (including solicitors and counsel). Such work was necessary to understand the client assets position, to ensure they could be effectively dealt with following special administration.

Detailed below is an analysis of the joint special administrators’ outstanding pre-special administration time costs and advisers’ time costs in relation to the pursuit of objective 1 and costs incurred in relation to the special administration.

Charged by/service(s) provided	Total amount unpaid £	Unpaid pre-special administration costs in pursuit of objective 1 £	Unpaid pre-special administration costs in pursuit of objectives 2 & 3 £
Smith & Williamson LLP - Time Costs	60,550.25	16,781.00	43,769.25
LA Business Recovery Limited - Time Costs	25,736.34	9,225.80	16,510.54
Foot Anstey LLP - Legal Advice	3,020.83	3,020.83	-
Pinsent Masons LLP - Legal Advice	102,877.50	89,334.00	13,543.50
Pinsent Masons LLP - Disbursements	53,031.65	53,031.65	-
<b>Total</b>	<b>245,216.57</b>	<b>171,393.28</b>	<b>73,823.29</b>

*Please note all costs are shown exclusive of VAT*

As stated in the joint special administrators’ proposals, we are not aware of any outstanding fees or expenses incurred by any other person qualified to act as an insolvency practitioner with a view to the Company entering special administration.

The explanation and narrative in respect of the costs outlined above and the rationale in the progress of the special administration were outlined in the joint special administrators’ proposals.

Within the proposals, the joint special administrators sought approval for these outstanding pre-special administration costs as follows:

- THAT, the joint special administrators unpaid pre-special administration costs relating to the Company to be paid, as outlined in Section 13 of the joint special administrators proposals.

- THAT, the joint special unpaid pre-special administration costs incurred in pursuit of Objective 1, as outlined in Section 13 of the joint special administrators' proposals, is to be paid out of client assets held by the Company, in accordance with Rule 196 of the Special Administration Rules.

A combined meeting of clients and creditors of the Company was convened and held on Friday 21 July 2017 at 10.30am in the Lower Hall at City Temple, Holborn Viaduct, London EC1A 2DE, to consider the joint special administrators' proposals. The creditors and clients present at this meeting approved the joint special administrators' proposals and passed a resolution to establish a creditors' committee.

The subsequent first formal meeting of the creditors' committee held on the 6<sup>th</sup> September 2017, approved the resolutions outlined above. These costs were approved by the creditors' committee but have not been drawn within the period. However, in the case of Objective 1 these costs would be paid, as approved by the creditors committee.

## 6. Joint special administrators' remuneration

The joint special administrators are entitled to receive remuneration for services given in respect of:

- Objective 1, which will be paid out of client assets; and
- Objective 2 and objective 3, which will be paid out of Company/house assets.

The basis of the joint special administrators' remuneration in all cases 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 special administrators and their staff in attending to matters arising in the special administration, or
- as a set amount

In this case, the joint special administrators sought approval for the basis of their remuneration in respect of remuneration for services provided for all three objectives by reference to the time properly spent by the joint special administrators and their staff in attending to matters arising in the special administration.

A combined meeting of clients and creditors of the Company was convened and held on Friday 21 July 2017 at 10.30am in the Lower Hall at City Temple, Holborn Viaduct, London EC1A 2DE, to consider the joint special administrators' proposals. The creditors and clients present at this meeting approved the joint special administrators' proposals and passed a resolution to establish a creditors' committee.

The subsequent first formal meeting of the creditors' committee held on the 6<sup>th</sup> September 2017, approved the resolutions outlined in the joint special administrators' proposals namely:

- THAT, the joint special administrators' remuneration in pursuit of Objectives 2 and 3 be fixed by reference to the time properly given by the joint special administrators and their staff in attending to matters arising in the special administration, calculated at the prevailing standard hourly charge out rates used at the time when the work is performed, plus VAT.
- THAT, the joint special administrators' remuneration and costs incurred in pursuit of Objective 1 is to be paid out of client assets held by the Company, in accordance with Rule 196 of the Special Administration Rules.

Costs have not been drawn in the reporting period. However, costs are scheduled to be paid, and these will be reported in the next reporting period.

Appendix V provides a detailed analysis of the joint special administrators time costs incurred in respect of objective 1 and objectives 2 and 3 for the period of this report, which I summarise as follows:

Objective	Firm	Hours	Total Costs	Average Hourly rate
			£	£
1	Smith & Williamson LLP	1,253.55	473,833.75	377.99
1	LA Business Recovery Limited	122.56	67,276.10	548.92
<b>Total</b>		<b>1,376.11</b>	<b>541,109.85</b>	<b>393.22</b>
2&3	Smith & Williamson LLP	397.15	172,818.38	397.15
2&3	LA Business Recovery Limited	50.19	27,296.40	543.86
<b>Total</b>		<b>447.34</b>	<b>200,114.78</b>	<b>447.34</b>

A creditors and clients guide to special administrators' fees can be found on the website [www.ips-docs.com](http://www.ips-docs.com). Should you require a paper copy please email [strandcapital@smithandwilliamson.com](mailto:strandcapital@smithandwilliamson.com) or telephone 020 7131 8452 and it will be sent to you at no cost.

Details of Smith & Williamson LLP's and LA Business Recovery Limited's charge out rates and policies in relation to the use of staff are provided at Appendix VI.

As regards to future fees and expenses, it is not possible to provide an estimate at this juncture. This is because it is not certain what work will be required.

### 6.1.1 Details of the tasks undertaken between the two firms appointed joint special administrators

Smith & Williamson LLP have undertaken the following functions in regard to the special administration:

- Taking control of all client and Company assets, maintaining client and Company monies in bank accounts and custodian services for the OWG bonds;
- A specialist Assurance & Business Services team are undertaking the reconciliation of all client monies and assets and will be responsible for preparing client CASS statements;
- A specialist forensic team have ensured all identified Company and client data is captured and stored, as required;
- Liaison with clients, creditors and other stakeholders of the Company in regard to notification of appointment and all other matters;
- Liaison with potentially interested parties regarding a sale of business;
- Reviewing and arranging renewal of key Company services to be maintained post special administration, including insurance;
- Arranging and attending meeting with key Company personnel and stakeholders, including the creditors committee the FCA and FSCS; and
- All administrative tasks required by statute, including statutory filing and liaison with regulatory bodies.

LA Business Recovery Limited has undertaken the following functions in regard to the special administration:

- Notifying HMRC of appointment and filing relevant documents in respect of VAT matters;
- Liaison with certain clients and creditors of the Company;
- Liaison with certain of the Company's former professional advisers;

- Attending meeting with key Company personnel and stakeholders, including the creditors committee the FCA and FSCS; and
- In respect of the majority of matters above, consulted, considered and made decisions alongside our joint special administrators, as appropriate for the progression of this case.

### 6.1.2 S&WFS

S&WFS, a company associated with Smith & Williamson LLP, may be required to deal with pension matters affecting the Company and clients. Payments to parties in which joint special administrators or their firm have an interest must be disclosed to, and approved by, creditors in a similar way as approval of the joint special administrators' remuneration.

In this case, the joint special administrators sought approval for the basis of S&WFS remuneration within their proposals as follows:

- By reference to the time properly spent by the S&WFS staff and their staff in attending to matters arising in the special administration.

S&WFS have not been utilised on this matter as envisaged at the time of the proposals, as such this resolution has not been presented to the creditors' committee to date. If required at a future date, the approach the creditors' committee for the appropriate sanction.

For reference details of S&WFS' charge out rates are included at Appendix VI.

## 7. Special administration expenses

### 7.1 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.

Charged by/service(s) provided	Total £	Time costs incurred in pursuit of objective 1 £	Time costs incurred in pursuit of objectives 2 &3 £
Foot Anstey LLP - Legal Advice	51,133	41,507	9,626
Pinsent Masons LLP - Legal Advice	51,622	15,613	36,009
Pinsent Masons LLP - Disbursements	3,906	3,906	-
<b>Total</b>	<b>106,611</b>	<b>61,026</b>	<b>45,635</b>
<i>Costs incurred are shown net of VAT</i>			



## 7.2 Joint special administrators' disbursements

We have incurred the following disbursements in the current period:

Description	Incurred in current period £	Objective 1 outstanding at period end £	Objective 2&3 outstanding at period end £
Postal Redirection	275.00	-	275.00
Statutory Advertising	509.00	-	509.00
Joint special administrators' Specific bond	183.34	-	183.34
Data Protection Renewal	35.00	-	35.00
Couriers	21.30	21.30	-
Travel	992.04	325.09	666.95
<b>Total</b>	<b>2,015.68</b>	<b>346.39</b>	<b>1,669.29</b>

*Costs incurred are shown net of VAT.*

## 7.3 Category 2 disbursements

Within the joint special administrators' proposals we outlined that we had incurred the Category 2 disbursements in regard to custodian services provided by Smith & Williamson Investment Services Limited in relation to the OWG Bonds.

In accordance with best practice, the joint special administrators sought approval to draw Category 2 disbursements as and when funds are available.

A combined meeting of clients and creditors of the Company was convened and held on Friday 21 July 2017 at 10.30am in the Lower Hall at City Temple, Holborn Viaduct, London EC1A 2DE, to consider the joint special administrators' proposals. The creditors and clients present at this meeting approved the joint special administrators' proposals and passed a resolution to establish a creditors' committee.

The subsequent first formal meeting of the creditors' committee held on the 6<sup>th</sup> September 2017 approved the resolutions outlined in the joint special administrators' proposals namely:

- THAT, the joint special administrators' category 2 disbursements, as outlined in Section 15.3 of the joint special administrators proposals, to be authorised.

Following the release of the joint special administrators' proposals, Smith & Williamson Investment Services Limited confirmed that due to the nature of the referral and the joint special administrators' appointment, they would not be seeking to charge the costs outlined in the proposals.

## 7.4 Policies regarding use of third parties and disbursement recovery

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

# 8. Estimated outcome for clients and creditors

## 8.1 Clients

As noted above, the director was not able to provide any information about client assets held, nor provide a list of clients. However, information has been gathered from the trading platform following special administration.

The last date to which client assets and monies were reconciled prior to appointment was 22 March 2017. Based on the current reconciliation data the client money and assets position at the date of special administration, being 17 May 2017, the special administrators have been able to identify is as follows:

Description	Units	Value £
Investments (as per Company records)	134,079,085.921	
Investments (reconciled)	133,531,600.601	
Cash (as per Company records)		£12,643,295.75
Cash (reconciled)		£12,523,756.02
<b>Differences</b>	<b>(547,028.000)</b>	<b>(£119,539.73)</b>

Greater detail on these investments holdings positions and the discrepancies can be found at Appendix III. Please note that the above schedule is an analysis of the total number of units held of each class of client asset; it is not an indication of the current value of any holdings and does not necessarily mean that such a quantum of assets will be distributed.

In the Director's Witness Statement that accompanied the application to Court for the special administration, estimated values were provided for securities totalling £63.5 million and for the OWG Bonds totalling £25.8 million. This would be the estimated value of the 134,079,085.921 units of investment shown above.

As can be seen from the above and the detail in Appendix III, we have concerns in respect of the investments relating to the OWG bonds (Series D). It is important to note that OWG representatives have been in discussions with the joint special administrators to establish the discrepancies on the Series D bond holding positions and should additional bonds be due, we will continue to work with OWG to ensure that these are provided.

The client cash discrepancy relates to two separate matters, they are as follows:

- £18,087.29 - Miscalculation of the final quarter 2016 management fees. These client balances will need to be funded by the management fees due to the Company for the period up to 22 March 2017. This Company funding requirement will be resolved upon finalising client statements; and
- £101,452.44 - The records available to the joint special administrators indicate that certain clients invested in OWG bonds have been preferentially allocated the part payments of the December 2016 interest but others have not.

In light of the believed outstanding balance at the date of special administration, this cash allocation has to be reversed and apportioned on a pro-rata basis as part of the reconciliation process. The £101,452.44 relates to the element of this interest received that has already drawn upon by clients and is no longer in the client money bank account.

At present, we believe there is an additional outstanding unreconciled balance in respect of this December 2016 interest payment of £549,934.01 (plus accruing interest) in respect of the OWG bonds.

OWG representatives have been in discussions with the joint special administrators and there are different interpretations of the position, as they are currently of the opinion that their obligation in respect of this balance has been settled in full.

If this position is correct, then the client cash position would be deficient by £669,473.74. Whilst the two matters detailed above can be resolved, upon finalising the reconciliation and client statements, the interest position could result in a cash deficiency. Only 18 clients have nil cash balances and therefore until the position is agreed, client statements cannot be finalised.

The joint special administrators are in discussions with OWG and its representatives on this particular issue, unfortunately, due to the nature of the correspondence, we are unable to provide any further detail in such a public document.

As previously indicated, the reconciliation of these client assets and monies is ongoing. Once complete, the joint special administrators will communicate with all clients in accordance with the CASS rules about their holding(s).

It is not yet possible to provide an estimate of the quantum of the distribution to clients of the Company. Whilst the reconciliation is not yet complete, it would seem likely that there will be a shortfall to clients, although it is not possible to quantify the extent of the shortfall.

Any eventual shortfall in clients' positions will form a creditor claim against the Company. Further detail of how claims are calculated and proved will follow in due course.

As indicated in our correspondence to date, it is understood that compensation is available to underlying clients' from the Financial Services Compensation Scheme ("FSCS").

The joint special administrators are working closely with the FSCS to proactively identify any shortfall, which the FSCS would seek to pay out to eligible claimants automatically, without clients having to submit a claim or application to the FSCS.

The FSCS protects consumers when authorised firms fail or stop trading. In certain prescribed circumstances it protects private individuals and small businesses if an authorised firm becomes insolvent and cannot pay claims against it. The FSCS considers that the Company is in default and that eligible clients will have a claim in the FSCS and are working with the JSAs.

For eligible claims, the FSCS can pay up to £50,000 in compensation per client. If claims are paid by the FSCS, the FSCS will then assume those client claims against Strand. This means the client will assign its rights in the administration to the FSCS.

Clients may receive payment in one of two ways:

1. From the FSCS. If you are eligible under FSCS's rules and the FSCS pays compensation to you or your pension, then the FSCS will take over all of your rights against Strand and third parties in accordance with its payment terms: <https://www.fscs.org.uk/investment-payment-terms/>

The Joint Administrators would then make any payments to the FSCS rather than to you, but the FSCS may be able to pay some of these monies over to you so that you are not disadvantaged (e.g. if FSCS received more than £50,000 in relation to your rights, it would pay the excess over to you).

2. From the Joint Administrators. If you are not eligible for compensation from the FSCS, the Joint Administrators would make any payments to you. You may be asked to confirm your bank details in due course.

## 8.2 Secured creditors

There are no secured creditors of the Company.

## 8.3 Preferential creditors

There is one preferential claim in the special administration, which is for less than £1,000.

Based upon current information, it is uncertain whether there will be sufficient monies to settle the preferential claim in full. It would also appear unlikely there will be sufficient asset realisations to enable a

dividend to be paid to unsecured creditors of the Company and to clients in respect of any shortfall in client assets and monies.

## 8.4 Unsecured creditors

Unsecured creditors' claims are broadly split into two main categories:

1. Client shortfall claims, which arise from any shortfall of client monies or client custody assets in the Company or other client asset related claims that are claims against the Company; and
2. Ordinary unsecured trade and other non- client claims, including employees' non preferential claims.

Until the reconciliation of the client monies and client custody assets has been concluded the joint special administrators are unable to provide a reliable estimate of the total unsecured creditors.

## 8.5 Prescribed Part

Where a company has created a floating charge on or after 15 September 2003 there is 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. These funds are referred to as the Prescribed Part.

As stated above, the Company has no secured (floating charge) creditors, so the Prescribed Part requirements do not apply.

# 9. Outstanding matters

Following the completion of the reconciliation, statements will be issued to all clients to agree their client claims. Once the individual statements are agreed, we will need to establish the most effective way to return the physical assets (other than cash) to clients. This will very much depend on whether the physical assets are whole or not.

Where assets are whole then they can be returned to either the client or transferred to another provider, subject to complying with the legal requirements. In circumstances where a shortfall is identified, the joint special administrators are required to distribute to clients on a pro rata basis.

The conclusion of the client statements will enable the resolution of the potential Company based assets, available to all creditors being any tax refunds and recovery of management fee positions.

As can be seen in the above report and through updates to date, from a client perspective we have concerns relating to the OWG bonds (particularly series D) and the interest payments received from OWG January 2017. It is important to note that OWG representatives have been in discussions with the JSAs and there are different interpretations of the position.

The JSAs will continue to work with the FSCS as necessary to determine the position. Further updates will be given as this process continues, but at present no further information can be given. There is no need to contact the FSCS at this stage. The FSCS will publish more information on its website when the position is clearer.

Please be assured that we are working closely with the FSCS and the FCA to finalise the position and return client funds and assets as quickly as possible.

# 10. Ending the special administration

Unlike administration, a special administration does not automatically end after 12 months. Once the joint special administrators consider that the objectives of the special administration have been met it will be concluded by either:

- Putting forward proposals for a Company Voluntary Arrangement, in order to rescue the investment bank as a going concern; or
- Filing a notice with the Court and Registrar of Companies for dissolution.

It is likely that following the completion of asset recoveries, receiving tax clearances and paying distributions to clients, the joint special administrators will use their discretion to exit the special administration by dissolution of the Company.

At present it is not possible to provide a realistic timescale for the length of the special administration.

# 11. Creditors' rights

Creditors have rights under Rules 201 and 202 to request further information and to challenge the joint special 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, including the creditor in question or the permission of the court) or client (with the concurrence of at least 5% in value of the client assets including the client in question) may request in writing that the joint special administrators provide further information about their remuneration or expenses which have been itemised in the report.
- Any secured creditor, or an unsecured creditor or client (with the concurrence of at least 10% in value of the unsecured creditor including the creditor in question, or the permission of the court) or client (with the concurrence of at least 10% in value of the total claims in respect of the client assets held by the investment bank, or with the permission of the court), or the FCA) 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 special administrators' remuneration is inappropriate and/or the remuneration charged or the expenses incurred (including any paid) by the joint special 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 the joint special administrators. If the matter is not resolved to your satisfaction, you may contact Smith & Williamson LLP's 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:

Email: [insolvency.enquiryline@insolvency.gsi.gov.uk](mailto:insolvency.enquiryline@insolvency.gsi.gov.uk)

Telephone: +44 300 678 0015

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

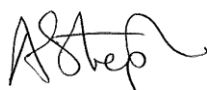
## 12. Next report

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

As detailed above, clients will be contacted by the joint special administrators upon the release of client statements, to verify their holdings with the Company.

The joint special administrators will continue to issue updates to clients as and when appropriate, these will continue to be released to your SIPP provider, IFA and /or Pension Trustee for onward transmission as well as uploaded to our webpage: [www.smithandwilliamson.com/strand-capital-limited](http://www.smithandwilliamson.com/strand-capital-limited)

Thank you



**Adam Stephens**  
On behalf of the Joint Special Administrators

Date: 15 December 2017



# Appendices

# I Statutory information

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Relevant Court	High Court of Justice, Chancery Division, Companies Court
Court Reference	CR-2017-003691
Trading Name(s)	Strand Capital or Strand
Trading Addresses	1 Tudor Street, London, EC4Y 0AH
Former Name(s)	London Capital Trading Limited (from June 2004 to February 2011) Curvalue Trading Limited (from June 2001 to June 2004) Interactive Clearing Services Limited (from April 1999 to June 2001)
Registered Office	1 Tudor Street, London, EC4Y 0AH
Registered Number	03747386
Joint special administrators	Adam Henry Stephens and Henry Anthony Shiners both of Smith & Williamson LLP, 25 Moorgate, London, EC2R 6AY and Virgil Harsham Levy of LA Business Recovery Limited, 1 Beasley Yard, 126 High Street, Uxbridge, Middlesex UB8 1JT  (IP Nos. 9748, 9280 and 19090 respectively)  In accordance with P100 (2) Sch B1 1A86 the Court order authorises the joint special administrators to act jointly and severally.
Date of Appointment	17 May 2017
Appointor	High Court of Justice upon the application of the Company acting by its sole director, Joseph Reginald Salisbury Egerton
Director	Joseph Reginald Salisbury Egerton
Company Secretary	Joseph Reginald Salisbury Egerton
Shareholder	Optima Worldwide Group Plc
Director's shareholding	N/A



## II Receipts and payments account

Company/house receipts and payments account from 17 May 2017 to 16 November 2017

Statement of Affairs £		From 17/05/2017 To 16/11/2017 £
	<b>ASSET REALISATIONS</b>	
	Computer Equipment	250.00
Uncertain	Book Debts	NIL
Uncertain	VAT Refund	NIL
7,441.14	Cash at Bank	7,441.14
Uncertain	Management Fees	NIL
	Bank Interest Gross	3.04
		<u>7,694.18</u>
	<b>COST OF REALISATIONS</b>	
	Funds Held at Natwest Bank Plc	3.85
	Bank Charges	(3.85)
		<u>NIL</u>
	<b>PREFERENTIAL CREDITORS</b>	
(84.50)	Employees Wage Arrears	NIL
		<u>NIL</u>
	<b>UNSECURED CREDITORS</b>	
(220,177.78)	Trade & Expense Creditors	NIL
(4,731.76)	Employees	NIL
		<u>NIL</u>
	<b>DISTRIBUTIONS</b>	
(387,600.00)	Ordinary Shareholders	NIL
		<u>NIL</u>
<b>(605,152.90)</b>		<b>7,694.18</b>
	<b>REPRESENTED BY</b>	
	Interest Bearing C/A	7,744.18
	VAT Payable Flt Chg	(50.00)
		<b>7,694.18</b>

## Client receipts and payments account from 17 May 2017 to 16 November 2017

Statement of Affairs £		From 17/05/2017 To 16/11/2017 £
	GENERAL FIXED CHARGE	
12,484,175.74	Primary Pool - Natwest Bank Plc	3,944,469.66
	Primary Pool - Natwest Bank Plc Interest	476.43
	Primary Pool - Funds Helld at Gallium	8,579,286.36
	Primary Pool - Funds Held at Gallium Interest	775.66
		<u>12,525,008.11</u>
<u>12,484,175.74</u>		<u>12,525,008.11</u>
	REPRESENTED BY	
	Natwest Client CASS A/c	12,525,008.11
		<u>12,525,008.11</u>

### Notes and further information required by SIP 7

- None of the investments held for clients have been shown on the client receipts and payments account as the reconciliation is incomplete. The joint special administrators' remuneration and costs has been approved, no funds have been drawn from the primary pool or Company accounts within the reporting period.
- No payments have been made to us from outside the estate.
- Client monies are held on a designated client account.
- All bank accounts are interest bearing.
- There are no foreign currency holdings detailed above.
- There is a further amount €6,158.08 held in a Company account. At present the joint special administrators have been unable to establish whether this is Company/house or client monies.
- 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.

# III Summary of the clients and clients' assets

## Current reconciliation of clients' assets to 17 May 2017:

Asset Name	ISIN	Units as stated in special administrators proposals	Company records	Units Reconciled	- Deficit + Excess
Fidelity I Stg Cr + Bd Gr	GB00B19CHJ19	9,941.840	9,941.840	9,941.840	-
BlackRock NthAmrcn EqTrk D Acc	GB00B7QK1Y37	9,592.346	9,592.346	9,592.346	-
BlackRock Idx LnkD Gilt Trckr D Acc	GB00B83RVT96	17,197.254	17,197.254	17,197.254	-
BlackRock Gbl PrpSecEqTrk D Inc	GB00B848DD97	14,959.672	14,959.672	14,959.672	-
BlackRock NURS II Global Equity D	GB00B88TNJ16	11,332.897	11,332.897	11,332.897	-
M&G Short Dated Corp Bd I GBP	GB00B8JXBQ82	24,999.518	24,999.518	24,999.518	-
Invesco Perp Corporate Bd NT Gr Acc	GB00B8N46Z18	104,404.770	104,404.770	104,404.770	-
Lazard Emerging Markets S Acc	GB00B8QHFR21	23,936.254	23,936.254	23,936.254	-
Investec Short Dtd Bd I Gr Acc GBP	GB00B94GN522	18,255.368	18,255.368	18,255.368	-
Blueprint Industrial Engineering PLC	GB00BVYY5H66	994,981.000	994,981.000	994,981.000	-
Elaine Securities PLC	GB00BWCH5D02	2,820,174.000	2,820,174.000	2,820,174.000	-
Vernon Property PLC	GB00BWCH5G33	1,608,835.000	1,608,835.000	1,608,835.000	-
The Meredith Property Group PLC	GB00BY4K3J36	3,373,011.000	3,373,011.000	3,373,011.000	-
Euler	GB00BYP4YT17	1,058,983.000	1,058,983.000	1,058,983.000	-
Cherry Homes (Class A)	GB00BYQ65R15	47,722,473.000	47,722,473.000	47,722,473.000	-
Cherry Homes (Class B)	GB00BYQ66013	63,661,234.000	63,661,234.000	63,661,234.000	-
Vanguard Gbl Bd Index Hdg A £	IE00B50W2R13	1,782.910	1,782.910	1,782.910	-
Kames Abslut Rtrn Bd C Acc GBP	IE00B6SLQ646	23,766.120	23,766.120	23,766.120	-
Vanguard UK ST Inv Grd Bd Idx A£	IE00B9M1BB17	2,371.020	2,371.020	2,371.020	-
5alpha Adventurous UCITS	IE00BYX95950	256,642.906	256,642.906	256,642.906	-
5alpha Conservative UCITS	IE00BYX95K61	235,267.816	235,267.816	235,267.816	-
BlackRock GF IEmMkLCBd D3RFH £	LU0995345831	3,049.910	3,049.910	3,049.910	-
Minerva Lending	XS1481211412	2,097,000.000	2,097,000.000	2,097,000.000	-
Optima Worldwide Group PLC 8.0% (Series A)	GB00BCLYDR27	1,281.000	1,263.000	1,263.000	-
Optima Worldwide Group PLC 8.0% (Series C)	GB00BNY8CJ32	1,092.000	1,124.000	1,124.000	-
Optima Worldwide Group PLC 8.0% (Series D)	GB00BY7S2204	10,057,050.000	9,982,050.000	9,435,022.000	(547,028.000)
<b>Total Units:</b>		<b>134,153,614.601</b>	<b>134,078,628.601</b>	<b>133,531,600.601</b>	<b>(547,028.000)</b>
<b>Cash held</b>		<b>£12,484,175.74</b>	<b>£12,643,295.75</b>	<b>£12,523,756.02</b>	<b>(£119,539.73)</b>

Please note that the value of these units can vary over time (and furthermore some appear to be relatively illiquid). In very broad terms, at the time of the commencement of the special administration (being 17 May 2017), the entirety of the client assets (including cash held) was in excess of £100m.

Please note that the above schedule is a breakdown of the total number of units held of each class of client asset, it is not an indication of the current value of any holdings and does not necessarily mean that such a quantum of assets will be distributed.

To the fullest extent permitted by law, neither the joint special administrators, Strand Capital Limited, Smith & Williamson LLP or LA Business Recovery Limited assume any responsibility for the content of this information and do not accept any personal liability in respect of this document to any party.

## Final Company list of clients' as at 17 May 2017:

Client Name	Address	Sum of Client money		Sum of Total units custody assets		Numbers of clients	
		Stated in proposals	Current position	Stated in proposals	Current position	Stated in proposals	Current position
@sipp	6th Floor, Mercantile Building, Galsgow, G2 6TS	£5,173.88	£8,088.68	284,949.116	284,949.116	70	70
Carey's Pensions UK LLP	1st Floor, Lakeside House, Shirwell Crescent, Furzton Lake, Milton Keynes, MK4 1GA	£190,101.83	£190,101.83	-	-	1	1
EasySIPP	2 Oakridge Office Park, Whaddon, Salisbury, SP5 3HT	£78,005.21	£153,800.52	11,431,394.925	11,431,394.925	427	427
Heritage Pensions Limited	6 Doolittle Mill, Frogghall Road Ampthill, Bedfordshire, MK45 2ND	-	£807.11	10.000	10.000	1	1
Intelligent Money	The Shire Hall, High Pavement, Nottingham, NG1 1HN	£11,559,622.90	£11,574,301.97	113,124,194.984	113,124,194.984	766	766
James Hay Partnership	Dunns House, St Paul's Road, Salisbury, SP2 7BF	£21,127.64	£119,514.35	1,244.000	1,244.000	134	134
Liberty SIPP	The Exchange, Bury, Lancashire, BL9 0DN	£65,131.39	£131,498.37	668,696.000	668,696.000	56	56
London & Colonial SIPP	38-42 Perrymount Road, Haywards Heath, West Sussex, RH16 3DN	£17,226.86	£6,647.39	2,982,775.082	2,982,775.082	30	30
The Curtis Banks Limited	3 Temple Quay, Temple Back, East Bristol, Somerset, BS1 6DZ	£0.20	£0.20	510.707	510.707	1	1
Wise Pension Group Limited	Dawson House, 5 Jewry Street, London, EC3N 2EX	£32,296.82	£69,962.11	2,972,670.223	2,972,670.223	181	181
AE Solutions Pension Scheme	c/o ESRG Group Regus House, Herons Way, Chester Business Park, Chester, CH4 9QR	£0.00	£4,260.79	-	4,920.818	-	94
My Workplace Pensions (Scheme)	c/o My Workplace Pensions Limited, Guildhall Yard, Blackwell House, London, EC2V 5AE	£0.00	£23,510.29	-	85,089.355	-	612
Individual clients	Details redacted	£515,489.01	£360,802.14	592,266.564	502,256.391	775	69
<b>Grand Total</b>		<b>£12,484,175.74</b>	<b>£12,643,295.75</b>	<b>132,058,711.601</b>	<b>132,058,711.601</b>	<b>2,442</b>	<b>2,442</b>

Note: as stated throughout this report and the joint special administrators' proposals, the reconciliation of information on the Company platform to the individual client entitlements is not yet complete and further work is to be completed in this regard.

Please note that the above schedule is an analysis of the total number of units held of each class of client asset, it is not an indication of the current value of any holdings.

To the fullest extent permitted by law, neither the joint special administrators, Strand Capital Limited, Smith & Williamson LLP or LA Business Recovery Limited assume any responsibility for the content of this information and do not accept any personal liability in respect of this document to any party.

As soon as the joint special administrators are in a position to update this information, details will be provided to all clients.

# IV Time analysis for the pre-appointment period

Time costs incurred by Smith & Williamson LLP from 2 May 2017 to 17 May 2017

Charged by/service(s) provided	Hrs incurred in pursuit of objective 1	Costs incurred in pursuit of objective 1 £	Hrs incurred in pursuit of objectives 2 & 3	Costs incurred in pursuit of objectives 2 & 3 £	Total Hours	Total Costs £
Partner	3.50	2,187.50	2.05	1,281.25	5.55	3,468.75
Director	11.95	6,692.00	36.45	20,412.00	48.40	27,104.00
Associate Director	5.25	2,520.00	19.00	9,120.00	24.25	11,640.00
Manger	13.55	5,149.00	45.10	17,138.00	58.65	22,287.00
Other professional staff	0.75	232.50	4.30	1,318.00	5.05	1,550.50
<b>Total</b>	<b>35.00</b>	<b>£16,781.00</b>	<b>106.90</b>	<b>£49,269.25</b>	<b>141.90</b>	<b>£66,050.25</b>

*Costs incurred are shown net of VAT*

Time costs incurred by LA Business Recovery Limited from 20 April 2017 to 17 May 2017

Charged by/service(s) provided	Hrs incurred in pursuit of objective 1	Costs incurred in pursuit of objective 1 £	Hrs incurred in pursuit of objectives 2 & 3	Costs incurred in pursuit of objectives 2 & 3 £	Total Hours	Total Costs £
IP / Officeholder	15.18	8,500.80	49.20	27,552.00	64.38	36,052.80
IP / Manager	1.45	725.00	-	-	1.45	725.00
Senior professional staff	-	-	3.85	1,565.00	3.85	1,565.00
Support staff	-	-	-	-	-	-
<b>Total</b>	<b>16.63</b>	<b>£9,225.80</b>	<b>53.05</b>	<b>£29,117.00</b>	<b>69.68</b>	<b>£38,342.80</b>

*Costs incurred are shown net of VAT*

## Explanation of major work activities undertaken - Smith & Williamson LLP

- Provide assistance drafting the director's witness statement and application for the special administration to the High Court;
- Attending Company offices to assess the whereabouts of books and records, and collect records (where available);
- To investigate and establish the whereabouts of Company assets;
- To review the available records of the Company to understand its liabilities and creditor position;
- Understanding events leading to special administration, to enable post appointment investigations and work;
- Gathering and interrogating as much data and information as possible in relation to the Company's clients, client monies and client assets in order to prepare for the possibility of not securing access to the platform;
- Liaising and meeting with the FCA, legal advisors and Counsel on the special administration process, as relevant to the Company;
- Preparation for appointment with regard to gathering lists of stakeholders, preparing for key questions that may be raised by stakeholders and ensuring suitable systems in place to handle enquiries;
- Meetings with key stakeholders of the Company to understand events prior to special administration;
- Liaising with the CASS Reconciliation Team, specialist tax advisors, and Forensics personnel to brief and prepare them prior to appointment;
- Ensuring access to IT systems, communications and web addresses were, as far as possible, secured in preparation of appointment; and
- Undertaking company searches

## Explanation of major work activities undertaken - LA Business Recovery Limited

- Initial discussions, advice & assistance given to the Company concerning the SAR provisions.
- Putting together searches & consideration of the papers and records available to assess the condition of the Company, its client monies and asset.
- Considerations of what post-appointment requirements would be relevant to prepare for.
- Consideration of the new SAR provisions together with the objectives set out under SAR in detail & preparing the Company for special administration.
- Advice to the Company in respect of preparing the company to pursue objective 1 - return of client assets/money; bringing in the CASS specialist firm & advisors relevant to the proposed CASS reconciliation exercise.
- Discussions & correspondence with the Company concerning client monies and client assets.
- Liaising with the FCA & the Company's advisors concerning the special administration procedure & consideration of the clients' positions.
- Meetings with the Company & its advisors concerning the return of client assets and monies - inclusive of meeting with stakeholders in the pre-appointment period.
- Consideration of and assistance with the Director's witness statement preparations.

## Further narrative explanation of LA Business Recovery Limited's engagement by the Company and their introduction to Smith & Williamson LLP

Mr Levy was approached by the Company as he had been known by its advisers to have the relevant experience in relation to the CASS rules and has had prior experience of handling the insolvency of an FCA-regulated firm. Mr Levy provided advice to the Company on procedures relevant to achieving the objectives of special administration.

Mr Levy subsequently approached Mr Stephens, with the Company's blessing, as Mr Levy understood Smith & Williamson LLP were in a good position to provide a CASS reconciliation and communications in respect of the client assets. It was agreed that it would be in the best interests of clients and creditors to appoint Mr Levy, Mr Stephens and Mr Shinnars as joint special administrators.

Smith & Williamson LLP have prior experience of acting as special administrators in the insolvency of a similarly regulated firm in 2016, although since that date the Rules have been amended.

The pre special administration time costs incurred are considered to be relevant to placing the Company into special administration, so as to enable the joint special administrators to commence their work on reconciliations and to achieve the objectives set out in this report and our proposals.

# V Time analysis for the period

## Overview

The joint special administrators' time costs have been apportioned between work undertaken in the pursuit of objective 1, and work undertaken in pursuit of objectives 2 and 3.

Furthermore, as the appointment of the joint special administrators comprises two separate firms, we have shown each firm's time costs separately for each of the apportionments between objectives.

The following pages show the apportionment of these time costs in accordance with best practice prescribed by SIP9, which can be summarised as follows:

Objective	Firm	Hours	Total Costs £	Average Hourly rate £
1	Smith & Williamson LLP	1,253.55	473,833.75	377.99
1	LA Business Recovery Limited	122.56	67,276.10	548.92
<b>Total</b>		<b>1,376.11</b>	<b>541,109.85</b>	<b>393.22</b>
2&3	Smith & Williamson LLP	397.15	172,818.38	397.15
2&3	LA Business Recovery Limited	50.19	27,296.40	543.86
<b>Total</b>		<b>447.34</b>	<b>200,114.78</b>	<b>447.34</b>



## Objective 1 - Smith & Williamson LLP's time costs from 17 May 2017 to 16 November 2017

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			
<b>Reconciliation work for the establishment of client assets data for individual client statement and pursuit of objective 1</b>								
Work undertaken relating to CASS audit / reconciliation to establish client asset schedules and information for client statements	122.10	22.50	159.90	138.10	0.00	442.60	£168,675.50	£381.10
<b>Identification of asset holdings</b>								
Identification of assets, including liaising with custodians and financial institutions	16.30	6.00	85.30	27.55	0.00	135.15	£46,308.25	£342.64
Reconciling 3rd party records to company records of client assets	1.90	0.00	22.40	6.00	0.00	30.30	£10,197.00	£336.53
Ascertaining shortfalls in client assets on an investment by investment basis	8.00	0.50	8.10	2.45	0.00	19.05	£8,708.50	£457.14
Attributing shortfalls in client assets on an investment by investment basis	0.00	0.00	10.50	0.00	0.00	10.50	£4,777.50	£455.00
<b>Recovery and realisation of client assets</b>								
Recovery and safeguarding of client assets	21.35	7.50	55.85	6.35	0.00	91.05	£39,759.50	£436.68
Reconciling post pooling client receipts	0.20	0.00	16.45	9.85	0.00	26.50	£10,007.75	£377.65
Reconciling and verifying asset holdings	2.30	0.00	10.60	5.35	0.00	18.25	£7,127.00	£390.52
<b>Client Specific matters</b>								
Objective 2 tasks necessary to achieve objective 1	2.50	0.00	78.70	6.70	0.00	87.90	£37,223.00	£423.47
Agreeing claims and liaising with clients regarding their claim	10.35	52.25	32.55	34.95	0.00	130.10	£54,183.50	£416.48
Liasing on client claims with instructed 3rd parties	2.05	0.00	34.20	129.45	0.00	165.70	£53,615.75	£323.57
Preparing statement to each client to agree their position	1.20	0.25	82.65	12.35	0.00	96.45	£33,250.50	£344.74
<b>Total</b>	<b>188.25</b>	<b>89.00</b>	<b>597.20</b>	<b>379.10</b>	<b>0.00</b>	<b>1,253.55</b>	<b>£473,833.75</b>	<b>£377.99</b>

### Explanation of major work activities undertaken

The below provides commentary on the various categories above. Readers should be aware that the Company ceased to actively manage client positions on the 22 March 2017 prior to the special administration. The Company's newly appointed director was unable to establish access to client data, which was on a 3<sup>rd</sup> party platform prior to the joint special administrators' appointment.

A considerable amount of work has been undertaken to effectively produce a CASS review on the platform data to enable the production of client statements in line with the principle of objective 1. Please also refer to the body of the report for further explanations for the work undertaken.

### **Reconciliation work for the establishment of client assets data for client individual statements and pursuit of objective 1**

The Company did not have access to client data at the appointment of the joint special administrators. There was also no clear CASS reconciliation / audit available upon appointment. This has created very significant challenges for the joint special administrators to overcome. Therefore, a significant amount of work has been required to establish and assess the basis of data (to produce the base client data to form part of the client statements) and linking this to the date of the last internal portal reconciliation.

This work relates to CASS audit / reconciliation work to establish client asset schedules, information statements and includes the following:

- Review and assess guidance on statutory requirements relating to initial reconciliation and impact on client statement reports.
- Protection of client's assets and records (including electronic) and the production of a workable client database and their holdings.
- Establishing access to personnel to run queries on client data.
- Digital image of client portal and client data, with work on establishing data queries, merge reports and client data reports for statements and data transfer to the FSCS.
- Interrogation of data and systems, to identify individual client holdings.
- Dealing with routine correspondence from custodians on queries raised on investment positions.
- Project team meetings, including joint special administrators' team update meetings in respect of working points on information requirements for client statements and external verification of work undertaken.
- Review of physical books and records relating to client records to establish identification of Company's clients.
- Releasing draft client data to SIPP providers, IFAs and Pension Trustee to validate available client data on client holdings and cash positions.

### **Identification of asset holdings**

Work has been undertaken to identify client assets and establish reporting requirements with custodians and financial institutions, in order to reconcile and attribute asset holdings and investments to clients.

This work includes the following:

- Establishing access to client portal and client data.
- Meetings and interviews of key personnel relating to the data systems and data interrogations possible to establish client position.
- Establishing oversight over the Company's client cash book and client bank accounts. In light of the bank policies in respect of special administrator appointments a significant amount of time was accrued on establishing relevant controls over client accounts.
- Correspondence with custodians and various parties establishing external verification of client portal data.
- Correspondence with Brandon Hill Capital and Optima Worldwide Group in respect of bond and interest discrepancies. An element of this work is also allocated to Objective 2&3 in respect of on-going investigations.
- Interviews with key parties to understand the position in possible interest apportionments and reallocations.

### Recovery and realisation of client assets

This section is in relation to the recovery and safeguarding of the Company's clients assets and investments, which is explained in detail through the contents of our report.

The work generally includes the following:

- Overseeing and managing the special administrators' client cash book and client bank accounts. In light of the bank policies in respect of special administrator appointments, a significant amount of time has been accrued on establishing relevant controls over client accounts.
- Establishing custodian facilities for identified OWG bonds.
- Discussions with our legal advisors in respect of the contractual client matrix arising from client acknowledgement letters, interim custodian authority and subsequent agreements.
- Contact with relevant parties of reporting of post pooling transactions / receipts.
- Dealing client identification and checks as to suitability for interim custodian requirements and internal Smith & Williamson LLP compliance requirements.
- Discussions with our legal advisors in respect of pursuit of the return of client funds to the primary pool in respect of terminated / un-actioned transactions.
- Discussions with the relevant regulators relating to obtaining control over funds and assets.
- Physical audit of bonds to establish bond holdings in line with statement requirements.
- Discussions with parties relating to understanding current valuation of investment holdings.
- Ensuring regulatory reporting requirements are maintained.

### Client specific matters

The Company had a significantly large number of underlying clients (circa 3,500 accounts; as the underlying beneficial owners of the various investments). An element of work has been undertaken to identify those underlying creditors as part of the client statements process. In addition, an element of the costs incurred to date in the special administration relate to the Company's obligations to clients. An element of this time has been allocated against client positions. The rationale behind such apportionments is on a case by case basis and in consideration of a possible crystallisation of a client shortfall, and the cost attributable to dealing with this going forward. The work includes the following:

- A proportion of the costs relating to discussions with key custodians SIPP providers and IFAs.
- A proportion of the costs Establishment and management of client telephone line, email and web facilities, including FAQ documentation.
- Client management and CASS obligations looking at quantum of client investments and basis of possible claim.
- An element of the costs relating to the monitoring and responding to client queries / concerns relating to on-going security of their funds and investments. This involved the management of the designated telephone line, webpage and email address.
- A proportion of the costs involved in the extension of the discovery period on the Company's insurance policy relating to the protection of client positions, professional indemnity and run off cover, and notification of existing claims and claims received post appointment under policies as required.
- Working with SIPP providers; IFAs and Pension Trustees on reconciliation of draft client data.

## Objective 1 - LA Business Recovery Limited's time costs from 17 May 2017 to 16 November 2017

Classification of work function	HOURS				Total Hours	Time cost	Average Hourly Rate
	Office Holder	IP/Manager	Senior Professional staff	Support Staff			
<b>CASS reconciliations of client assets</b>							
CASS reconciliations of client assets (data access / queries)	10.50	7.20	0.00	0.00	17.70	9,480.00	535.59
Job planning re: objective 1 matters & review/update progress of reconciliations	24.11	0.00	0.00	2.80	26.91	14,271.60	530.35
Reviewing books & records (including electronic data) in relation to client assets	15.60	0.00	0.00	0.00	15.60	8,736.00	560.00
<b>Identification of asset holdings</b>							
Bond Investments - identifying how held / considering OWG bond instruments	5.00	4.50	0.00	0.00	9.50	5,050.00	531.58
Fund Investments - identifying how held	0.10	2.00	0.00	0.00	2.10	1,056.00	502.86
<b>Recovery and realisation of client assets</b>							
Recovery of assets from 3rd parties - client money	1.40	0.00	0.00	0.00	1.40	784.00	560.00
Recovery of assets from 3rd parties - Fund Investments	0.20	0.00	0.00	0.00	0.20	112.00	560.00
Recovery of assets from 3rd parties - Bond Investments	0.20	0.00	0.00	0.00	0.20	112.00	560.00
<b>Client specific matters</b>							
Agreeing client claims & liaising with clients regarding their claim	6.10	0.00	2.50	0.00	8.60	4,666.00	542.56
Insurance renewal matters and client claim notification	1.75	0.00	0.00	0.00	1.75	980.00	560.00
Strategy and liaison with legal advisers in relation to the bond information	9.30	0.00	0.00	0.00	9.30	5,208.00	560.00
Correspondence & review re: OWG (bond reconciliations / coupon payment)	15.50	0.00	0.00	0.00	15.50	8,680.00	560.00
Statutory reporting to clients & initial client meeting re: proposals & committee	13.80	0.00	1.50	0.00	15.30	8,140.50	532.06
<b>Total</b>	<b>103.56</b>	<b>13.70</b>	<b>2.50</b>	<b>2.80</b>	<b>122.56</b>	<b>67,276.10</b>	<b>548.92</b>

## Explanation of major work activities undertaken

### Securing & Establishing Client Data / Objective 1 / Planning and reconciliations strategy review

- Establishing client details making a claim/query with his SIPP account
- Contacting directors via all media, FB, what's app and email; all in pursuit of objective 1
- Custodian position re: client monies analysed
- Meeting with Counsel post-appointment to specifically cover the communications with clients in relation to client assets and client monies claims
- Meeting with director concerning access to the platform & information exchange on makeup of client data
- Establish timeline for access in order that the proposed reconciliation takes place
- CASS drill down in to the cloud based client records with CASS team
- Planning and strategy re obtaining the data for client reconciliation purposes & estimated values thereof; Newscape and 5Alpha funds discussed; Gallium as custodian for current client monies discussed & letter drafts considered
- Consideration of the OWG bond position and reconciliation
- Correspondence with OWG in relation to bonds
- Planning and strategy concerning approach to OWG concerning the bond coupon payment and default
- Review of client data and records, client listings for the proposals
- Considering nominee company position and strategising control

### Establishing client assets position / data reconciliation / realisation of client assets

- Establishing OWG value / saleability
- Meeting with OWG & discussions regarding OWG bonds & client asset matters
- Meeting with the FSCS & discussion concerning client asset/money matters
- Strategising miss-selling and hardship issues on potential claimants; claim levels and timings of any compensation
- Meeting with legal advisers & advice on CASS reconciliations & position relative to objective 1 of SAR
- Meeting with legal advisers and S&W re: advice taken on the client money pool and position on handling claims/complaints FSCS
- Consideration of client money reconciliation progress & correspondence drafts in respect of recovering client money; accessing client data information
- Establishing potential client asset shortfall issues
- Consideration of client claims received by email & dealt with replies specific to client claims
- Consider SIPP client information
- Review clients' claims & correspondence in relation to Objective 1 under SAR.

### Correspondence, discussions and communications regarding clients' assets and monies

- Correspondence with SIPP providers, IFA's and custodians
- Telephone communications with private clients, premier wealth managers and SPP providers
- Dealing with client's claims/query with SIPP accounts
- Apportionment of time to set up the committee with client members
- Apportionment of time for attending and presiding at committee meetings & conference calls
- Consideration of the progress report
- Consideration of hardship cases
- Internal discussions with regards to updates to FCA & FSCS
- Discussion with London Colonial re client matters & claims

## Objectives 2 & 3 - Smith & Williamson LLP's time costs from 17 May 2017 to 16 November 2017

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			
<b>Administration and planning</b>								
Statutory returns, reports & meetings	28.70	45.00	23.00	12.10	0.00	108.80	£54,159.50	£497.79
Initial post-appointment notification letters, including creditors	3.90	5.00	5.85	3.40	0.00	18.15	£7,928.50	£436.83
Cashiering general, including bonding	0.00	0.00	0.00	1.70	0.45	2.15	£648.50	£301.63
Post-appointment taxation (VAT, PAYE/NIC, Corporation Tax )	1.15	0.00	2.20	2.85	0.00	6.20	£2,462.25	£397.14
Protection of company records (incl electronic)	0.00	0.00	1.80	5.60	0.00	7.40	£2,375.00	£320.95
Insurance & general asset protection	0.40	5.00	5.10	7.65	0.00	18.15	£6,989.75	£385.11
Correspondence with joint special administrator	1.90	5.00	14.80	1.20	0.00	22.90	£10,276.75	£448.77
Filing, file and information management	0.00	2.00	0.95	3.95	0.00	6.90	£2,264.50	£328.19
Case planning, reviews and progression (inc 6 month reviews, checklists & diary)	3.30	2.00	7.20	6.15	0.00	18.65	£7,985.25	£428.16
Travelling	0.00	0.00	1.60	0.70	0.00	2.30	£833.75	£362.50
Agents and advisers, general	0.50	0.75	8.10	0.65	0.00	10.00	£4,165.75	£416.58
<b>Investigations</b>								
Directors' correspondence & conduct questionnaires	0.00	0.00	5.35	4.85	0.00	10.20	£3,531.50	£346.23
Statutory books and accounting records review	0.00	0.00	2.00	5.90	0.00	7.90	£2,642.75	£334.53
SIP2 and SIP4 obligations (inc CDDA86 forms)	0.20	0.00	7.95	6.15	0.00	14.30	£5,213.75	£364.60
Enquiries / Interviews of directors & advisers	4.60	6.00	12.60	0.00	0.00	23.20	£10,094.75	£435.12
<b>Realisation of assets</b>								
Other chattel assets	0.70	0.00	0.70	3.35	0.00	4.75	£1,710.75	£360.16
Consideration of sale of business and liaison with interested parties	1.15	2.50	0.75	0.55	0.00	4.95	£2,374.25	£479.65
Other	0.00	0.00	0.20	0.00	0.00	0.20	£91.00	£455.00
<b>Creditors</b>								
Employee claims, including liaison with RPO and ERA	0.00	0.00	1.10	7.00	0.00	8.10	£2,573.00	£317.65
Unsecured creditors	1.00	0.50	3.70	8.45	0.00	13.65	£4,880.75	£357.56
Creditors' committee	3.80	0.00	10.10	9.05	0.00	22.95	£9,549.75	£416.11
Client Correspondence / Communications	0.00	0.50	11.40	19.25	0.00	31.15	£9,713.88	£311.84
<b>Objective 2 activities</b>								
Liaison with and reporting to regulatory bodies (FCA, FSCS, HMRC etc)	1.60	3.00	21.20	21.40	0.25	47.45	£15,616.25	£329.11
<b>Forensics</b>								
Forensics	0.00	0.00	2.40	22.35	0.00	24.75	£4,736.50	£191.37
<b>Total</b>	<b>52.90</b>	<b>77.25</b>	<b>150.05</b>	<b>154.25</b>	<b>0.70</b>	<b>435.15</b>	<b>£172,818.38</b>	<b>£397.15</b>

## Explanation of major work activities undertaken

The below provides commentary on the various categories above. Readers should also refer to the body of the report for further explanations for the work undertaken.

### Administration and Planning

This section of the analysis encompasses the cost of the joint special administrators and their staff in complying with their statutory obligations, internal compliance requirements, and all tax matters. This work includes the following:

- Preparing the documentation and dealing with the formalities of appointment.
- Statutory notifications and advertising.
- Preparation of joint special administrators' proposals.
- Protection of company's and clients assets and records (including electronic).
- Dealing with routine correspondence from creditors and clients.
- Dealing with agents and legal advisers on general appointment matters, not relating to correspondence with advisers on investigation matters.
- Maintaining physical case files and electronics case details on IPS (case management software).
- Initial case reviews.
- Case bordereau and reviews.
- Case planning; administration; and general case progression, including adjustments in joint special administrators' strategy.
- Project team meetings, and logistics meetings.
- Liaising including conference calls with FCA and other parties over special administration requirements.
- Preparing reports to stakeholders.
- Maintaining and managing the joint special administrators' corporate cash book and bank accounts.
- Overseeing and managing the joint special administrators' client cash book and bank accounts.
- Dealing client identification and internal Smith & Williamson LLP compliance requirements.
- Renewal of Company's insurance policy and 3<sup>rd</sup> party funding.
- Correspondence with lawyers relating to claims lodged against insurance policy.

### Investigations

Investigations include work carried out as a consequence of the obligations placed upon us to investigate the Company's affairs. The work undertaken is that described in SIP2 and SIP4 which govern both the investigations of the Company's failure and also examine the conduct of the directors. This work includes the following:



- Investigating the reasons for the failure of the Company (including enquiries with the company's directors, former directors, senior staff, regulators and other key stakeholders).
- Review and investigation of stakeholders' complaints and responses into the failing of the business and actions of company's directors.
- Review and storage of books and records.
- Initial assessment and preparing a return/report pursuant to the Company Directors' Disqualification Act.
- Review of potential legal claims.
- Interviews of key personnel.
- Legal advice on ongoing investigations, correspondence with key parties and possible s236 requirements.
- Discussions and correspondence with relevant personnel and agents.

#### **Realisation of assets**

This section is in relation to the realisation of the Company's assets, which is explained in detail through the contents of our report. A number of parties have expressed an interest in acquiring the Company's client book. Therefore some time has been incurred in discussions with these parties and lodging their interest.

- Maintaining client sensitive data and disposal of Company's computers.

#### **Creditors**

The Company ceased trading prior to special The Company had a significantly large client base in light of circa 3,500 underlying clients. A notable amount of work was undertaken to manage creditor and client expectations whilst the pursuit of obtaining information for the production of client statements in line with objective 1 of the SAR was being pursued.

Work under this section also includes correspondence and other contact with the creditors of the Company. The work includes the following:

- Dealing with creditor correspondence via email and telephone.
- Establishment and management of client telephone line, email and web facilities, including FAQ documentation.
- Maintaining creditors' information on IPS.
- Maintaining employee claims and liaising with Redundancy Payments Services etc.
- Management of client communications.
- Discussions with key custodians, SIPP providers and IFAs.
- Monitoring and responding to client queries / concerns relating to security of their funds and investments. This involved the management of the designated telephone line, webpage and email address. Dealing with calls and emails from clients resulted in the majority of the time recorded.

### Objective 2 activities

- Discussions with FCA, HMRC and FSCS on the work undertaken relating to the initial reconciliation and establishing client statements.
- Update reports and conference calls in respect of client matters and CASS reconciliations.

### Forensics

- Discussions with key custodians, SIPP providers and IFAs.
- Retrieval of Company's electronic records, for special administrators' investigations.
- Establishment of an offline version of client data and client holdings.

## Objectives 2 & 3 - LA Business Recovery Limited's time costs from 17 May 2017 to 16 November 2017

Classification of work function	HOURS				Total Hours	Time cost	Average Hourly Rate
	IP/Office Holder	IP/Manager	Senior Professional staff	Support Staff			
<b>Administration &amp; Planning</b>							
Administrative Setup	3.20	0.00	0.00	0.00	3.20	1,792.00	560.00
Case Planning	4.60	1.70	0.00	0.00	6.30	3,426.00	543.81
Maintenance of Records	4.30	2.20	0.00	0.00	6.50	3445.00	530.00
Appointment Notification	0.50	0.00	0.00	0.00	0.50	280.00	560.00
<b>Investigations</b>							
Reviewing company records	14.05	0.00	0.00	0.00	14.05	7,868.00	560.00
Interviewing directors and reviewing responses	0.50	0.00	0.00	0.00	0.50	280.00	560.00
Director conduct review & reporting	5.14	0.00	0.00	0.00	5.14	2,878.40	560.00
<b>Realisation of Assets</b>							
Identifying, Securing & Insuring assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Recovery of assets from 3rd parties - Fund Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Recovery of assets from 3rd parties - Bond Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Creditors</b>							
Communications with company creditors	0.70	0.00	0.30	0.00	1.00	474.50	474.50
Statutory reporting to creditors & initial meeting of creditors	9.60	0.00	1.50	0.00	11.10	5,788.50	521.49
<b>Case specific matters</b>							
On-going correspondence with OWG, specific reviews	1.90	0.00	0.00	0.00	1.90	1,064.00	560.00
<b>Total</b>	<b>44.49</b>	<b>3.90</b>	<b>1.80</b>	<b>0.00</b>	<b>50.19</b>	<b>27,296.40</b>	<b>543.86</b>

## Explanation of major work activities undertaken

### Administration & Planning

- Case and file set up - collating and filing all correspondence
- Administrative filing of SAR rules and regulations relevant to this case
- Planning & strategy staff and time allocations for work
- Website & media set up - web page work & publish FAQ
- Notification of appointment published
- Apportionment of relevant time for travel
- Joint Special Administrators' proposal preparations

### Investigations

- Reviewing company documents & compare with Witness Statement of the Director
- Apportionment of interview time with the former director Hamilton Keats & 5Alpha
- Reviewing company records for directors' conduct report
- Considering analysis of company bank account movements for 12 month period prior to commencement of the Special Administration
- Compile information on related parties to the company

### Correspondence, discussions and communications regarding company creditors

- Correspondence with company creditors & considering claims
- Scheduling company creditor claims
- Discussion with company creditors & FSCS in relation to objectives 2&3
- Consider the preferential creditor claim position
- Correspondence with interested creditor members for the proposed creditor committee
- Apportionment of advice and discussions concerning objectives 2 & 3

# VI Staffing and charging policies, and charge out rates

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## Introduction

Detailed below are policies in relation to staff allocation, the use of professional advisers and disbursement recovery, which are common to both Smith & Williamson LLP and LA Business Recovery Limited.

Also shown are charge out rates for the period applicable to the period of this report for both firms.

## Staff allocation

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.

## 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.

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.

## S&WFS

S&WEBC is a pensions consultancy firm which specialises in providing advice to Insolvency Practitioners on their appointment in relation to all aspects of pensions. It is a division of S&WFS, a company associated with Smith & Williamson LLP.

S&WEBC may be engaged to deal with the Company's pension affairs. Payments to parties in which the joint special administrators or their firm have an interest must be disclosed to, and approved by, creditors. Fees for their services are accrued on a time costs basis. Consequently, details of the charge out rates for S&WEBC are provided to creditors.

## Charge out rates

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 with effect of 1 July 2017.

Smith & Williamson LLP Charge out rates	Restructuring & Recovery Services £/hr	Assurance & Business Services £/hr	Forensic Accounting £/hr	Corporate Tax £/hr
Partner / Director	545-625	550 - 625	700	500 - 600
Associate Director	490-525	-	-	400
Managers	395-500	300	400 - 470	215 - 350
Other professional staff	200-395	295 - 310	180 - 340	180
Support & secretarial staff	100-250	130 - 240	80 - 100	100 - 120

S&WFS Employee Benefits Consultancy Charge out rates to 30 June 2017	£/hr
Director	442.50
Manager	277.50
Administrator	217.50

LA Business Recovery Limited	£/hr
IP / Office Holder	400 - 625
Managers	350
Senior Professional Staff	275
Other Professional Staff	150
Administrators	90
Support staff	75

Notes:

1. Smith & Williamson LLP records time in units representing 3 minutes or multiples thereof.
2. LA Business Recovery Limited records time in units representing 6 minutes or multiples thereof.



[www.smithandwilliamson.com](http://www.smithandwilliamson.com)

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

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