



Strand Capital Limited (in special administration)

Joint special administrators' progress report
for the period 17 May 2018 to 16 November 2018

14 December 2018



Contents

| | | |
|-----|---|----|
| 1. | Glossary | 2 |
| 2. | Introduction | 3 |
| 3. | Progress of the special administration | 4 |
| 4. | Investigations | 7 |
| 5. | Pre-special administration costs and expenses | 7 |
| 6. | Joint special administrators' remuneration | 8 |
| 7. | Special administration expenses | 10 |
| 8. | Estimated outcome for clients and creditors | 11 |
| 9. | Outstanding matters | 13 |
| 10. | Privacy and data protection | 14 |
| 11. | Creditors' rights | 14 |
| 12. | Next report | 15 |

Appendices

| | | |
|-----|--|----|
| I | Statutory information | 17 |
| II | Receipts and payments account | 18 |
| III | Summary of the clients and clients' assets | 20 |
| IV | Time analysis for the period | 22 |
| V | Cumulative time analysis | 33 |
| VI | Staffing and charging policies, and charge out rates | 46 |

1. Glossary

| Abbreviation | Description |
|--|---|
| Company | Strand Capital Limited (in special administration) |
| joint special administrators / JSAs / we | Adam Henry Stephens and Henry Anthony Shinnars 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 November 2018 this should be read in conjunction with the joint special administrators' proposals dated 6 July 2017 and the previous progress reports dated 15 December 2017 and 15 June 2018. 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 key developments within the period are as follows:

- The special administrators' have finalised their internal reconciliation of custody assets and client monies held by Strand at the date of the special administration, being 17 May 2017. The special administrators reconciliation of client monies has established two possible client monies balances. The difference is dependent on the outcome of a reconciliation of a coupon balance due on certain OWG bonds.
- Since our previous report, we have sought legal advice and concluded that we could (despite the complexities) issue statements on the basis of two possible client money balances. This avoided incurring additional costs by issuing two separate bar date procedures.
- Bar Dates notices were issued on 19 September 2018, setting a date for the verification of client asset statements on 31 October 2018 ("the Bar Date"). The client money statements were issued on two bases, indicating the best and worst case positions.
- Client money and client custody statements have been agreed by all known clients of Strand, with the exception of one corporate client. We thank the many parties for their assistance.
- A client monies interim distribution will be paid in the near future, once a handful of residual clients have provided account details. As most clients will have received compensation from the FSCS, any interim client monies distribution will, in most instances, be paid to the FSCS initially.
- The return of client custody assets will commence following the approval of a Distribution Plan by the Court and the Creditors' Committee. This is expected to be in February 2019.
- The special administrators will shortly be seeking instructions from all clients who have custody assets for details of where their custody assets should be sent in February 2019.

Meanings

- 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 are comprised of 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

We summarise work under each of the objectives of the special administration.

3.1 Objective 1- To ensure the return of client assets

3.1.1 Overview of current client position

As at the date of appointment, according to the Company's own reconciliation (being the 22 March 2017) the Company had responsibility for:

- 134 million units of investments; and
- client money of circa £12 million.

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 in accordance with the CASS rules.

After cross checking company records against a number of different sources (including a so-called soft release of data to SIPP providers), we were able to conclude the reconciliation, albeit to two possible balances of client monies. We issued client money and custody asset statements on 19 September 2018.

The subsequent approval of these formal statements resulted in the following overview of the reconciliation:

| Description | Custody assets Units | Client money £ |
|--|-------------------------|-------------------|
| Investments/Cash (as per Company records) at appointment | 134,078,628.601 | £12,643,295.75 |
| Investments/Cash (as Company records should have recorded) | 171,561,634.601 | £12,525,301.55 |
| Investments/Cash reconciled/held | 171,586,578.601 | £12,529,047.81 |
| Difference * | 86,568.000 | £3,746.26 |

** Figures have been adjusted from our previous report following the issue of client statements and expiry of the Bar Dates.*

The joint special administrators do not believe there is a shortfall in client monies or custody assets, although this is dependent upon resolution of the OWG bond coupon position.

Included in the reconciliation are management fees, which are owed from client accounts to Strand. These are separately recorded in client statements. In order to prevent a shortfall to client monies (in one of the client money scenarios), these management fees can only be notionally deducted to correct client monies positions. In the other client money scenario, Strand may be able to deduct management fees of £121,911, which will be for the benefit of unsecured creditors of the Company.

These management fees are in respect of the period to 22nd March 2017 and are required to be netted off against the initial shortfall, in accordance with CASS regulations.

The two client monies positions relate to the unpaid element of the December 2016 OWG bond interest which we believe to be £491,836.24 (plus accruing interest).

3.2 Return of client assets

The joint special administrators' are aware that certain parties have been contacting underlying clients, claiming that they are able to expedite the return of their assets. Given the process to be followed, this appears to be an unlikely scenario.

Client Custody Assets

The return of client custody assets must be approved by the Court through a formal distribution plan process.

At present, a Court date has not been agreed although it is anticipated that this will have been completed by 31 January 2019 in order that client custody assets can start to be returned in February 2019.

The joint special administrators will continue to update clients as necessary, and key documents and information will be provided on our website www.smithandwilliamson.com/business/services/restructuring-and-recovery-services/strand-capital-limited-in-special-administration.

Client Monies

The return of client monies has already commenced, with the expedited payment of all, or part, of client money holdings using the compensatory procedures of the FSCS. The FSCS compensation limit of £50,000, and eligibility criteria, will apply to these compensation payments.

Payments by the FSCS, commenced at the start of May 2018, and to date circa £5.8m of client monies has or is in the process, of being returned to clients under this scheme.

On receiving compensation from the FSCS, a claimants' rights against the Company in respect of client money are automatically transferred to the FSCS. The FSCS is, however, under an obligation to pass on client money payments it receives from the Company to the extent that either:

- i) the recoveries exceed the amount of compensation that the FSCS has paid to a claimant; or
- ii) the claimant would have recovered more in total if they had waited to receive a distribution(s) from the joint special administrators before receiving FSCS compensation.

Following the Bar Date, for which all clients agreed their client monies statements on two bases, the special administrators will shortly be making an initial interim distribution of client monies. We are currently liaising with a few residual clients for account details (who failed to provide details within their client monies statements) to enable this process to commence. In the meantime the FSCS continue to make compensation payments to clients who have not yet received any client monies.

The position in respect of further returns of client monies will be dealt with following the resolution of ongoing correspondence relating to the OWG bonds and the outstanding interest payments. This will result in additional client monies being distributed.

3.2.1 Insurance

As stated in our previous report, the Company maintained an Investment Managers Insurance Policy, which provided a range of covers. This policy expired on 28 June 2017, but an extension to the policy was funded by a third party.

The policy was extended to potentially provide an alternative source of recovery to creditors and/or clients.

The joint special administrators have taken 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.

3.2.2 Monies owed to the Company from client assets

As referenced in section 3.1.1, management fees of £121,911 are owed to the Company for the period 1 January to 22 March 2017. Fees have not been charged after this date, as previously outlined, as Strand effectively ceased to provide services to clients at that time.

Should the December 2016 OWG coupon shortfall be found to be Strand's liability, then the client monies shortfall will exceed the management fees. As such these funds will not be available to the Company. However, should the special administrators' position be validated these management fees may be drawn.

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

Since appointment we have liaised closely with the Financial Conduct Authority (FCA) and the Financial Services Compensation Scheme (FSCS). Both bodies are aware of the joint special administrators activities undertaken in relation to obtaining access, control and reconciling client assets.

The Company remains an FCA regulated entity, albeit with no current authority to trade.

As most clients will be aware, 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.

We have also maintained contact with the Pensions Regulator and HM Revenue & Customs, as appropriate, and have consulted with each body as necessary.

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

The joint special administrators have concluded that a sale of the company as a going concern is not possible, and are winding it up in the best interests of creditors.

3.5 Receipts and payments account

A summary of our receipts and payments account for the period 17 May 2018 to 16 November 2018 is attached at Appendix II. These accounts include cumulative figures from 17 May 2017 to 16 May 2018.

Company assets and client assets have been shown separately.

3.5.1 Company/house receipts

In respect of the assets outlined in our previous report we note the following:

Book debts

As previously reported, the director estimated that the Company had book debts of £349,000 as disclosed within the statement of affairs provided. We are informed that this figure is based on the management accounts to 28 February 2017 (drafted prior to the director's appointment). The director raised concerns over the quantum, basis and recoverability of these assets.

Following our investigations into Company affairs, we have obtained copies of the Company's accounting records that indicate that some, or all, of this balance remains due. In view of ongoing correspondence relating to this matter, we are not able to provide further details of these assets.

VAT Refund

Detailed within the receipts and payments account are VAT recoveries to the house account. This VAT recovery relates to VAT recovered by the Company in respect of the special administration costs settled to date. The joint special administrators' sought legal advice in this regard, and understand these funds belong to the Company.

Management Fees

Please refer to section 3.2.2 above.

Euro bank accounts

These assets have now been allocated to the client money balance outlined in section 3.1.1.

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 ("CDDA"). The contents of this report are confidential.

In addition to our obligations under CDDA, 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.

Investigations into matters brought to our attention and more generally in relation to the demise of the Company continue. Should any creditor or client (or other interested party) have any additional information that might assist us with our investigations, please provide that information to us as soon as possible.

5. Pre-special administration costs and expenses

Detailed below is a schedule of the joint special administrators' unpaid pre-special administration time costs, and our advisers' costs, in relation to the pursuit of objectives 2 & 3.

| Unpaid pre-special administration costs in pursuit of objectives 2 & 3 | |
|--|------------------|
| Charged by/service(s) provided | £ |
| Smith & Williamson LLP - Time Costs | 43,769.25 |
| LA Business Recovery Limited - Time Costs | 16,510.54 |
| Foot Anstey LLP - Legal Advice | - |
| Pinsent Masons LLP - Legal Advice | 13,543.50 |
| Total | 73,823.29 |

Details of how these costs were incurred were provided in our joint special administrators' proposals.

The creditors' committee approved a resolution to enable the joint special administrators to draw these costs, as and when funds permit.

6. Joint special administrators' remuneration

The joint special administrators are entitled to receive remuneration for work undertaken in respect of:

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

The basis of the joint special administrators' remuneration has been approved, by the creditors' committee, for their time properly incurred in attending to matters in the special administration.

The creditors' committee approved this basis on 6 September 2017.

Further information about the joint special administrators' time costs incurred in the period of this report can be found at appendix IV. You should note that both Smith & Williamson's (S&W) and LA Business Recovery's (LABR) time costs have been shown separately. Both firms time costs have also been analysed by whether the time spent was in pursuit of objective 1 or objectives 2&3.

Also provided at appendix V are cumulative time costs analyses for all time spent from 17 May 2017 to 16 November 2018. The joint special administrators' time costs are summarised as follows:

| Objective | Firm | Period | Hours | Total cost £ | Average hourly rate £ | Fees drawn £ |
|----------------------------------|------|--------------------------------|-----------------|---------------------|--------------------------|-------------------|
| 1 | S&W | 17 May 2017 - 16 November 2017 | 1,253.55 | 473,833.75 | 377.99 | - |
| 1 | S&W | 17 November 2017 - 16 May 2018 | 489.10 | 199,218.75 | 407.32 | 344,735.25 |
| 1 | S&W | 17 May 2018 - 16 November 2018 | 1,363.70 | 621,026.50 | 455.40 | - |
| 1 | LABR | 17 May 2017 - 16 November 2017 | 124.06 | 67,276.10 | 542.29 | - |
| 1 | LABR | 17 November 2017 - 16 May 2018 | 131.77 | 71,127.20 | 539.78 | 39,214.50 |
| 1 | LABR | 17 May 2018 - 16 November 2018 | 2.60 | 1,456.00 | 560.00 | - |
| Objective 1 total | | | 3,364.78 | 1,433,938.30 | | 383,949.75 |
| 2&3 | S&W | 17 May 2017 - 16 November 2017 | 435.15 | 172,818.38 | 397.15 | - |
| 2&3 | S&W | 17 November 2017 - 16 May 2018 | 395.40 | 144,874.52 | 366.40 | - |
| 2&3 | S&W | 17 May 2018 - 16 November 2018 | 421.75 | 159,520.75 | 378.24 | - |
| 2&3 | LABR | 17 May 2017 - 16 November 2017 | 50.19 | 27,296.40 | 543.86 | - |
| 2&3 | LABR | 17 November 2017 - 16 May 2018 | 38.90 | 21,398.50 | 550.09 | - |
| 2&3 | LABR | 17 May 2018 - 16 November 2018 | 2.90 | 1,588.00 | 547.59 | - |
| Objective 2 total | | | 1,344.29 | 527,496.55 | | - |
| Total time costs incurred | | | 4,709.07 | 1,961,434.85 | | 383,949.75 |

As detailed above, the joint special administrators have drawn £383,949.75 plus VAT against their objective 1 time costs to date. These costs were drawn from client money in line with the authority provided by the creditors committee.

To date, no remuneration has been drawn against objective 2&3 time costs.

A further analysis of our outstanding time costs will be undertaken as it is likely that some of the objective 2 & 3 costs were incurred in order to achieve objective 1. These may therefore be correctly charged against client assets.

Costs incurred in respect of objective 2&3 for the benefit of objective 1 can be chargeable to the client estate. The apportionment between Company and client estate in respect of these costs is yet to be finalised however, the joint special administrators will provide further analysis in this regard within the next progress report.

A creditors' and clients' guide to special administrators' fees can be found on the website www.ips-docs.com. Should you require a paper copy please email strandcapital@smithandwilliamson.com or telephone 020 7131 4452 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.

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

The tasks undertaken by the joint administrators respective firms' can be broadly outlined as follows:

S&W 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. Reviewing and arranging renewal of key Company services to be maintained post special administration, including insurance;
- 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 such as client money and client custody asset reconciliation and the return of client monies and custody process including the Bar Date notices and drafting of the Distribution Plan;
- Arranging and attending meetings with key Company personnel and stakeholders, including the creditors committee the FCA and FSCS;
- 3rd party verification of underlying clients data and client statements for the client monies and custody assets Bar Dates;
- Establishing compensation payment process with the FSCS;
- Principal point of contact relating to client queries, information requests and DSARs; and
- All administrative tasks required by statute, including statutory filing and liaison with regulatory bodies. Including statutory HMRC filings in respect of the Company;

LABR have undertaken the following functions in regard to the special administration:

- Notifying HMRC of appointment;
- Liaison with certain clients and creditors of the Company;
- Liaison with certain of the Company's former professional advisers;
- Attending meeting with former 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.

7. Special administration expenses

7.1 Professional advisors

We have used the professional advisers listed below. Both legal advisers are remunerated on a time incurred basis.

| Firm | Expense type | Objective | Costs incurred | Total | Costs paid | Costs |
|--------------------|---------------|-----------|------------------------------|-------------------|------------------|-------------------|
| | | | from 17/05/18 to 16/11/18 | costs | to date | outstanding |
| | | | £ | £ | £ | £ |
| Foot Anstey LLP | Legal advice | 1 | 54,249.59 | 111,464.09 | 46,125.59 | 65,338.50 |
| Foot Anstey LLP | Disbursements | 1 | 622.50 | 622.50 | 384.80 | 237.70 |
| Pinsent Masons LLP | Legal advice | 1 | - | 14,535.00 | - | - |
| Foot Anstey LLP | Legal advice | 2&3 | 140.00 | 13,024.00 | - | 13,024.00 |
| Foot Anstey LLP | Disbursements | 2&3 | 68.40 | 68.40 | - | 68.40 |
| Pinsent Masons LLP | Legal advice | 2&3 | 59,866.00 | 106,587.00 | - | 61,256.00 |
| Pinsent Masons LLP | Disbursements | 2&3 | - | 6.20 | - | 6.20 |
| Total | | | 114,946.49 | 246,307.19 | 46,510.39 | 139,930.80 |

Note: costs incurred are shown net of VAT

7.2 Joint special administrators' disbursements

We have incurred the following disbursements in the current period:

| Description | Objective 1 | | | Objectives 2 & 3 | | |
|---|---------------------|----------------|---------------------------|---------------------|----------------|---------------------------|
| | Incurring in period | Paid in period | Outstanding at period end | Incurring in period | Paid in period | Outstanding at period end |
| | £ | £ | £ | £ | £ | £ |
| Printing and postage of letter to creditors and clients | - | - | - | 170 | - | 1,981.90 |
| Postal Redirection | - | - | - | - | - | 578 |
| Statutory Advertising | 4,470.45 | - | 4,470.45 | - | - | 509 |
| Statutory Filings (Strand Capital Nominees Ltd) | 280 | - | 2,673.00 | - | - | - |
| Joint special administrators' Specific bond | - | - | - | - | - | 858.34 |
| Data Protection Renewal | - | - | - | - | - | - |
| Couriers | 3 | - | 24.3 | - | - | - |
| Travel / Subsistence | 5 | - | 357.09 | 34.33 | - | 837.57 |
| Extension of Investment Managers Insurance Policy | - | - | - | - | - | 16,150.00 |
| Collection of electronic books & records | - | - | - | 19.64 | - | 667.23 |
| Hire of room for creditors & clients meeting | - | - | - | - | - | 620 |
| Total | 4,758.45 | - | 7,524.84 | 223.97 | - | 22,202.04 |

Notes: Costs incurred are shown net of VAT

Total costs outstanding many include costs incurred in prior periods, but not yet paid.

To date no disbursements have been settled by the joint special administrators.

7.3 Category 2 disbursements

In our proposals we sought approval of our category 2 disbursements for custodian services provided Smith & Williamson Investment Services Limited (“SWISL”) in relation to the OWG Bonds. However, SWISL have confirmed they will not levy charges for this service.

To retrieve some of the Company’s electronic records we have enlisted the services of our forensic technologies department. As we frequently need to search this data we have had to maintain it on a live system. The software and data usage is incurring a monthly charge to the special administration. To date the following fees have been incurred, both of which are in relation to objectives 2 & 3:

- Data hosting fees of £3,690; and
- User fees of £1,170.

Prior to drawing these category 2 disbursements we will seek approval from the creditors committee.

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 reported previously, at the outset of the special administration 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 available to the joint special administrators, the client money and assets position at the date of special administration, being 17 May 2017, is as follows:

8.1.1 Return of client custody assets (excluding client money)

As outlined in section 2.1, the joint special administrators expect to be in a position to begin returning client custody assets in February 2019.

We are currently finalising a distribution plan, which will be submitted to Court and the creditors committee for approval.

Clients should note that the Regulations and Rules provide that no distribution of client custody assets can take place until three months after the expiry of the Bar Date, being 31 October 2018. As such custody assets cannot be distributed until February 2019

The Distribution Plan will set out, amongst other things:

- A schedule of the dates on which it is intended client custody assets will be returned to clients;
- What custody assets are held by the Company and for which clients;
- The extent to which any custody assets are subject to security that will need to be discharged before the assets can be distributed to clients;

- How the costs of protecting, preserving and distributing the client custody assets during the special administration are to be apportioned to clients and paid ("Distribution Costs"); and
- The practical process for distributing the custody assets back to clients.

Based on the information available, the joint special administrators are not currently aware of any shortfall in the client custody assets under their control.

Settlement of Distribution Costs and discharge of security

Prior to distributing client custody assets, the costs of any security will have to be discharged and the Distribution Costs will have to be apportioned to individual clients to be settled. The Distribution Plan will provide the framework for this.

In respect of the Distribution Costs, the joint special administrators have worked closely with the FSCS. It is anticipated that if a client is eligible for FSCS compensation the Distribution Costs would be settled (in whole or in part) by the FSCS, subject to that client remaining within the relevant FSCS compensation thresholds (currently £50,000).

To the extent that clients are not eligible for compensation from the FSCS or choose not to take the benefit of this option, clients will need to:

- Settle the Distribution Costs directly; or
- Direct that the joint special administrators can use their statutory powers to liquidate nominated custody assets to settle the Distribution Costs.

8.1.2 Return of client money

The joint special administrators are required to distribute client monies on a pro rata basis in accordance with each client's entitlement. As noted previously, the key outstanding issue is the resolution of the unpaid OWG bond interest pertaining to the December 2016 coupon.

As all clients have agreed their client monies statement on two bases, the joint special administrators anticipate that an interim distribution of client monies will be paid in the near future.

We are currently liaising with a few residual clients for account details (who failed to provide details within their client monies statements) to enable this process to commence. In the meantime the FSCS continue to make compensation payments to clients who have not yet received any client monies.

The position in respect of further returns of client monies will be dealt with following the resolution of ongoing correspondence relating to the OWG bonds and the outstanding interest payments. This will result in additional client monies being distributed.

8.1.3 FSCS eligible claim

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.

For eligible claims, the FSCS can pay up to £50,000 in compensation per client. If client money claims are paid by the FSCS, the FSCS will then assume the client's claims in respect of client money against the Company. This is done by way of an assignment (or subrogation) of rights in respect of client money to the FSCS.

Clients may therefore receive payment in respect of their client money entitlement 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 client money rights against Strand and third parties in accordance with its payment terms.

The joint special administrators would then make any payments from the client money pool to the FSCS rather than to you. However, as detailed in section 3.2 the FSCS has certain statutory obligations to pass on payments so that clients are not disadvantaged (e.g. if the FSCS received more than £50,000 in relation to your rights from the client money pool, it would pay the excess over to you).

2. From the joint special administrators. If you are not eligible for compensation from the FSCS or choose not to accept compensation from the FSCS, the joint special administrators would make any payments from the client money pool to you.

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.

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 any employees' non preferential claims.

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

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.

9. Outstanding matters

The following tasks will be addressed by the joint special administrators in the next six month period, alongside other tasks to be undertaken, as required by statute and best practice. The joint special administrators:

- expect to commence the return of client custody assets in February 2019;
- will be paying an initial interim distribution of client monies in the near future;
- will continue to work with the FSCS to ensure that all eligible clients receive compensation payments from the FSCS;
- will continue to try to resolve the position regarding the OWG bond coupon that was due in December 2016. Once this matter is resolved the joint special administrators will be in a position to pay a final distribution of client monies; and
- will continue their investigations into matters brought to our attention and more generally in relation to the demise of the Company continue.

10. Privacy and data protection

As part of our role as joint special administrators, I would advise you that we may need to access and use data relating to individuals. In doing so, we must abide by data protection requirements. Information about the way that we will use and store personal data in relation to insolvency appointments can be found at www.smithandwilliamson.com/rrsgdpr Smith & Williamson LLP and in respect of LA Business Recovery Limited <https://www.labusinessrecovery.com/gdpr-statement> If you are unable to download this, please contact my office and a hard copy will be provided free of charge.

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

11. Creditors' rights

Creditors (within this section includes clients) 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

Telephone: +44 300 678 0015

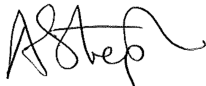
Postal address: The Insolvency Service, IP Complaints, 3rd Floor, 1 City Walk, Leeds LS11 9DA

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 with a custody asset entitlement will be contacted by the joint special administrators to obtain their instructions for the distribution. We will also notify clients who are entitled to receive an interim client monies distribution.

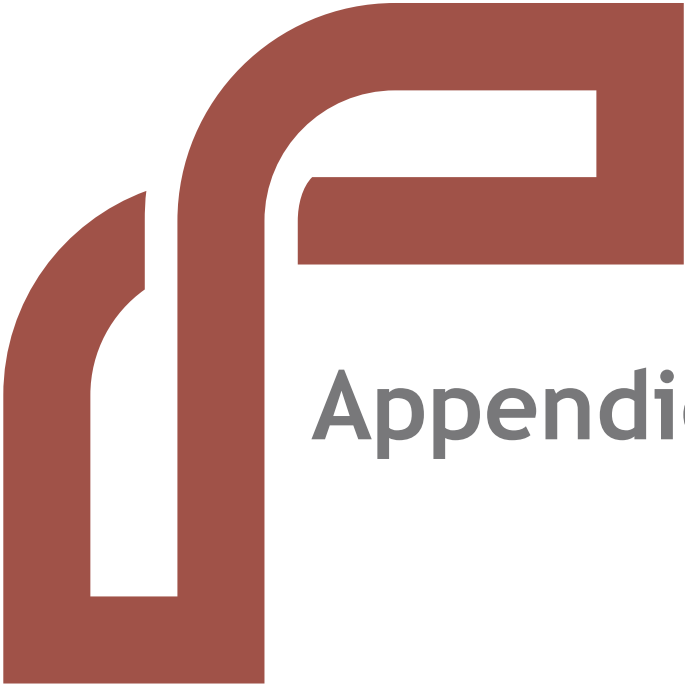
The joint special administrators will continue to issue updates to clients as and when appropriate, these will continue to be released to your SIPP provider, IFA and /or Pension Trustee for onward transmission as well as uploaded to our webpage: www.smithandwilliamson.com/strand-capital-limited



Adam Stephens

On behalf of the Joint Special Administrators

Date: 14 December 2018



Appendices

I Statutory information

| | |
|------------------------------|---|
| 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 | 25 Moorgate, London, EC2R 6AY (formerly: 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 to 16 November 2018

| Statement of Affairs £ | From 17/05/2018 To 16/11/2018 £ | From 17/05/2017 To 16/11/2018 £ |
|------------------------------|---------------------------------------|---------------------------------------|
| | ASSET REALISATIONS | |
| | 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 |
| | VAT Recovery - Client Fund Payments | 132,509.53 |
| | Bank Interest Gross | 69.38 |
| | 9,356.85 | 140,270.05 |
| | COST OF REALISATIONS | |
| | Funds Held at Natwest Bank Plc | 3.85 |
| | Bank Charges | (3.85) |
| | NIL | NIL |
| | PREFERENTIAL CREDITORS | |
| (84.50) | Employees Wage Arrears | NIL |
| | NIL | NIL |
| | UNSECURED CREDITORS | |
| (220,177.78) | Trade & Expense Creditors | NIL |
| (4,731.76) | Employees | NIL |
| | NIL | NIL |
| | DISTRIBUTIONS | |
| (387,600.00) | Ordinary Shareholders | NIL |
| | NIL | NIL |
| (605,152.90) | 9,356.85 | 140,270.05 |
| | REPRESENTED BY | |
| | VAT Control Account | (9,302.08) |
| | Interest Bear - NIB 17.10.18 | 140,270.05 |
| | | 130,967.97 |

Notes and further information required by SIP 7

- Company bank accounts became non-interest bearing on 17 October 2018, due to a Bank decision.
- No foreign currency holdings are detailed above, although there is a further amount €6,158.08 held in a Company account.
- 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.

Client receipts and payments account to 16 November 2018

| Statement of Affairs £ | From 17/05/2018 To 16/11/2018 £ | From 17/05/2017 To 16/11/2018 £ |
|------------------------------|---|---------------------------------------|
| | GENERAL FIXED CHARGE | |
| 12,484,175.74 | NIL | 3,944,469.66 |
| | NIL | 476.43 |
| | NIL | 8,579,286.36 |
| | NIL | 775.66 |
| | <u>NIL</u> | <u>12,525,008.11</u> |
| | ASSET REALISATIONS | |
| | 1.23 | 37.88 |
| | <u>1.23</u> | <u>37.88</u> |
| | COST OF REALISATIONS | |
| | NIL | 16,781.00 |
| | NIL | 9,225.80 |
| | NIL | 89,334.00 |
| | NIL | 53,031.65 |
| | NIL | 3,020.83 |
| | NIL | 344,735.25 |
| | NIL | 39,214.50 |
| | NIL | 15,623.00 |
| | NIL | 14,670.01 |
| | 46,125.59 | 76,487.59 |
| | 384.80 | 704.00 |
| | 9,302.08 | 132,509.53 |
| | <u>(55,812.47)</u> | <u>(795,337.16)</u> |
| <u>12,484,175.74</u> | <u>(55,811.24)</u> | <u>11,729,708.83</u> |
| | REPRESENTED BY | |
| | Metro Client Trust (Interest Bear) NIB - 17/10/18 | 37.88 |
| | Natwest Client CASS A/c | 11,729,670.95 |
| | | <u>11,729,708.83</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. The joint special administrators' pre appointment costs and post appointment remuneration and costs have been drawn from the primary pool or Company accounts, in line with the approval obtained by the creditors' committee.
- Client monies are held on a designated client account.
- Any post pooling receipts are not reported in the client accounts detailed above, but are maintained in a separate account.
- All client bank accounts are interest bearing, although interest is allocated to the account holding post pooling receipts.
- No foreign currency holdings are detailed above, although there is a further amount €6,158.08 held in a Company account.
- 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

Clients' assets at 17 May 2017:

| Asset Name | ISIN | Company records | Final reconciled and agreed holdings |
|--|--------------|------------------------|--------------------------------------|
| 5alpha Adventurous UCITS | IE00BYX95950 | 256,642.906 | 256,642.906 |
| 5alpha Conservative UCITS | IE00BYX95K61 | 235,267.816 | 235,267.816 |
| BlackRock Gbl PrpSecEqTrk D Inc | GB00B848DD97 | 14,959.672 | 14,959.672 |
| BlackRock GF IEmMkLCBd D3RFH £ | LU0995345831 | 3,049.910 | 3,049.910 |
| BlackRock Idx Lnkd Gilt Trckr D Acc | GB00B83RVT96 | 17,197.254 | 17,197.254 |
| BlackRock NthAmrcn EqTrk D Acc | GB00B7QK1Y37 | 9,592.346 | 9,592.346 |
| BlackRock NURS II Global Equity D | GB00B8BTNJ16 | 11,332.897 | 11,332.897 |
| Blueprint Industrial Engineering PLC | GB00BVYY5H66 | 994,981.000 | 994,981.000 |
| Cherry Homes (Class A) | GB00BYQ65R15 | 47,722,473.000 | 47,722,473.000 |
| Cherry Homes (Class B) | GB00BYQ66013 | 63,661,234.000 | 63,661,234.000 |
| Elaine Securities PLC | GB00BWCH5D02 | 2,820,174.000 | 2,820,174.000 |
| Euler | GB00BYP4YT17 | 1,058,983.000 | 1,058,983.000 |
| Fidelity I Stg Cr + Bd Gr | GB00B19CHJ19 | 9,941.840 | 9,941.840 |
| Invesco Perp Corporate Bd NT Gr Acc | GB00B8N46Z18 | 104,404.770 | 104,404.770 |
| Investec Short Dtd Bd I Gr Acc GBP | GB00B94GN522 | 18,255.368 | 18,255.368 |
| Kames Abslut Rtrn Bd C Acc GBP | IE00B6SLQ646 | 23,766.120 | 23,766.120 |
| Lazard Emerging Markets S Acc | GB00B8QHFR21 | 23,936.254 | 23,936.254 |
| M&G Short Dated Corp Bd I GBP | GB00B8JXBQ82 | 24,999.518 | 24,999.518 |
| Minerva Lending | XS1481211412 | 2,097,000.000 | 2,097,000.000 |
| Optima Worldwide Group PLC 8.0% (Series A) | GB00BCLYDR27 | 1,263.000 | 1,251.000 |
| Optima Worldwide Group PLC 8.0% (Series C) | GB00BNY8CJ32 | 1,124.000 | 1,124.000 |
| Optima Worldwide Group PLC 8.0% (Series D) | GB00BY7S2204 | 9,982,050.000 | 10,042,050.000 |
| The Meredith Property Group PLC | GB00BY4K3J36 | 3,373,011.000 | 3,373,011.000 |
| Vanguard Gbl Bd Index Hdg A £ | IE00B50W2R13 | 1,782.910 | 1,782.910 |
| Vanguard UK ST Inv Grd Bd Idx AE | IE00B9M1BB17 | 2,371.020 | 2,371.020 |
| Vernon Property PLC | GB00BWCH5G33 | 1,608,835.000 | 1,608,835.000 |
| Menasat Gulf Group Holdings PLC | Unlisted | - | 37,509,586.000 |
| Total Units: | | 134,078,628.601 | 171,648,202.601 |
| Client money requirement (as calculated under CASS rules) | | £12,643,295.75 | £12,525,301.55 |

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.

List of clients' as at 17 May 2017:

| Client name | Numbers of clients | Agreed Client Money balance £ | Agreed Custody Assets balance Units |
|--------------------------------|--------------------|-------------------------------|-------------------------------------|
| @sipp | 70 | 3,092.10 | 284,949.116 |
| Carey's Pensions UK LLP | 1 | 190,101.83 | - |
| EasySIPP | 427 | 130,036.23 | 13,088,735.925 |
| Heritage Pensions Limited | 1 | 788.99 | 10.000 |
| Intelligent Money | 767 | 11,500,334.73 | 113,194,116.992 |
| James Hay Partnership | 134 | 113,553.80 | 1,244.000 |
| Liberty SIPP | 56 | 130,496.88 | 668,695.000 |
| London & Colonial SIPP | 30 | 88,068.17 | 2,907,790.082 |
| The Curtis Banks Limited | 1 | 84.13 | 510.707 |
| Wise Pension Group Limited | 181 | 58,581.59 | 3,335,315.215 |
| AE Solutions Pension Scheme | 94 | 4,235.80 | 4,920.818 |
| My Workplace Pensions (Scheme) | 601 | 23,085.97 | 85,089.355 |
| Individual clients | 68 | 353,666.73 | 480,671.391 |
| Corporate clients | 16 | - | 37,509,586.000 |
| Strand account | 1 | 110.00 | 86,568.000 |
| Grand Total | 2,448 | 12,419,932.35 | 171,648,202.601 |

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.

IV 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 £ | Fees drawn £ |
|--------------|------------------------------|-----------------|-------------------|--------------------------|-----------------|
| 1 | Smith & Williamson LLP | 1,363.70 | 621,026.50 | 455.40 | - |
| 1 | LA Business Recovery Limited | 2.60 | 1,456.00 | 560.00 | - |
| Total | | 1,366.30 | 622,482.50 | | - |
| 2&3 | Smith & Williamson LLP | 421.75 | 159,520.75 | 378.24 | - |
| 2&3 | LA Business Recovery Limited | 2.90 | 1,588.00 | 547.59 | - |
| Total | | 424.65 | 161,108.75 | | - |

Objective 1 - Smith & Williamson LLP's time costs from 17 May 2018 to 16 November 2018

| 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 | | | |
| Reconciliation work for the establishment of client assets data for individual client statement and pursuit of objective 1 | | | | | | | | |
| Work undertaken relating to CASS audit / reconciliation to establish client asset schedules and information for client statements | 36.85 | 1.00 | 41.85 | 13.65 | 0.00 | 93.35 | £42,692.00 | £457.33 |
| Identification of asset holdings | | | | | | | | |
| Identification of assets, including liaising with custodians and financial institutions | 4.80 | 0.00 | 15.15 | 5.55 | 0.00 | 25.50 | £10,325.00 | £404.90 |
| Reconciling 3rd party records to company records of client assets | 0.00 | 0.00 | 0.85 | 0.00 | 0.00 | 0.85 | £391.00 | £460.00 |
| Recovery and realisation of client assets | | | | | | | | |
| Recovery and safeguarding of client assets | 10.50 | 0.00 | 85.65 | 16.15 | 0.00 | 112.30 | £49,070.50 | £436.96 |
| Reconciling post pooling client receipts | 0.00 | 0.00 | 20.35 | 13.60 | 0.00 | 33.95 | £10,309.25 | £303.66 |
| Reconciling and verifying asset holdings | 3.50 | 0.00 | 0.50 | 0.00 | 0.00 | 4.00 | £2,132.50 | £533.13 |
| Client Specific matters | | | | | | | | |
| Objective 2 tasks necessary to achieve objective 1 | 26.50 | 19.50 | 46.95 | 7.60 | 0.00 | 100.55 | £49,075.00 | £488.07 |
| Agreeing claims and liaising with clients regarding their claim | 35.85 | 0.00 | 88.20 | 148.05 | 1.00 | 273.10 | £101,628.75 | £372.13 |
| Distribution of client assets / funds - Bar Date, client monies distribution & FSCS compensation | 102.10 | 130.50 | 51.70 | 16.05 | 0.00 | 300.35 | £155,064.50 | £516.28 |
| Liasing on client claims with instructed 3rd parties | 6.25 | 0.00 | 25.40 | 19.85 | 0.00 | 51.50 | £21,280.50 | £413.21 |
| Preparing statement to each client to agree their position | 100.55 | 108.50 | 136.90 | 11.15 | 3.50 | 360.60 | £177,125.50 | £491.20 |
| Forensics | | | | | | | | |
| Forensics | 0.00 | 0.00 | 0.20 | 7.45 | 0.00 | 7.65 | 1,932.00 | 252.55 |
| Total | 326.9 | 259.5 | 513.7 | 259.1 | 4.5 | 1,363.7 | £621,026.50 | £455.40 |

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 3rd party platform prior to the joint special administrators' appointment.

A considerable amount of work has been undertaken to reconcile the platform data to enable the production of client statements in line with the principle of objective 1. Within the period a considerable amount of time has also been incurred in respect of the production, issuing and validation of client statements and establishment of client monies and custody assets Bar Dates. Please also refer to the body of this 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 was 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 the 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, including liaising with 3rd party custodians and SIPP providers to verify client holdings and details.
- Interrogation of data and systems, to identify individual client holdings and further information relating to ongoing correspondence with OWG on interest positions.
- 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, including additional clients identified within the reporting period.
- Releasing draft client data to SIPP providers, IFAs and Pension Trustee to validate available client data on client holdings and cash positions.
- Releasing client data in client monies and client custody asset statements to SIPP providers, IFAs and Pension Trustee to validate available client data on client holdings and cash positions, to enable client money compensation as outlined in section 3.2 above.

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:

- Meetings and interviews of key personnel relating to the data systems and data interrogations possible to establish client position.
- Correspondence with custodians and various parties establishing external verification of client data, and investigations in to additional client custody asset positions.
- Correspondence with Optima Worldwide Group ("OWG") 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.
- Correspondence with Beauforts Securities Limited in respect of additional client custody holdings. An element of this work is also allocated to Objective 2&3 in respect of on-going investigations.
- Liaising with third parties in respect of ongoing correspondence with OWG.

- Interviews with key parties to understand the position in possible interest apportionments and reallocations.
- Post pooling account reconciliations and liaising with stakeholders on post special administration investment receipts.

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:

- Liaising with established custodian facilities for identified OWG bonds.
- Liaising with known custodians in respect of the return of custody assets and potential securities claims.
- Correspondence with Beauforts Securities Limited in respect of additional client custody holdings.
- 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.
- Contact with former staff and new custodians on verification of additional client holdings.
- 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 OWG matters such as bond shortfalls and client money discrepancies.
- Discussions with the relevant regulators relating to obtaining control over funds and assets.
- Discussions with parties relating to understanding current valuation of additional investment holdings.
- Ensuring regulatory reporting requirements are maintained.
- Verification of client data (informal release of client data) to validate client custody asset holding positions, for recovery of additional OWG bonds.
- Safeguarding nominee company, Strand Capital Nominees Limited, including filing accounts and statutory returns.

Client specific matters

The Company had a significantly large number of underlying clients (circa 2,448 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. A considerable amount of time has been incurred within the period relating to drafting, subsequent production and release of client statements to all known clients. 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 of the ongoing 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.
- A proportion of the costs involved in the responding to client specific DSAR correspondence.
- Working with SIPP providers; IFAs and Pension Trustees on reconciliation of client data and validation of client statements.
- Considerable work with legal advisers on supporting information to client statements and the mechanics of producing client monies statements on two basis and the ability to undertake an interim distribution of client monies on these outcomes.
- Drafting, subsequent production and release of client statements to all known clients.
- Working with SIPP providers; IFAs and Pension Trustees on validation of draft client data for FSCS compensation payments, and the subsequent validation of client monies and custody assets statements.
- Working with SIPP providers; IFAs and Pension Trustees queries relating to FSCS compensation process and queries on data being provided.
- Working with SIPP providers; IFAs and Pension Trustees and individual clients, relating to client statements and queries on data being provided.
- Working with SIPP providers; IFAs and Pension Trustees and individual clients, relating to the return of custody assets and interim client monies distribution.
- Liaising with the FSCS in respect of establishing and ongoing work in respect of the FSCS compensation process.
- Ongoing work with legal advisers and third parties on the client custody asset distribution plan, and draft positions relating to the distributing costs proposals.

Objective 1 - LA Business Recovery Limited's time costs from 17 May 2018 to 16 November 2018

| Classification of work function | HOURS | | | | Total Hours | Time cost | Average Hourly Rate |
|--|---------------|-------------|---------------------------|---------------|-------------|-----------------|---------------------|
| | Office Holder | IP/Manager | Senior Professional staff | Support Staff | | | |
| Client Monies | | | | | | | |
| | | | | | | | |
| <u>Return of Client Money to Clients - Distribution plan</u> | | | | | | | |
| | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | | | | | | | |
| <u>General</u> | | | | | | | |
| Discussion with JSAs concerning communication to clients re: assets & monies (apportioned 50/50) | 0.70 | 0.00 | 0.00 | 0.00 | 0.70 | 392.00 | 560.00 |
| Consideration of draft correspondence to clients re: assets & monies (apportioned 50/50) | 0.40 | 0.00 | 0.00 | 0.00 | 0.40 | 224.00 | 560.00 |
| Consideration of the distribution plan and proposed handling of agreement of claims (app. 50/50) | 0.20 | 0.00 | 0.00 | 0.00 | 0.20 | 112.00 | 560.00 |
| | | | | | | | |
| Client Assets | | | | | | | |
| | | | | | | | |
| <u>General</u> | | | | | | | |
| Discussion with JSAs concerning communication to clients re: assets & monies (apportioned 50/50) | 0.70 | 0.00 | 0.00 | 0.00 | 0.70 | 392.00 | 560.00 |
| Consideration of draft correspondence to clients re: assets & monies (apportioned 50/50) | 0.40 | 0.00 | 0.00 | 0.00 | 0.40 | 224.00 | 560.00 |
| Consideration of the distribution plan and proposed handling of agreement of claims (app. 50/50) | 0.20 | 0.00 | 0.00 | 0.00 | 0.20 | 112.00 | 560.00 |
| Total Client Assets and Client Monies Time Costs | 2.60 | 0.00 | 0.00 | 0.00 | 2.60 | 1,456.00 | 560.00 |

Explanation of major work activities undertaken

Objective 1- Client Monies and Custody Assets

- Discussion with JSAs concerning draft communications to clients regarding assets and monies
- Consideration of draft communications to clients re: assets and monies and the process by which their claims may be agreed
- Consideration with JSAs of proposed distribution plan

Objectives 2 & 3 - Smith & Williamson LLP's time costs from 17 May 2018 to 16 November 2018

| Classification of work function | Hours | | | | | Total hours | Time cost | Average hourly rate |
|--|--------------------|--------------------|----------------------------|--------------------------|----------------------------|---------------|--------------------|---------------------|
| | Partner / Director | Associate director | Manager/ Assistant Manager | Other professional staff | Assistants & support staff | | | |
| Administration and planning | | | | | | | | |
| Statutory returns, reports & meetings | 5.00 | 2.50 | 12.15 | 7.10 | 0.00 | 26.75 | £11,893.75 | £444.63 |
| Cashiering general, including bonding | 0.00 | 0.00 | 0.35 | 0.40 | 0.00 | 0.75 | £234.25 | £312.33 |
| Post-appointment taxation (VAT, PAYE/NIC, Corporation Tax) | 1.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1.00 | £565.00 | £565.00 |
| Protection of company records (incl electronic) | 0.00 | 0.00 | 5.00 | 1.60 | 0.00 | 6.60 | £2,760.50 | £418.26 |
| Insurance & general asset protection | 0.30 | 0.00 | 0.00 | 0.45 | 0.00 | 0.75 | £318.00 | £424.00 |
| Correspondence with joint special administrator | 2.60 | 0.00 | 9.75 | 0.00 | 0.00 | 12.35 | £6,151.50 | £498.10 |
| Filing, file and information management | 0.00 | 0.00 | 0.00 | 13.35 | 0.00 | 13.35 | £2,878.50 | £215.62 |
| Case planning, reviews and progression (inc 6 month reviews, checklists & diary) | 5.30 | 3.00 | 8.85 | 13.45 | 0.00 | 30.60 | £12,912.50 | £421.98 |
| Travelling | 0.00 | 0.00 | 1.00 | 0.00 | 0.00 | 1.00 | £455.00 | £455.00 |
| Investigations | | | | | | | | |
| Creditor & shareholder complaints | 0.90 | 2.00 | 0.00 | 0.00 | 0.00 | 2.90 | £1,635.00 | £563.79 |
| Statutory books and accounting records review | 0.00 | 0.00 | 10.30 | 3.85 | 0.00 | 14.15 | £5,880.75 | £415.60 |
| SIP2 and SIP4 obligations (inc CDDA86 forms) | 0.00 | 0.00 | 7.10 | 0.00 | 0.00 | 7.10 | £3,262.25 | £459.47 |
| Asset tracing (e.g. Land Registry and Company Searches) | 0.00 | 0.00 | 0.00 | 0.30 | 0.00 | 0.30 | £87.00 | £290.00 |
| Enquiries / Interviews of directors & advisers | 1.70 | 0.00 | 5.50 | 0.00 | 0.00 | 7.20 | £3,600.00 | £500.00 |
| Realisation of assets | | | | | | | | |
| Cash at Bank | 0.00 | 0.00 | 0.00 | 0.55 | 0.00 | 0.55 | £170.50 | £310.00 |
| Other | 0.00 | 0.00 | 0.55 | 0.00 | 0.00 | 0.55 | £250.25 | £455.00 |
| Creditors | | | | | | | | |
| Unsecured creditors | 5.20 | 0.00 | 26.10 | 6.20 | 0.00 | 37.50 | £17,143.50 | £457.16 |
| Creditors' committee | 2.60 | 0.00 | 0.00 | 0.00 | 0.00 | 2.60 | £1,685.00 | £648.08 |
| Client Correspondence / Communications | 0.00 | 0.00 | 23.25 | 149.70 | 0.00 | 172.95 | £55,531.50 | £321.08 |
| Objective 2 activities | | | | | | | | |
| Liaison with and reporting to regulatory bodies (FCA, FSCS, HMRC etc) | 0.00 | 0.00 | 10.70 | 22.00 | 0.00 | 32.70 | £11,321.50 | £346.22 |
| Pursuing insurance claims for the benefit of clients | 0.80 | 0.00 | 29.70 | 15.70 | 0.00 | 46.20 | £18,933.50 | £409.82 |
| Other | 0.00 | 0.00 | 3.60 | 0.00 | 0.00 | 3.60 | £1,656.00 | £460.00 |
| Shareholders | | | | | | | | |
| Shareholder general communications | 0.30 | 0.00 | 0.00 | 0.00 | 0.00 | 0.30 | £195.00 | £650.00 |
| Total | 25.70 | 7.50 | 153.90 | 234.65 | 0.00 | 421.75 | £159,520.75 | £378.24 |

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:

- 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).
- 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 progress reports and update based publications, 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.
- Correspondence with lawyers and insurers relating to claims lodged against insurance policy.
- Production of information for response on DSAR requests.

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.

- Ongoing review of potential legal claims.
- Interviews with key personnel.
- Legal advice on ongoing investigations, correspondence with key parties and possible s236 requirements.
- Discussions and correspondence with relevant personnel and agents.
- DSAR correspondence and responses.

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.
- VAT recoveries and legal advice.

Creditors

The Company ceased trading prior to special administration. The Company had a significantly large client base in light of the underlying client base. A notable amount of work was undertaken to manage creditor and client expectations and queries relating to 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.
- Ongoing 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.
- A proportion of the time costs relating to client based queries on the FSCS payment process.
- 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 reconciliation and establishing and releasing client statements.
- Update reports and conference calls in respect of client matters and CASS reconciliations.
- A proportion of the costs in corresponding principally with the FSCS on distribution plan, FSCS determination, client queries and media interest.

Forensics

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

Objectives 2 & 3 - LA Business Recovery Limited's time costs from 17 May 2018 to 16 November 2018

| Classification of work function | HOURS | | | | Total Hours | Time cost | Average Hourly Rate |
|--|---------------------|-------------|---------------------------------|------------------|-------------|-----------------|------------------------|
| | IP/Office Holder | IP/Manager | Senior Professional staff | Support Staff | | | |
| <u>Objectives 2&3 - General Insolvency Matters</u> | | | | | | | |
| Case reviews / internal conference call updates - general steps and bar date | 0.00 | 0.60 | 0.00 | 0.00 | 0.60 | 300.00 | 500.00 |
| Consider draft progress reports to creditors (apportioned to company) | 2.30 | 0.00 | 0.00 | 0.00 | 2.30 | 1,288.00 | 560.00 |
| <u>Objective 2 - FCA - in support of Objective 1</u> | | | | | | | |
| | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| <u>Objective 2 - FSCS - in support of Objective 1</u> | | | | | | | |
| | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| <u>Company work re: Client Assets - in support of Objective 1</u> | | | | | | | |
| | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| <u>Company Work re: Client Monies</u> | | | | | | | |
| | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| <u>Company Work re: Client Assets</u> | | | | | | | |
| | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Company-related work pertaining to Objectives 2 & 3 under SAR | 2.30 | 0.60 | 0.00 | 0.00 | 2.90 | 1,588.00 | 547.59 |

Explanation of major work activities undertaken

Objectives 2&3 - General Insolvency Matters

- Consider the draft progress report to creditors
- Teleconference updates internally with JSA staff
- Consideration of overall strategy of general next steps and bar date matters
- Filing

V Cumulative time analysis

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 | Period | Hours | Total cost £ | Average hourly rate £ | Fees drawn £ |
|----------------------------------|------|--------------------------------|-----------------|---------------------|--------------------------|-------------------|
| 1 | S&W | 17 May 2017 - 16 November 2017 | 1,253.55 | 473,833.75 | 377.99 | - |
| 1 | S&W | 17 November 2017 - 16 May 2018 | 489.10 | 199,218.75 | 407.32 | 344,735.25 |
| 1 | S&W | 17 May 2018 - 16 November 2018 | 1,363.70 | 621,026.50 | 455.40 | - |
| 1 | LABR | 17 May 2017 - 16 November 2017 | 124.06 | 67,276.10 | 542.29 | - |
| 1 | LABR | 17 November 2017 - 16 May 2018 | 131.77 | 71,127.20 | 539.78 | 39,214.50 |
| 1 | LABR | 17 May 2018 - 16 November 2018 | 2.60 | 1,456.00 | 560.00 | - |
| Objective 1 total | | | 3,364.78 | 1,433,938.30 | | 383,949.75 |
| 2&3 | S&W | 17 May 2017 - 16 November 2017 | 435.15 | 172,818.38 | 397.15 | - |
| 2&3 | S&W | 17 November 2017 - 16 May 2018 | 395.40 | 144,874.52 | 366.40 | - |
| 2&3 | S&W | 17 May 2018 - 16 November 2018 | 421.75 | 159,520.75 | 378.24 | - |
| 2&3 | LABR | 17 May 2017 - 16 November 2017 | 50.19 | 27,296.40 | 543.86 | - |
| 2&3 | LABR | 17 November 2017 - 16 May 2018 | 38.90 | 21,398.50 | 550.09 | - |
| 2&3 | LABR | 17 May 2018 - 16 November 2018 | 2.90 | 1,588.00 | 547.59 | - |
| Objective 2 total | | | 1,344.29 | 527,496.55 | | - |
| Total time costs incurred | | | 4,709.07 | 1,961,434.85 | | 383,949.75 |

Objective 1 - Smith & Williamson LLP's time costs from 17 May 2017 to 16 November 2018

| 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 | | | |
| Reconciliation work for the establishment of client assets data for individual client statement and pursuit of objective 1 | | | | | | | | |
| Work undertaken relating to CASS audit / reconciliation to establish client asset schedules and information for client statements | 187.55 | 23.55 | 265.00 | 155.45 | 4.00 | 635.55 | £256,393.00 | £403.42 |
| Identification of asset holdings | | | | | | | | |
| Identification of assets, including liaising with custodians and financial institutions | 39.90 | 6.00 | 170.05 | 47.45 | 0.00 | 263.40 | £96,407.75 | £366.01 |
| Reconciling 3rd party records to company records of client assets | 1.90 | 0.00 | 31.35 | 6.65 | 0.00 | 39.90 | £13,490.00 | £338.10 |
| 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 |
| Recovery and realisation of client assets | | | | | | | | |
| Recovery and safeguarding of client assets | 35.65 | 7.50 | 185.20 | 29.50 | 0.00 | 257.85 | £110,332.25 | £427.89 |
| Reconciling post pooling client receipts | 0.20 | 0.00 | 48.85 | 28.95 | 0.00 | 78.00 | £26,243.50 | £336.46 |
| Reconciling and verifying asset holdings | 5.80 | 0.00 | 11.10 | 5.35 | 0.00 | 22.25 | £9,259.50 | £416.16 |
| Client Specific matters | | | | | | | | |
| Objective 2 tasks necessary to achieve objective 1 | 35.20 | 19.50 | 147.40 | 16.05 | 0.00 | 218.15 | £100,451.75 | £460.47 |
| Agreeing claims and liaising with clients regarding their claim | 47.30 | 52.25 | 139.05 | 183.00 | 1.00 | 422.60 | £163,818.75 | £387.64 |
| Distribution of client assets / funds - Bar Date, client monies distribution & FSCS compensation | 113.80 | 130.50 | 130.80 | 32.35 | 0.00 | 407.45 | £199,758.00 | £490.26 |
| Liasing on client claims with instructed 3rd parties | 8.30 | 0.00 | 73.75 | 152.10 | 0.00 | 234.15 | £82,132.50 | £350.77 |
| Preparing statement to each client to agree their position | 101.95 | 108.75 | 252.15 | 23.50 | 3.50 | 489.85 | £220,374.00 | £449.88 |
| Forensics | | | | | | | | |
| Forensics | 0.00 | 0.00 | 0.20 | 7.45 | 0.00 | 7.65 | £1,932.00 | £252.55 |
| Total | 585.6 | 348.6 | 1,473.5 | 690.3 | 8.5 | 3,106.4 | £1,294,079.00 | £416.59 |

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 3rd 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 finalised 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.
- Interrogation of data and systems, to identify individual client holdings and further information relating to ongoing correspondence with OWG on interest positions.
- Releasing draft client data to SIPP providers, IFAs and Pension Trustee to validate available client data on client holdings and cash positions, to enable client money compensation as outlined in section 3.2 above.

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.
- Correspondence with Beauforts Securities Limited in respect of additional client custody holdings. 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.
- Correspondence with custodians and various parties establishing external verification of client portal data, and investigations in to additional client custody asset positions.
- Post pooling account reconciliations and liaising with stakeholders on post special administration investment receipts.

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 joint 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.
- Liaising with known custodians in respect of the return of custody assets and potential securities claims.
- Correspondence with Beauforts Securities Limited in respect of additional client custody holdings.
- Ensuring regulatory reporting requirements are maintained.
- Contact with former staff and new custodians on verification of additional client holdings.
- Discussions with our legal advisors in respect of pursuit of the return of client funds to the primary pool in respect of OWG matters such as bond shortfalls and client money discrepancies.
- Safeguarding nominee company, Strand Capital Nominees Limited, including filing accounts and statutory returns.

Client specific matters

The Company had a significantly large number of underlying clients (circa 2,448 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. A considerable amount of time has also been incurred relating to drafting, subsequent production and release of client statements to all known clients. 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 ongoing 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.
- A proportion of the costs involved in the responding to client specific DSAR correspondence.
- Working with SIPP providers; IFAs and Pension Trustees on reconciliation of draft client data.
- Working with SIPP providers; IFAs and Pension Trustees on reconciliation of client data and validation of client statements.
- Considerable work with legal advisers on supporting information to client statements and the mechanics of producing client monies statements on two basis and the ability to undertake an interim distribution of client monies on these outcomes.
- Drafting, subsequent production and release of client statements to all known clients.
- Establishment of non-disclosure agreements with SIPP providers; IFAs and Pension Trustees for transmission of draft client data.
- Production of draft client statements to SIPP providers; IFAs and Pension Trustees on reconciliation of draft client data.
- Working with SIPP providers; IFAs and Pension Trustees on validation of draft client data for FSCS compensation payments, and the subsequent validation of client monies and custody assets statements.
- Working with SIPP providers; IFAs and Pension Trustees queries relating to FSCS compensation process and queries on data being provided.
- Working with SIPP providers; IFAs and Pension Trustees and individual clients, relating to client statements and queries on data being provided.
- Working with SIPP providers; IFAs and Pension Trustees and individual clients, relating to the return of custody assets and interim client monies distribution.
- Liaising with the FSCS in respect of establishing and ongoing work in respect of the FSCS compensation process.
- Ongoing work with legal advisers and third parties on the outline of the client custody asset distribution plan, and draft positions relating to the FSCS determination and distributing costs proposals.

Objective 1 - LA Business Recovery Limited's time costs from 17 May 2017 to 16 November 2018

| Classification of work function | HOURS | | | | Total Hours | Time cost | Average Hourly Rate |
|--|---------------|--------------|---------------------------|---------------|---------------|-------------------|---------------------|
| | Office Holder | IP/Manager | Senior Professional staff | Support Staff | | | |
| Client monies | | | | | | | |
| Client money data access & queries - as part of the CASS reconciliation consideration | 10.50 | 7.20 | 0.00 | 0.00 | 17.70 | 9,480.00 | 535.59 |
| Job planning re: objective 1 matters, reviews & update progress of client money 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 monies | 15.60 | 0.00 | 0.00 | 0.00 | 15.60 | 8,736.00 | 560.00 |
| Update concerning CASS reconciliations of client monies | 1.20 | 0.00 | 0.00 | 0.00 | 1.20 | 672.00 | 560.00 |
| Considerations of potential shortfalls to client monies, reviews of progress of reconciliation | 1.05 | 0.50 | 0.00 | 0.00 | 1.55 | 838.00 | 540.65 |
| Consider data extracted following reconciliations by CASS team on client monies | 3.60 | 1.00 | 0.00 | 0.00 | 4.60 | 2,516.00 | 546.96 |
| Strategy in relation to client money & consider SAR provisions re: client monies | 8.70 | 8.1 | 0.00 | 0.00 | 16.80 | 8,922.00 | 531.07 |
| Discussion with JSAs concerning communication to clients re: assets & monies (apportioned 50/50) | 0.70 | 0.00 | 0.00 | 0.00 | 0.70 | 392.00 | 560.00 |
| Consideration of draft correspondence to clients re: assets & monies (apportioned 50/50) | 0.40 | 0.00 | 0.00 | 0.00 | 0.40 | 224.00 | 560.00 |
| Consideration of the distribution plan and proposed handling of agreement of claims (app. 50/50) | 0.20 | 0.00 | 0.00 | 0.00 | 0.20 | 112.00 | 560.00 |
| Interaction with government bodies & clients re: client money | 2.20 | 0.00 | 0.00 | 0.00 | 2.20 | 1,232.00 | 560.00 |
| Discussions, strategy and correspondence relating to client money | 6.79 | 2.55 | 0.00 | 0.00 | 9.34 | 5,077.40 | 543.62 |
| Considered Gallium correspondence concerning the return of client monies | 1.40 | 0.00 | 0.00 | 0.00 | 1.40 | 784.00 | 560.00 |
| Stat. meetings & prep. re: proposals & committee meetings - apportioned to client monies | 9.80 | 0.00 | 0.00 | 0.00 | 9.80 | 5,488.00 | 560.00 |
| Consider correspondence re: client claim notification | 1.75 | 0.00 | 0.00 | 0.00 | 1.75 | 980.00 | 560.00 |
| Consider client money schedules & the agreement of claims (apportioned 50/50) | 3.05 | 0.00 | 1.25 | 0.00 | 4.30 | 2,333.00 | 542.56 |
| Client assets | | | | | | | |
| Bond Investments / Instruments - considering identity on how held | 5.00 | 4.50 | 0.00 | 0.00 | 9.50 | 5,050.00 | 531.58 |
| Fund Investments - consideration of how held | 0.10 | 2.00 | 0.00 | 0.00 | 2.10 | 1,056.00 | 502.86 |
| Meetings with former officers & FSCS re: custody assets, identifying, reviewing | 3.00 | 2.00 | 0.00 | 0.00 | 5.00 | 2,680.00 | 536.00 |
| Internal JSA strategy discussions & correspondence concerning custody assets | 2.61 | 0.35 | 0.00 | 0.00 | 2.96 | 1,636.60 | 2517.85 |
| Strategy in relation to distributions & consider SAR provisions | 7.72 | 5.6 | 0.00 | 0.00 | 13.32 | 7,123.20 | 534.77 |
| Client interaction & handling correspondence re: custody assets | 0.70 | 0.00 | 0.00 | 0.00 | 0.70 | 392.00 | 560.00 |
| Consider recovery of assets of Fund Investments from 3rd Parties | 0.20 | 0.00 | 0.00 | 0.00 | 0.20 | 112.00 | 560.00 |
| Consider recovery of Bond Investments from 3rd Parties | 0.20 | 0.00 | 0.00 | 0.00 | 0.20 | 112.00 | 560.00 |
| Discussions & meetings with key personnel & FSCS re: custody assets | 11.68 | 11.40 | 0.00 | 0.00 | 23.08 | 12,240.80 | 530.36 |
| Consideration of the draft updates given to the FSCS & the FCA - apportioned to client assets | 5.60 | 1.00 | 0.00 | 0.00 | 6.60 | 3,636.00 | 550.91 |
| Consider client asset schedules & the agreement of claims (apportioned 50/50) | 3.05 | 0.00 | 1.25 | 0.00 | 4.30 | 2,333.00 | 542.56 |
| 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 matters | 15.50 | 0.00 | 0.00 | 0.00 | 15.50 | 8,680.00 | 560.00 |
| Correspondence & consideration re: OWG series D bond position - legal matters | 16.12 | 5.95 | 0.00 | 0.00 | 22.07 | 12,002.20 | 543.82 |
| Consider legal advice & correspondence concerning the OWG & JSA responses | 10.60 | 2.5 | 0.00 | 0.00 | 13.10 | 7,186.00 | 548.55 |
| Stat. meetings & prep. re: proposals & committee meetings - apportioned to custody assets | 9.80 | 3.45 | 1.50 | 0.00 | 14.75 | 7,625.50 | 516.98 |
| Discussion with JSAs concerning communication to clients re: assets & monies (apportioned 50/50) | 0.70 | 0.00 | 0.00 | 0.00 | 0.70 | 392.00 | 560.00 |
| Consideration of draft correspondence to clients re: assets & monies (apportioned 50/50) | 0.40 | 0.00 | 0.00 | 0.00 | 0.40 | 224.00 | 560.00 |
| Consideration of the distribution plan and proposed handling of agreement of claims (app. 50/50) | 0.20 | 0.00 | 0.00 | 0.00 | 0.20 | 112.00 | 560.00 |
| Total | 193.53 | 58.10 | 4.00 | 2.80 | 258.43 | 139,859.30 | 541.20 |

Explanation of major work activities undertaken

Securing & Establishing Client Data, planning and matters concerning reconciliations

- Considering client data and on-going queries from SIPP providers; liaising with JSA team concerning client correspondence
- Considering client data and queries from SIPP providers
- Position considered regarding the Nominee company as regards the payment due from OWG
- Further consideration concerning Strand Capital Nominees Ltd
- Nominee company position considered and strategising control
- Discussions and correspondence with advisers and major clients concerning reconciliations
- Planning and strategy concerning approach to OWG concerning the bond coupon payment and default
- Client money reconciliation considerations concerning shortfall
- Consideration of the OWG bond position and reconciliation
- Reviews of client data and records, client listings for the proposals
- Strategy in relation to reconciling bonds

- Correspondence with OWG in relation to bonds
- Cash reconciliation considerations

Establishing client assets position / data reconciliation

- Consideration of correspondence to and from OWG concerning the payments due
- Considered the OWG bond terms and instruments & advice sought on whether there is a debt that can be pursued
- Meeting & liaising with the FSCS concerning client assets and client money matters
- Consideration with legal advisers relative to objective 1 of SAR of reconciling the OWG bonds
- Considered the OWG bond terms and instruments
- Engagement with parties in relation to information gathering for the reconciliation purpose.
- Consider client shortfall matters; reconciled client data
- Consideration of the draft progress report concerning client money
- Consideration of the draft progress report concerning client assets
- Internal discussions with regards to updating to the FCA and FSCS

Correspondence, discussions and communications regarding clients' cash and custody assets

- Consider on-going correspondence with SIPP providers and IFAs.
- Consideration of the OWG bond position
- Correspondence with OWG in relation to bonds
- Discussions & meetings with the FCA, FSCS and committee members
- Internal discussions and reviews concerning approach to the OWG position
- Attending and presiding at committee meetings & conference calls
- Consideration of case progression and updates to committee members and internally
- Internal discussions with regards to updating to the FCA and FSCS
- Review and consider correspondence with clients/SIPP providers concerning their cash and custody assets
- Discussion with clients at the initial creditors' meeting
- Proposal work specific to the information provided to clients and the update on reconciliations
- Discussions & meetings with the FCA, FSCS and committee members
- Consideration of hardship cases as priority

Objectives 2 & 3 - Smith & Williamson LLP's time costs from 17 May 2017 to 16 November 2018

| Classification of work function | Hours | | | | | Total hours | Time cost | Average hourly rate |
|--|--------------------|--------------------|----------------------------|--------------------------|----------------------------|-----------------|--------------------|---------------------|
| | Partner / Director | Associate director | Manager/ Assistant Manager | Other professional staff | Assistants & support staff | | | |
| Administration and planning | | | | | | | | |
| Statutory returns, reports & meetings | 34.50 | 47.50 | 53.00 | 26.65 | 2.50 | 164.15 | £77,073.25 | £469.53 |
| Initial post-appointment notification letters, including creditors | 5.30 | 5.00 | 5.85 | 3.40 | 0.50 | 20.05 | £8,858.50 | £441.82 |
| Cashiering general, including bonding | 0.00 | 0.10 | 0.35 | 3.95 | 0.45 | 4.85 | £1,573.25 | £324.38 |
| Post-appointment taxation (VAT, PAYE/NIC, Corporation Tax) | 2.85 | 0.00 | 3.30 | 10.05 | 0.00 | 16.20 | £6,017.25 | £371.44 |
| Protection of company records (incl electronic) | 0.00 | 0.00 | 7.90 | 12.45 | 0.00 | 20.35 | £7,132.25 | £350.48 |
| Insurance & general asset protection | 0.70 | 5.00 | 7.55 | 12.10 | 0.00 | 25.35 | £9,562.50 | £377.22 |
| Correspondence with joint special administrator | 6.80 | 5.00 | 33.10 | 4.15 | 0.00 | 49.05 | £22,596.75 | £460.69 |
| Case planning, reviews and progression (inc 6 month reviews, checklists & diary) | 10.00 | 5.00 | 38.10 | 24.55 | 0.00 | 77.65 | £33,016.25 | £425.19 |
| Travelling | 1.00 | 0.00 | 3.10 | 1.05 | 0.00 | 5.15 | £2,241.00 | £435.15 |
| Agents and advisers, general | 0.50 | 0.75 | 12.35 | 1.00 | 0.00 | 14.60 | £6,199.25 | £424.61 |
| Investigations | | | | | | | | |
| Directors' correspondence & conduct questionnaires | 4.15 | 0.00 | 8.75 | 5.85 | 0.00 | 18.75 | £7,957.25 | £424.39 |
| Creditor & shareholder complaints | 0.90 | 2.00 | 0.00 | 0.00 | 0.00 | 2.90 | £1,635.00 | £563.79 |
| Statutory books and accounting records review | 0.00 | 0.00 | 17.30 | 11.95 | 0.00 | 29.25 | £11,425.50 | £390.62 |
| SIP2 and SIP4 obligations (inc CDDA86 forms) | 0.20 | 0.00 | 16.85 | 6.15 | 0.00 | 23.20 | £9,295.00 | £400.65 |
| Asset tracing (e.g. Land Registry and Company Searches) | 0.00 | 0.00 | 0.00 | 0.30 | 0.00 | 0.30 | £87.00 | £290.00 |
| Realisation of assets | | | | | | | | |
| 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 |
| Cash at Bank | 0.00 | 0.00 | 0.00 | 0.55 | 0.00 | 0.55 | £170.50 | £310.00 |
| Other | 0.00 | 0.00 | 2.55 | 0.00 | 0.00 | 2.55 | £1,160.25 | £455.00 |
| Creditors | | | | | | | | |
| Employee claims, including liaison with RPO and ERA | 0.00 | 0.00 | 1.45 | 7.00 | 0.00 | 8.45 | £2,732.25 | £323.34 |
| Unsecured creditors | 6.20 | 0.50 | 29.80 | 15.70 | 0.00 | 52.20 | £22,323.50 | £427.65 |
| Creditors' committee | 12.00 | 0.00 | 33.45 | 15.00 | 0.00 | 60.45 | £27,054.75 | £447.56 |
| Client Correspondence / Communications | 4.00 | 0.50 | 77.40 | 293.55 | 0.00 | 375.45 | £121,221.15 | £322.87 |
| Objective 2 activities | | | | | | | | |
| Liaison with and reporting to regulatory bodies (FCA, FSCS, HMRC etc) | 2.10 | 3.00 | 38.00 | 45.65 | 0.25 | 89.00 | £30,667.00 | £344.57 |
| Pursuing insurance claims for the benefit of clients | 0.80 | 0.00 | 29.70 | 15.70 | 0.00 | 46.20 | £18,933.50 | £409.82 |
| Other | 0.00 | 0.00 | 3.60 | 0.00 | 0.00 | 3.60 | £1,656.00 | £460.00 |
| Shareholders | | | | | | | | |
| Shareholder general communications | 0.30 | 0.00 | 0.00 | 0.00 | 0.00 | 0.30 | £195.00 | £650.00 |
| Forensics | | | | | | | | |
| Forensics | 0.00 | 0.00 | 4.40 | 22.35 | 0.00 | 26.75 | £5,676.50 | £212.21 |
| Total | 102.10 | 84.85 | 470.60 | 591.05 | 3.70 | 1,252.30 | £477,213.65 | £381.07 |

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 and update based publications, 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 3rd 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 with key personnel.
- Legal advice on ongoing investigations, correspondence with key parties and possible s236 requirements.
- Discussions and correspondence with relevant personnel and agents.
- DSAR correspondence and responses.

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.
- VAT recoveries and legal advice.

Creditors

The Company ceased trading prior to special administration. 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 and clients subsequent queries on these 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 ongoing 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.

- A proportion of the costs in corresponding principally with the FSCS on distribution plan, FSCS determination, client queries and media interest.

Forensics

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

Objectives 2 & 3 - LA Business Recovery Limited's time costs from 17 May 2017 to 16 November 2018

| Classification of work function | HOURS | | | | Total Hours | Time cost | Average Hourly Rate |
|--|------------------|--------------|---------------------------|---------------|--------------|------------------|---------------------|
| | IP/Office Holder | IP/Manager | Senior Professional staff | Support Staff | | | |
| Objectives 2&3 - General Insolvency Matters | | | | | | | |
| Administration & Planning | | | | | | | |
| Administrative Setup | 3.20 | 0.00 | 0.00 | 0.00 | 3.20 | 1,792.00 | 560.00 |
| Case Planning & bordereau preparation, consideration and submission | 7.80 | 1.70 | 0.00 | 0.00 | 9.50 | 5,218.00 | 549.26 |
| Maintenance of Records, files and correspondence | 7.80 | 2.20 | 0.10 | 0.00 | 10.10 | 5,432.50 | 530.00 |
| Appointment Notification | 0.50 | 0.00 | 0.00 | 0.00 | 0.50 | 280.00 | 560.00 |
| Case reviews / internal conference call updates - general | 0.00 | 0.60 | 0.00 | 0.00 | 0.60 | 300.00 | 500.00 |
| VAT queries & legal advice considered | 3.00 | 0.00 | 0.00 | 0.00 | 3.00 | 1,680.00 | 560.00 |
| Investigations | | | | | | | |
| Reviewing company records | 14.05 | 0.00 | 0.00 | 0.00 | 14.05 | 7,868.00 | 560.00 |
| Director interviews, conduct reporting and reviewing responses from directors | 7.44 | 0.00 | 0.00 | 0.00 | 7.44 | 4,166.40 | 560.00 |
| Considering and reviewing company data & records | 4.10 | 0.00 | 0.00 | 0.00 | 4.10 | 2,296.00 | 560.00 |
| Consideration of pre-appointment transactions; investigations into related parties | 1.90 | 0.00 | 0.00 | 0.00 | 1.90 | 1,064.00 | 560.00 |
| Creditors | | | | | | | |
| Communications with company creditors | 0.70 | 0.00 | 0.30 | 0.00 | 1.00 | 474.50 | 474.50 |
| Consider draft progress reports to creditors (apportioned to company) | 2.30 | 0.00 | 0.00 | 0.00 | 2.30 | 1,288.00 | 560.00 |
| Statutory progress reports to creditors & initial meeting of creditors | 13.05 | 0.00 | 1.50 | 0.00 | 14.55 | 7,720.50 | 530.62 |
| Objective 2 - FCA - in support of Objective 1 | | | | | | | |
| Communications/discussions with FCA | 0.60 | 1.15 | 0.00 | 0.00 | 1.75 | 911.00 | 520.00 |
| Objective 2 - FSCS - in support of Objective 1 | | | | | | | |
| Communications/discussions/meetings with company creditors, FSCS, JSAs | 1.00 | 2.00 | 0.00 | 0.00 | 3.00 | 1,560.00 | 328.42 |
| Company work re: Client Assets in support of Objective 1 | | | | | | | |
| On-going correspondence with DWG re: coupon - obj 2 & 3, reviews | 12.20 | 2.80 | 0.00 | 0.00 | 15.00 | 8,232.00 | 548.80 |
| Total | 79.64 | 10.45 | 1.90 | 0.00 | 91.99 | 50,282.90 | 8,461.60 |

Explanation of major work activities undertaken

Administration & Planning

- Collate and file all correspondence
- Planning & strategy on matters related to objectives 2 & 3
- Website & media publications re: proposals
- Apportionment of relevant time for travel
- JSAs meeting & discussion preparations

Investigations

- Reviewing company records for directors' conduct report
- Director interviews, meetings and discussions, follow-up Q&A
- Consider information available on related parties to the company and their profiles
- Consider transactions that occurred in the pre-appointment period

Correspondence, discussions and communications regarding company creditors

- Committee and FSCS meetings, discussions and internal progress updates with JSAs
- On-going correspondence with company creditors, review of progress reports
- Discussions with company creditors and FSCS related to objective 2 & 3 matters
- Correspondence with interested creditor members for the proposed creditor committee
- Apportionment of advice and discussions concerning objective 2 & 3 matters
- Consideration of progress report, format and content

Case Specific matters

- Correspondence & consideration concerning objectives 2&3 elements regarding the OWG coupon
- Legal advice sought & consideration of the handling of VAT under the Special Administration regime.

VI Staffing and charging policies, and charge out rates

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 changes to the charge out rates during the period of this report, with effect of 1st July 2018. The adjusted rates are detailed below:

| Smith & Williamson LLP Charge out rates | Restructuring & Recovery Services | | Assurance & Business Services | |
|--|-----------------------------------|-------------|-------------------------------|-------------|
| | From 1/7/17 | From 1/7/18 | From 1/7/17 | From 1/7/18 |
| | £/hr | £/hr | £/hr | £/hr |
| Partner / Director | 545-625 | 650 | 550 - 625 | 650 |
| Associate Director | 490-525 | 525 | 480 | 480 |
| Managers | 395-500 | 315-460 | 300 | 220-450 |
| Other professional staff | 200-395 | 215-310 | 295 - 310 | 130-250 |
| Support & secretarial staff | 100-250 | 115-400 | 130 - 240 | 130-240 |

| Smith & Williamson LLP Charge out rates | Forensic Accounting | | Corporate Tax | |
|--|---------------------|-------------|---------------|-------------|
| | From 1/7/17 | From 1/7/18 | From 1/7/17 | From 1/7/18 |
| | £/hr | £/hr | £/hr | £/hr |
| Partner / Director | 700 | 610 | 500 - 600 | 525 - 660 |
| Associate Director | - | - | 400 | 420 - 440 |
| Managers | 400-470 | 470-515 | 215 - 350 | 225 - 365 |
| Other professional staff | 180-340 | 220-340 | 180 | 190 |
| Support & secretarial staff | 80-100 | 80-100 | 100 - 120 | 100 - 120 |

| S&WFS Employee Benefits Consultancy | | |
|-------------------------------------|-------------|-------------|
| Charge out rates | From 1/7/17 | From 1/7/18 |
| | £/hr | £/hr |
| Director | 442.50 | 442.50 |
| Manager | 277.50 | 277.50 |
| Administrator | 217.50 | 232.50 |

| 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. The Smith & Williamson LLP cashiering function time for this case is incorporated within “Other professional staff” rates.
3. LA Business Recovery Limited records time in units representing 6 minutes or multiples thereof

www.smithandwilliamson.com

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

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

Nexia Smith & Williamson Audit Limited is registered to carry on audit work and regulated by the Institute of Chartered Accountants in England and Wales for a range of Investment business activities. A member of Nexia International.



Smith & Williamson is a member of Nexia International, a worldwide network of independent accounting and consulting firms.

© Smith & Williamson Holdings Limited 2016