

# Dolphin Financial (UK) Ltd (in special administration)

Joint special administrators' progress report for the period from 30 December  
2021 to 29 June 2022

Court no: 1111 of 2021

27 July 2022

**evelyn**  
PARTNERS

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# 1. Glossary

Abbreviation	Description
EP	Evelyn Partners LLP
Bar Date	A deadline for Clients to submit their claims in respect of Client Money and/or Client Custody Assets
Britannia	Britannia Global Markets Limited – a purchaser of certain assets of Dolfin Financial (UK) Ltd
CASS	The FCA's "Client Assets Sourcebook" rules
CASS Reconciliation	A reconciliation of Client Assets undertaken by the JSAs following their appointment
Client	A party for whom the Company held either Client Money and / or Client Custody Assets
Client Assets	Client Custody Assets and Client Money
Client Custody Assets	Securities which the Company held for Clients at 30 June 2021 (whether or not on trust and whether or not the undertaking has been complied with).
Client Money	Cash balances that the Company has received or holds for or on behalf of a Client in the course of, or in connection with any of its businesses as referenced in CASS 7.10.1 and any money that the Company treats as Client money in accordance with the Client Money Rules contained in CASS 7.10. to 7.19
Client Money Rules	CASS 7 and 7A, the provisions for the handling, distribution and transfer of Client Money
Committee	The Clients and Creditors Committee, consisting of the following members: Dolfin Asset Services Limited (represented by Mr T Symes of Stewarts Law) RMS Investment Funds SPC (represented by Mr P Theologites) Mr Shiqi Xu (represented by Mr L Chua of Jackson & Lyon LLP) Mr Ye Li (represented by Mr N Zang) Mr Rob Watts
Client Money Pool / CMP	The pool of Client Money held on trust by the Company in accordance with the Client Money Rules and which has been pooled in accordance with CASS 7A.2.4 for the purpose of returning the Client Money, including by way of a transfer to a subsequently nominated broker(s)
Company / Dolfin	Dolfin Financial (UK) Ltd (in Special Administration)
Court	High Court of Justice, Business and Property Courts of England and Wales
Creditor / unsecured creditor	A party owed an amount from the Company, including i) a Client who is not entitled to participate in the Client Money Pool nor entitled to Custody Assets held by the Company; ii) a Client with a shortfall of either Client Money or Custody Assets; iii) any other creditor, that is neither secured nor preferential, who is owed an amount from the Company.
DP / Distribution Plan	A statutory Distribution Plan, pursuant to the Regulations and the Rules, to facilitate the return of Client Custody Assets
DWF	DWF Law LLP, legal advisors to the Company and, since their appointment, to the JSAs
Foot Anstey	Foot Anstey LLP, legal advisors to the JSAs since their appointment on certain limited matters
FCA	Financial Conduct Authority

FSCS	The Financial Services Compensation Scheme
HMRC	Her Majesty's Revenue & Customs
House Assets	The Company's own assets
the JSAs / we / us	The Joint Special Administrators, being Adam Henry Stephens and Kevin Ley of EP
Lewis Silkin	Lewis Silkin LLP, employment legal advisors to the Company and, since their appointment, to the JSAs
Objectives	The three statutory objectives of a Special Administration set out in Regulation 10 of the Regulations, being: Objective 1 – to ensure the return of Client Assets as soon as is reasonably practicable Objective 2 – to ensure timely engagement with market infrastructure bodies, The Bank of England, The Treasury and the FCA pursuant to regulation 13 of the Regulations Objective 3 – to either rescue the Company as a going concern or, alternatively, to wind it up in the best interests of the Company's Creditor
PPE	Primary pooling event
PPM	Post Pooling Money comprising corporate action income and any other Client Money received after the PPE on 30 June 2021
Preferential creditor	Claims for unpaid wages earned in the four months before insolvency, up to £800, holiday pay of up to 6 weeks, certain unpaid pension contributions and some HMRC liabilities
Prescribed part	The sum set aside for unsecured creditors from floating charge funds, in accordance with s176a of the IA86 and the IA86 (Prescribed Part) Order 2003 as applied by Regulation 15
Proposals	The JSAs' proposals for achieving the Objectives of the Special Administration issued on 17 August 2021 and approved on 2 September 2021
Regulations / IBSA	The Investment Bank Special Administration Regulations 2011 as amended by The Investment Bank (Amendment of Definition) and Special Administration (Amendment) Regulations 2017
Residual Client Book / RCB	Clients and their Client Assets remaining held by Dolfin
RPS	The Redundancy Payments Service, being a government department that pays outstanding entitlements to employees in the event their employer is insolvent (subject to statutory limits)
Rules	The Investment Bank Special Administration (England and Wales) Rules 2011
SAR	The Special Administration Regime, to include the Regulations and the Rules
Secured creditors	Creditors with security in respect of their debt, in accordance with s248 IA86
Special administration	The Special Administration of the Company following the Court order dated 30 June 2021
SIP	Statement of Insolvency Practice (England & Wales)
S&W	Smith & Williamson LLP, (now Evelyn Partners LLP)
Tilney	Tilney Discretionary Portfolio Management Ltd – Investment Operation Team

## 2. Introduction and summary

This report provides an update on the progress of the Dolfin special administration for the six-month period ended 29 June 2022. It should be read in conjunction with all previous reports and proposals. To date, there has been no deviation from the strategy outlined in the JSAs' approved Proposals, a copy of which may be found here:

[Dolfin Financial \(UK\) Ltd \(in Special Administration\) | Evelyn Partners](#)

In summary, during the period we have:

- issued Client statements on 28 February 2022 and a Soft Bar Date Notice on 6 July 2022;
- concluded the transfer of Client Custody Assets to Britannia;
- completed the sales and marketing process of the RCB; and
- obtained Committee approval to develop a DP for the return of Client Assets.

**Urgent request for Clients** - We urge any Client who has not yet completed their Statement of Claim Form to do so as a matter of urgency. If you have any queries (or want it sent again), then please contact:

[Dolfin.transfers@evelyn.com](mailto:Dolfin.transfers@evelyn.com)

In addition, we continued to:

- safeguard all Client Money, Client Custody Assets and House Assets. This includes reconciling client positions and managing the bank accounts maintained by Dolfin prior to Special administration. We have also maintained working agreements and practices with all of Dolfin's sub-custodians;
- maintain the necessary systems to ensure that Client Assets are secured and properly accounted for. This includes dealing with key suppliers and contractors retained to assist in this process;
- manage sales of Dolfin's chattel assets;
- investigate and, where possible, recover debts due to Dolfin;
- address ongoing legal matters arising in relation to Clients and their Assets, Dolfin's affairs and the conduct of the Special administration;
- liaise with all relevant market infrastructure bodies, including frequent contact with both the FCA and FSCS; and
- comply with our statutory obligations including periodic reporting and otherwise communicating with clients, creditors and other stakeholders.

Further detail in respect of work undertaken to date can be found below and in the appendices.

Please note that from 14 June 2022, Tilney Smith and Williamson commenced operating under the single new brand of Evelyn Partners LLP. This is a change to our brand only, the services provided are not expected to be affected. Please also be aware that we have changed our postal and registered office address to 45 Gresham Street, London EC2V 7BG.

## 3. Progress of the Special Administration

This section provides Clients and Creditors with an update on how we have been pursuing the Special administration strategy with a view to achieving the three Objectives and the progress made in the second six-month period ending 29 June 2022 (the Period).

### 3.1 Objective 1 – Returning Client Money and Client Custody Assets as soon as reasonably practicable

#### 3.1.1 Approval of DP strategy

At a meeting of the Committee on 7 July 2022, the JSAs explained that it was no longer possible to pursue a sale of the RCB as all parties interested in purchasing the entire RCB had withdrawn. With the consent of the Committee, the JSAs have now

commenced work to prepare a DP to return Client Assets as soon as possible. The DP must be approved by the Court and other stakeholders. We anticipate that a hearing date will be listed for the Court to consider the DP in Q4 2022. Once the DP is approved by Court we will be in a position to commence the return of Client Assets in Q4 2022 / Q1 2023. Further information about the DP is provided at 3.1.9 below.

### 3.1.2 Client Statements

On 28 February 2022 the JSAs issued Clients with Statements to show their Client Custody Assets and Client Money balance held at Dolfin on 30 June 2021. Clients have been asked to confirm their claim for Client Assets and we have to date received over 150 responses. **We urge any Client who has not yet completed their form to do so as a matter of urgency.**

As part of the steps to complete a DP we issued a Soft Bar Date Notice to all Clients on 6 July 2022, along with a reminder and further copy statements to those clients that have yet to respond. Further details on the Soft Bar Date Notice and DP are provided in 3.1.9 below.

### 3.1.3 Client identification and analysis

Clients remaining include a small number of those that ultimately didn't transfer to Britannia. In respect of the discretionary management services provided by Dolfin, only Multrees required any further actions/instructions from us in relation to the Client Assets custodied there. On ascertaining Clients' wishes we instructed Multrees to transfer these Clients' Assets to new custodians. That process is now complete, none of these Clients remain at Multrees.

#### Client debtors

Significant inconsistencies were identified in Client aged management charges recorded in Dolfin's SAGE and IMS records (client software). According to Sage, recoverable Client debtor balances are shown as £2.1m. However, according to IMS, recoverable Client debtor balances are shown as £605k. The JSAs and their team have spent substantial time identifying the correct amount(s) due from each client (see 3.4.4 below).

### 3.1.4 Safeguarding and reconciling Client Custody Assets and Client Money

Client Assets held by Dolfin as at 30 June 2021 totalled c. £1.453bn, being Client Custody Assets of c. £1.032b, held across 6 sub custodians and c. £133m of Client Money within the CMP, held across 7 banks.

We gained control of Dolfin's Client Assets and completed a CASS reconciliation shortly after the commencement of the Special administration. No material shortfalls in either Client Custody Assets or Client Money were identified.

We continue to operate post administration bank accounts, in accordance with CASS rules, to segregate PPM received and perform CASS reconciliations, as required. We also regularly liaise with the Dolfin sub custodians and bankers to ensure Client Custody Assets and Client Money are safeguarded and correctly reconciled.

All Client Money balances and PPM received are held in the original currency and balances will be returned to Clients in the currency held.

PPM are funds received in relation to Client Custody Assets held, such as dividends and maturity proceeds. These funds are held in segregated bank accounts.

### 3.1.5 Maintaining critical operations

As at the date of this report we continue to engage the services of six consultants to assist us to:

- maintain IT systems;
- secure and reconcile Client Assets and account for PPM;
- liaising with the FSCS and FCA; and
- communicate with Clients.

We continue to monitor costs and reduce them when it is appropriate to do so, including negotiating reduced costs for software licences and support.

Our efforts in this regard are hampered by the reliance of Dolfin on unsupported investment management software, poor record keeping and governance; and lack of timely cooperation from key personnel.

### 3.1.6 Client communications

We continue to communicate with Clients, their advisors and Creditors via our Dolfin web page, dedicated phone lines, email accounts and direct contact.

We routinely post updates on the web page as material issues arise or when there is material progress to report. We also maintain a FAQ document for easy reference. The last documents posted on the web page were the Global Update and Soft Bar Date Notice in June and July 2022, respectively. Please note that as a consequence of our rebranding, the web page address is as follows:

Dolfin web page: [Dolfin Financial \(UK\) Ltd \(in Special Administration\) | Evelyn Partners](#)

Email: [Dolfin.transfer@evelyn.com](mailto:Dolfin.transfer@evelyn.com)

### 3.1.7 Sale of business and returning Client Assets

#### Britannia

On 12 July 2021 the JSAs completed the sale of a number of Clients and their Client Assets to Britannia Global Markets. Since that date we have worked to transfer these Clients' Assets to Britannia and we are now in the process of agreeing the final deferred consideration due. Some of the Client Assets of 18 Clients were unable to transfer to Britannia, and these Clients' Assets will now become part of the RCB, to be dealt with by the DP.

#### The RCB

Following the sale to Britannia, Clients and Creditors approved proposals to market the RCB in priority to the preparation of a DP.

We subsequently contacted all parties identified at commencement of original pre administration sales process, together with additional interested parties identified post Special Administration, to seek expressions of interest in the whole RCB, as summarised below:

Date	Action	Data
19.08.21	Teaser issued	140 recipients
-	Signed confidentiality undertakings received	11 parties
-	Discussions with JSAs	4 parties
31.08.21	Expressions of Interest (EOI)	11 parties
10.04.22	Withdrawal of interest	All parties

In addition to interest in the whole RCB, we entered into discussions with two parties interested in only selected Client contracts within the RCB.

Neither strategy proved to be viable for a number of reasons including the interested parties':

- regulatory concerns;
- appetite for risk;
- the cost of the RCB that would have to be paid for the RCB;
- illiquid / complex bonds; and latterly
- sanctions.

We reported the outcome of our efforts to achieve a sale of the RCB to the Committee and on 8 June 2021 we issued a Global Update, available at the link below, notifying stakeholders of our conclusion that a DP represented the best and most efficient option to return Client Custody Assets and Client Monies:

[Dolfin - Evelyn web page](#)

### 3.1.8 DP

A DP is a detailed document prepared by the JSAs and their legal advisors. It seeks to ensure all Clients' rights are protected and details the process by which Client Custody Assets and Client Monies held within the Client Money Pool (which for Dolfin crystallised on 30 June 2021) will transfer. Once drafted a DP will ordinarily be shared with the FCA for comment and be subject to review and approval by the Committee, before approval is sought from the Court.

On 7 July 2022, we held a meeting with Dolfin's Committee and discussed the process for seeking approval of a DP, the issues affecting a DP for Dolfin and how those may be overcome. We also discussed the costs of the DP and special administration, and how those costs would be apportioned to, and borne by, Clients.

The Committee agreed that the JSAs should proceed to draft the DP and continue to refine the process by which costs would be recovered. It's anticipated that Court approval will be sought in sufficient time to enable transfers of Client Assets to commence Q4 2022 / Q1 2023.

The return of Client Custody Assets, Client Monies and PPM will be undertaken by way of a transfer to one or more Nominated Brokers under regulations 10B and 10C of the Regulations, under the protection of the approved DP. The JSAs have identified brokers that are willing to act as a new custodian for the whole RCB and discussions are ongoing with these brokers. When determining which of these brokers is best placed to accept Dolfin's RCB the JSAs will consider:

- the calibre of the brokers, including the breadth of assets that can be held for Clients and the services they can offer to Clients post transfer;
- the preference of Clients within the RCB;
- feedback from the Regulatory stakeholders, such as the FCA, as well as the Committee; and
- the need to expedite the return of Client Custody Assets, PPM and Client Monies.

For legal and commercial reasons, the identity of the brokers cannot be shared with Clients at this time.

As part of the DP process on 6 July 2022 we issued the SBDN, with a return date of 29 July 2022. The SBDN represents the discretionary deadline by which:

- clients are required to return their Statement of Claim (or otherwise submit their claim(s)) to register their Client Money and Client Custody Assets claim(s); and
- those parties asserting a Security Interest Claim are required to submit details of their claim, to the JSAs.

If you are a Client of Dolfin and have yet to submit your claim / verify your Client Asset holdings at Dolfin, please refer to the SBDN linked below and contact us as soon as possible:

[Dolfin SBN and contact details](#)

### 3.1.9 Costs of returning Client Assets

The SAR provides that Objective 1 costs associated with the return Client Custody Assets are to be paid out of Client Custody Assets and Objective 1 costs attributable to the distribution of the Client Money are to be paid out of the Client Money Pool. Surplus House funds may be used to offset the costs of returning Client Assets, but it is unlikely there will be a surplus of House funds

In cases where Clients are eligible for FSCS compensation, the FSCS may settle all or part of the Clients' costs directly, up to the FSCS' compensation limit.

On 11 March 2022, the FSCS issued a public statement confirming that it does not consider that the requirements for paying compensation under its rules are met in this case. This means that Dolfin Clients will be required to fund the costs of transferring their own assets before consideration is given by the FSCS to any form of compensation.

We are in discussions with the Committee regarding these costs and how they may be allocated. Once those discussions are complete, the final position will be shared with Clients as part of any approved DP.

### 3.1.10 Consulting with the Committee

We continue to consult with the Committee. In addition to several calls and email exchanges with the members, Committee meetings have been held as follows:

Date	Principle purpose	Resolutions
10.11.21	Strategy, progress, pre appointment fees, costs update	Approval of pre appointment fees
26.01.22	Progress, sale of RCB, likely need for DP, costs update	None proposed
7.07.22	Progress, end of sale process, costs update, DP strategy, and cost modelling option for DO	None proposed but Committee minuted acceptance of DP strategy and development of selected cost models

## 3.2 Objective 2 – Engagement with market infrastructure bodies

### 3.2.1 FCA

We continue to liaise with the FCA in relation to overall strategy for achieving the objectives of this SAR, the transfer of Client Assets (sale of the RCB, development of a DP), Client positions, regulatory compliance matters and statutory reporting requirements.

### 3.2.2 FSCS

As noted in 3.1.10 above, the FSCS has determined that the requirements for paying compensation under its rules are not met in this case. However, Clients are free to contact the FSCS, which may wish to consider claims on a case-by-case basis.

## 3.3 Objective 3 – Rescue the investment bank as a going concern or wind it up in the interests of creditors

As a result of Dolfin's potential indebtedness and restrictions imposed by the FCA, as a consequence of Dolfin's compliance failures, it was not possible to rescue the Company as a going concern and / or effect a sale of its shares. We continue to focus on winding up Dolfin's affairs in the best interests of its Clients and Creditors, in accordance with the proposals approved by Clients and creditors on 2 September 2021.

The orderly winding down of the Company will be undertaken by way of a phased series of events once Objective 1 has been achieved. Until that time, the Company's operations critical to the achievement of Objective 1 need to remain in place.

## 3.4 House Assets

House Assets are those assets owned by Dolfin as opposed to those held on trust for Dolfin's Clients. Proceeds from the sale of House Assets are used to pay (in the order of priority relevant to Dolfin):

- the expenses of the special administration relating to the pursuit of Objectives 2 and 3 only (for example our fees and expenses);
- preferential debts (mainly certain types of employee and HMRC claims); then
- ordinary unsecured creditors.

Given the minimal House Assets available and the legacy issues affecting this case, it remains highly unlikely that proceeds from the sale of Dolfin's House Assets will be sufficient to cover the expenses of the special administration chargeable against those assets. Any deficiency in House Assets is not recoverable from Client Assets.

At the date of this we report we have realised House Assets with a GBP equivalent value of £2,560,532.69 as shown in the Receipts and Payments at Appendix I. Material realisations comprise:

	Realisations as at 29 June 2022	Estimated future realisations	
	£	Worst case £	Best case £
Cash at Bank	1,696,632	Nil	Nil
Britannia sale	600,000	300,000	600,000
Business rates refund	60,633	60,000	132,000
Debtors	21,596	Uncertain	Uncertain
Corporate artwork	Nil	11,820	60,000

The above amounts have been converted to GBP at 30 December 2021 for ease of reporting but as shown in the receipts and payments account at Appendix I, may be made up of multiple currencies.

### 3.4.1 Cash at bank (also sometimes referred to as House accounts)

Dolfin's credit balances at the time of our appointment on 30 June 2021 comprised a combination of house cash and cash retained for transaction charges in multiple currencies, these accounts and the credit balances were transferred to new accounts and remain under the JSAs control.

### 3.4.2 Britannia sale

Initial consideration of £600,000 was received on completion of the sale of part of the Client book to Britannia on 12 July 2021. As the transfer of Clients' Assets to Britannia is now complete we are now able to calculate the deferred consideration payable to Dolfin.

It should also be noted that proceeds from the sale of Britannia will first be used to discharge costs incurred in relation to the sale to Britannia and the transfers of Clients' Assets in this regard.

### 3.4.3 Business rates refund

We have received a business rates refund of £60,000. Our agents have identified the potential for a further refund of between £60,000 to £132,000 and are continuing to pursue this claim on a no win no fee basis.

### 3.4.4 Debtors

The sum shown in the table at 3.4 above represents Client debtor payments collected since our appointment in respect of sums owed by Clients who transferred to Britannia.

Included within Client Debtors of £3.6m disclosed in Dolfin's directors' Statement of Affairs are aged Client debts of £2.1m. We investigated the nature of these aged debts and issued requests for explanations or payment to all those Clients for whom we had contact details. On the basis of our investigations and replies received to date, we do not believe that many of these debts are recoverable. If these debts had not been carried in Dolfin's records (as summarised in the Statement of Affairs) it is possible that Dolfin would have been in breach of FCA liquidity rules.

### 3.4.5 Corporate artwork

The Company's management accounts referenced items of art with a book value of approximately £62,000. Rabbows have been instructed to assist us in valuing the artwork and provide strategies for marketing it. The unusual pieces of large artwork have been installed in a gallery on a consignment sale basis.

The market for large artwork has been adversely impacted by the current economic climate, but we have been notified of one interested party. If that interest lapses and no further interested parties are identified, we will consider placing the remaining art in a general auction towards the end of August 2022.

## 4. Receipts and payments

Attached at Appendix I is our receipts and payments account for the period from 30 December 2021 to 29 June 2022. This account includes cumulative figures for the period from 30 June 2021 to 29 June 2022. We have summarised notable receipts in 3.4 above.

The receipts and payments account also includes a comparison with the directors' Statements of Affairs values.

To achieve Objective 1, it remains necessary to maintain critical House operations and retain certain former staff to assist with the process.

### 4.1 Wages and salaries

No waged or salaried staff were retained during this reporting period. All staff are now contracted to Dolfin in Special administration. In this period consultancy fees and staff incentives totalling £220,679.25 have been paid, as per Appendix V.

### 4.2 IT suppliers

We continue to retain the services of key suppliers, albeit at reduced capacity, to maintain and interrogate Dolfin's IT systems, the key one being IMS which holds all Client data. A total of £102,671.99 plus VAT, has been paid to IT Suppliers during this reporting period.

### 4.3 Agents' fees and expenses

Further details in respect of the agents and professional advisors engaged are included at Appendix VI. During the reporting period, we have paid £3,000 plus VAT (where applicable) to such agents, excluding legal fees.

## 5. Costs of the Special Administration

As noted in earlier reports, the professional costs of the Special Administration to date can be split into the following three categories:

- a. the pre-Special administration costs incurred by Evelyn (formerly S&W), and DWF;
- b. our post-appointment remuneration; and
- c. post-appointment expenses and disbursements (to include category 1 and category 2 disbursements).

Further detail in respect of these costs is provided below.

### 5.1 Pre- Special Administration costs

We have drawn our approved pre appointment costs of £195,694.04 plus VAT and have paid DWF pre special admin costs of £88,116.70 plus VAT. We are in the process of drawing our approved category 2 disbursements of £23,4447.96 plus VAT.

### 5.2 Post-Special Administration costs

#### 5.2.1 Basis of the JSAs remuneration

As JSAs we are entitled to receive remuneration for services given in respect of:

- Objective 1, which will be paid out of Client Assets (subject to FSCS compensation not being received in respect of a respective Client's share of the costs); and
- Objectives 2 and 3, which will be paid out of House Assets.

The basis of our remuneration may be fixed:

- as a percentage of the value of the property with which we must deal; or
- by reference to time properly spent by us (when in office) and our staff in attending to matters arising in the Special Administration, or
- as a set amount; or
- by any combination of the above.

The basis upon which we may be remunerated is a matter for the Committee to consider and approve by way of resolution in accordance with the Regulations and Rules.

A guide for creditors on insolvency practitioners' fees in administration is available [here](#). Please note that this guide is not wholly relevant to the special administration regime for investment banks such as Dolfin:

#### [ICAEW SIP 9](#)

We have previously provided our guide for creditors in respect of insolvency practitioners' fees in special administration, however, please note that this is now available for download at:

#### [SIP 9 SAR](#)

Should you require a paper copy of any of these documents please email [Dolfin.transfers@evelyn.com](mailto:Dolfin.transfers@evelyn.com) or telephone 020 7131 4452 and it will be sent to you at no cost.

### **5.2.2 The JSAs' time costs to 29 June 2022**

During the period from 30 December 2021 to 29 June 2022, we incurred total time costs of £1,068,112, which represents 2,025 hours at an average charge out rate of £527.45 per hour.

At Appendix II we provide a detailed analysis of these time costs by reference to the grade of staff used and work done. The information is provided in accordance with SIP 9. A detailed narrative of the tasks undertaken in respect of each work activity is also set out within Appendix II.

Also attached at Appendix III, is a cumulative time analysis for the period from 30 June 2021 to 29 June 2022 which provides details of the special administrators' time costs since appointment. The JSAs have not yet drawn any post appointment fees and will seek approval from the Committee at the appropriate stage.

Clients and creditors should be aware that some work is required by statute and may not necessarily provide any financial benefit to Clients and creditors. Examples would include dealing with former employees' claims through the Redundancy Payments Service and providing information relating to the Company and its former officers as required by the Company Directors' Disqualification Act 1986.

A copy of "A Creditor's Guide to Administrator's Fees", as produced by R3, is available free on request or can be downloaded from their website as follows:

#### [R3 Guide](#)

On 1 September 2020, the Smith & Williamson Group merged with the Tilney Group to extend our financial and professional services offering. In common with many professional firms, our scale rates rise to cover annual inflationary cost increases (which readers will be aware have been particularly high of late) and accordingly our rates have risen on average by approximately 7% with effect from 1 July 2022.

Following the merger please note that there has been a change to our financial year-end and, as a result, we will be reviewing our charge-out rates again on 1 January 2023 (reverting to annual reviews thereafter). The rate of any increase on 1 January 2023 will take into account that only six months will have passed from the date of the last increase and so will not cause any prejudice to creditors and stakeholders.

Details of what is now Evelyn Partners LLP's charge out rates (including any changes during the case) along with the policies in relation to the use of staff are provided at Appendix IV.

We have no business or personal relationships with the parties who approve our fees.

We have no business or personal relationships with those who provide services to the special administration where the relationship could give rise to a conflict of interest.

### 5.2.3 Further information on the JSAs' remuneration

## 5.3 Expenses

### 5.3.1 Professional advisors' and agents fees and expenses

During the reporting period we have engaged a number of professional advisors and agents. At Appendix VI we have detailed the basis on which these agents were engaged, our fee arrangement with each of them, which is subject to review on a regular basis and the costs incurred to date.

### 5.3.2 Disbursements

From time to time it may be necessary for EP to pay directly for certain expenses relating to the work being undertaken. The JSAs are permitted to charge and recover such disbursements which are classified as either category 1 or category 2 disbursements.

Category 1 disbursements are expenses paid by EP to third parties and are recoverable without approval. These are detailed at Appendix VII.

Category 2 disbursements are internal expenses incurred by EP that include an element of allocated costs or a profit element. Category 2 disbursements are subject to the same approval as the JSAs' remuneration.

We engaged the services of our Investment Operations Team (Tilney) to assist with our reconciliation exercise and ongoing CASS reconciliations. This team's costs rank as a Category 2 disbursement. For the period from 30 June 2021 to 29 June 2022 Tilney's costs total £54,862.88, of which £9,245.88 was incurred in this reporting period as shown at Appendix VIII.

In accordance with the Regulations and the Rules, the drawing of Category 2 disbursements is subject to the approval of the Committee.

## 6. Investigations

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

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

Additionally, we have a duty to investigate transactions to establish whether there may be any worth pursuing for the creditors' benefit from, for example, legal proceedings. Shortly after appointment, we made an initial assessment of whether there could be any matters that might lead to recoveries for the estate and what further investigations may be appropriate.

This assessment took into account information provided by creditors either at the initial meeting or as a response to our request to complete an investigation questionnaire.

**We have received some information from clients, creditors and other stakeholders – we thank them all. Clients and creditors are urged to come forward with any other information which might assist us in making recoveries.**

Our investigations remain ongoing, and we continue provide further information and assistance to various regulatory authorities, as and when is deemed appropriate. We will also consider whether any applications to Court are necessary in this regard.

# 7. Estimated outcome

## 7.1 Clients

It remains the intention of the JSAs to return Client Assets in full, subject to any deductions that may be required to pay the associated costs of returning those Client Assets. As stated in 3.1.11 above, the FSCS have determined that the requirements for paying compensation under its rules are not met in this case. However, Clients are free to contact the FSCS, which may wish to consider claims on a case-by-case basis. Absent FSCS compensation, the costs of returning Client Assets must be paid from Client Assets, as outlined earlier.

With the approval of the Committee, we are now preparing a DP that we hope will allow us to begin returning Client Money and Client Custody Assets from Q4 2022 / Q1 2023, subject to the approval of the DP by the Committee and the Court.

We are also working with the Committee to agree the most appropriate basis and methodology for allocating the costs incurred in pursuing Objective 1 in respect of Client Assets. Further details will be provided in due course.

## 7.2 Creditors

### 7.2.1 Secured creditors

We are not aware of any secured creditors.

### 7.2.2 Preferential creditors

We are aware of the following preferential creditors in respect of:

- Employee claims: The RPS have submitted a preferential claim of £27,984.40; and
- HMRC: A secondary preferential claim has been received for £170,014.02.

It is unlikely that there will be funds available to pay a distribution to the primary or secondary preferential creditors.

### 7.2.3 Unsecured creditors

We are aware of the following unsecured creditors in respect of:

- Employee claims;
- Trade and expense creditors;
- HMRC

Dolfin granted no floating charges over its assets, so the Prescribed Part does not apply. There will be no funds available to pay a distribution to unsecured creditors.

Creditors who have yet to register their claims may do so by completing and returning the form available at:

[Dolfin - Evelyn web page](#)

# 8. Other matters

## 8.1.1 Connected party transactions

There have been no connected party transactions in this reporting period.

## 9. Outstanding matters

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

- Completing the verification of Client statements;
- Finalising the DP and seeking approval of it from Court, the Committee and other stakeholders, including considering the most appropriate method by which the costs of the special administration relating to Client Assets should be recovered;
- Collection of outstanding book debts owed to the Company;
- Investigations into the Company's affairs and management and any potential claims;
- Dealing with outstanding legal matters;
- Following approval of the DP, transferring Client Assets to new brokers;
- Sale of the Recycle Group artwork;
- Obtaining tax clearance; and
- Closure of the administration, including preparing and issuing the final report.

## 10. Privacy and data protection

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

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

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

## 11. Duration and exit from the Special Administration

As set out previously, a special administration does not automatically end after 12 months.

Once we consider that the Objectives of the Special Administration have been met, it may be concluded by either:

- making an application to the Court under paragraph 79 of Schedule B1 to the Act and seeking any order necessary (which may include a request to place the Company into liquidation); or
- filing a notice with the Court and Registrar of the Company's dissolution.

As stated previously, there is no prospect of the investment bank being rescued as a going concern. At this stage, it is not possible to provide a definitive timescale for the duration of the Special Administration.

## 12. Creditors' rights

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

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

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

On a general note, if you have any comments or concerns in connection with our conduct, please contact Adam Henry Stephens or Kevin Ley in the first instance. If the matter is not resolved to your satisfaction, you may contact our Head of Legal by writing to 45 Gresham Street, London EC2V 7BG or by telephone on 020 7131 4000.

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

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

ii) Telephone number: +44 300 678 0015

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

## 13. Next report

We are focussed on returning the remaining Client Assets as quickly as possible and will notify stakeholders of any material developments on that matter as soon as practicable.

We 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.

Regular updates to Clients will also be provided, as and when appropriate, and uploaded to our webpage:

[Dolfin - Evelyn web page](#)



**Adam Henry Stephens and Kevin Ley**

Joint Special Administrators

Date: 27 July 2022

Adam Henry Stephens and Kevin Ley have been appointed as joint special administrators of the Company on 30 June 2021.

The affairs, business and property of the company are being managed by the joint special administrators as agents and without personal liability.

All officeholders are authorised and licensed in the UK by the Institute of Chartered Accountants in England and Wales and are bound by their code of ethics. Further details of their licensing body along with our complaints and compensation procedure can be accessed at: [www.evelyn.com/insolvency-licensing-bodies](http://www.evelyn.com/insolvency-licensing-bodies).

The joint special administrators may act as controllers of personal data, as defined by the UK data protection law, depending upon the specific processing activities undertaken. Evelyn Partners LLP may act as a processor on the instructions of the joint

special administrators. Personal data will be kept secure and processed only for matters relating to the joint special administrators' appointment.

The Fair Processing Notice in relation to the UK General Data Protection Regulation can be accessed at [www.evelyn.com/rrsgdpr](http://www.evelyn.com/rrsgdpr).

Should you wish to be supplied with a hard copy of any notice, attachment or document relating to a case matter, please contact the staff member dealing with this matter at any time via telephone, email or by post and this will be provided free of charge within five business days of receipt of the request.

The word partner is used to refer to a member of Evelyn Partners LLP. A list of members is available at the registered office.

Registered in England at Gresham Street, London EC2V 7BG No OC369631.

Regulated by the Institute of Chartered Accountants in England and Wales for a range of investment business activities.

# Appendices



# I Receipts and payments account

## Receipts and payments account to 29 June 2022 – House accounts

Statement of Affairs £		From 30/12/2021 to 29/06/2022						From 30/06/2021 to 29/06/2022						
		GBP	USD	EUR	CHF	RUB	SGD	GBP	USD	EUR	CHF	RUB	SGD	
	RECEIPTS													
Uncertain	Furniture & Equipment							667						
17,538	IT Software													
2,000	Investment in group undertakings													
	Debtors:-													
3,566,294	Client Debtors							2,578	25,500	43				
1,300,731	Inter-company Debtors													
11,815	Employee debts													
49,875	Other Trade Debtors							20,400						
23,906	Accrued Income													
1,802,526	Firm's Cash at Bank	109,970		132,211	6,514			1,629,087	114,761	132,211	54,169	205,018	9,065	
4,518	Margin Cash at Bank													
	Account to account transfers													
151,472	HMRC - VAT and Corporation Tax repayments													
61,708	Artwork													
Nil	Trademarks													
	Client Book/database subject to sale agreement to Britannia:													
Nil	Britannial initial payment*							600,000						
Nil	Deferred consideration													
Nil	Residual Client Book/database													
	Business rates refund							60,633						
	Bank charge refunds							110						
	Pre-paid card refunds							21,078						
	Bank Interest Gross	129						194						
	Lewis Silkin Funds on account							1,004						
	Legal & General employee benefits refund							2,541						
	Credit interest - Lloyds		3,966						3,966					
	FIRM credit interest - Morgan Stanley	12,798	6,381					12,798	6,381					
	Pre-appt credit interest - BONY		273						273					
	Post-appt credit interest - BONY	9	298					9	298					
	Signature bank - credit interest		712						712					
	Refunded pre-appt legal expenses	40						40						
		122,946	11,630	132,211	6,514	-	-	2,351,138	151,891	132,254	54,169	205,018	9,065	

## Receipts and payments account to 29 June 2022 – House accounts

	From 30/12/2021 to 29/06/2022						From 30/06/2021 to 29/06/2022					
	GBP	USD	EUR	CHF	RUB	SGD	GBP	USD	EUR	CHF	RUB	SGD
PAYMENTS												
Pre-appt Legal Fees							70,337					
Pre-appt Legal Disbursements							17,780					
Pension contributions							7,337					
Data room							852					
Consultants monthly payments	158,648						438,538					
Consultants' expenses	31						475					
Agent fees - RPO submission							1,560					
Document notarisation							818					
Account to account transfers												
Special administrators' pre-appt fees							195,694					
Consultant incentive payments	65,000						250,000					
IT support	102,672						200,385					
Agents/Valuers Fees	3,000						7,244					
Legal Fees	137,336						178,207					
Legal Expenses							3,250					
Translation fees							2,190					
Post Redirection							321					
Pension servicing fee							667					
Venue Hire							4,340					
Statutory Advertising							1,871					
Ransom payments							36,968					
Insurance of Assets							1,333					
Wages & Salaries							76,807					
PAYE & NI							31,980					
Bank Charges	59			30			3,615	119		60		
Pre-appt debit interest charges - Hauck		1,993	28,299					1,993	28,299			
Debit interest charges - Hauck		4,885	22,181					4,885	22,181			
Debit interest charges - BONY			9,139	3					9,139	3		
Pre-appt debit interest charges - BONY			20,261	1,653					20,261	1,653		
Bank charges - Lloyds		125						125				
Debit interest charges - Lloyds			50	123					50	123		
Bank charges - BCS FIRM		514						514				
Other banks - debit interest charges	48	4	3				48	4	3			
Custodian charges - Hauck	8,500						8,500					
Custodian charges - IFSAM	1,880						1,880		25			
Other custodian charges	-						33,730					
Irrecoverable VAT	16,817						16,817					
Pre-appt advertising - sale of business	1,000						1,000					
Storage & removals Costs	901						901					
Pre-appt custody charges - BONY	24,723						24,723					
Post-appt custody charges - BONY	97,273						97,272					
FIRM pre-appt custody charges - BONY	1,904						1,904					
FIRM post-appt custody charges - BONY	6,553						6,553					
Pre-appt charges - Hauck	1,667						1,667					
Post-appt debit interest charges - Hauck	2,968						2,968					
Post-appt charges (various currencies) - Lloyds	127						127					
	(631,105)	(7,520)	(79,933)	(1,809)	-	-	(1,730,656)	(7,639)	(79,958)	(1,839)	-	-
	<b>(508,159)</b>	<b>4,110</b>	<b>52,278</b>	<b>4,705</b>	-	-	<b>620,481</b>	<b>144,252</b>	<b>52,296</b>	<b>52,330</b>	<b>205,018</b>	<b>9,065</b>

## Receipts and payments account to 29 June 2022 – House accounts

	GBP	USD	EUR	CHF	RUB	SGD
REPRESENTED BY						
Client deposit account - RBS (interest bearing)	553,017	140,141	18	50,887		
Lloyds account	7,321	4,738	44	1,344		9,065
BCS account		(530)			85,853	
Britannia Global Markets account		(98)	(186)			
Bank of New York account			52,420	99	119,166	
VAT control account	2,268					
VAT payable Flt Chg	(133)					
VAT receivable	58,008					
	<b>620,481</b>	<b>144,252</b>	<b>52,296</b>	<b>52,330</b>	<b>205,018</b>	<b>9,065</b>
GBP equivalent as at 29 June 2022	620,481	108,070	44,383	42,624	2,090	4,989
<b>Total GBP equivalent</b>	<b>822,637</b>					

NB. Please note that the currencies reported in the first progress report but not included here, being AUD, CAD, CZK, JPY, NOK and SEK, have been moved to other currency accounts of more day to day use to the special administrators once any fees were settled. In the case of the JPY balance at One Suisse Bank this has been transferred into the GBP RBS account, and in the case of the others they have been moved internally at BONY into the EURO account, which is used for settling custody charges.

## Client Money and Client Custody Assets held as at 30 June 2021

Stock prices and currency exchange rates as at close of business on 30 June 2021

Client Money		Local Currency	GBP Sterling
Australian Dollar	AUD	665	360
Canadian Dollar	CAD	1,409,552	822,135
Swiss Franc	CHF	359,501	280,991
Czech Koruna	CZK	426,413	14,330
Euro	EUR	49,606,585	42,518,715
GB Sterling	GBP	34,669,992	34,669,992
Hong Kong Dollar	HKD	4,203	391
Norwegian Krone	NOK	48,280	4,056
Russian Rouble	RUB	10,151,266	100,346
Swedish Krona	SEK	9,451	799
Singapore Dollar	SGD	236,381	127,052
US Dollar	USD	75,218,979	54,384,339
<b>TOTAL</b>			<b>132,923,512</b>

Custody Assets	Local Currency	GBP Sterling
Bonds	953,132,776	812,635,031
Liquidity Funds	42,938,877	33,974,097
Equities	252,998,740	97,515,239
Futures	42,357	30,625
Mutual Funds	109,684,670	87,697,390
<b>TOTAL</b>		<b>1,031,852,384</b>

## Notes and further information required by SIP 7

- Whilst every effort has been made to fully reconcile each of the different accounts, we have not received complete statements for all of the different currency accounts. As a result, the accounts may be subject to change.
- Information concerning our remuneration and expenses incurred is provided in the body of the report.
- The administrators' remuneration has not yet been approved. Approval will be sought from the Committee as we develop the DP.
- We have not yet sought approval of or drawn any other costs that would require the same approval as our remuneration.
- No payments have been made to us from outside the estate.
- Details of significant expenses paid are provided in the body of our report.
- Details of payments made to sub-contractors are shown in the body of our report.
- Information concerning the ability to challenge remuneration and expenses of the administration is provided in our report.
- Costs chargeable to Objective 1 – The payments shown above, currently paid out of House funds for expediency, are attributable to Objective 1 and a reconciliation between House and Client accounts will be undertaken in due course.
- The Company Administration/House Assets are to be used to defray the associated costs of pursuing Objective 2 and 3 (insofar as realisations permit).
- Client Money received following the PPE (including in respect of Corporate Actions such as dividends or coupon receipts) are held in Post Pooling Accounts and segregated from the House Assets.
- 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. The Company was registered for VAT with partial exemptions applicable in respect of certain supplies and purchases, the Joint Special Administrators will seek to ensure that the irrecoverable VAT position is mitigated as far as possible.

## II Time analysis for the period

From 30 December 2021 to 29 June 2022

Classification of work function	Hours					Total hours	Time cost	Average hourly rate
	Partner / Director	Associate director	Manager/ Assistant Manager	Other professional staff	Assistants & support staff			
<b>Objective 1: Client Assets</b>								
Sale of Client Assets to Britannia	16.85	67.48	0.17	-	-	84.50	£52,408.47	£620.22
Client communications	25.52	2.00	50.75	48.42	-	126.68	£62,389.46	£492.48
Reconciliations	5.85	100.05	119.17	62.13	-	287.20	£148,996.20	£518.79
Post Pooling Monies	1.38	1.80	7.67	4.50	-	15.35	£7,583.74	£494.05
Storage & backup of data			1.92	5.75	-	7.67	£2,946.89	£384.38
Trading matters	3.87	4.55	11.72	21.62	-	41.75	£18,499.27	£443.10
Liaison with the Committee	18.60	10.50	105.75	17.20	0.75	152.80	£81,256.72	£531.78
Client statements	10.10		36.58	119.45	-	166.13	£66,473.11	£400.12
Transfers, returns & sales	239.95	103.48	180.42	25.40	-	549.25	£327,303.07	£595.91
Strategy & planning	5.87	1.25	15.75	16.85	-	39.72	£18,958.24	£477.34
Reporting	2.35	4.00	25.80	3.05	-	35.20	£18,285.68	£519.48
<b>Total</b>	<b>330.33</b>	<b>295.12</b>	<b>555.68</b>	<b>324.37</b>	<b>0.75</b>	<b>1,506.25</b>	<b>£805,100.87</b>	<b>£534.51</b>
<b>Objective 2: Liaison with Regulatory Bodies</b>								
Liaison with Regulatory Bodies	11.62	1.30	16.33	1.25	-	30.50	£18,063.85	£592.26
<b>Total</b>	<b>11.62</b>	<b>1.30</b>	<b>16.33</b>	<b>1.25</b>	<b>-</b>	<b>30.50</b>	<b>£18,063.85</b>	<b>£592.26</b>
<b>Objective 3: Company ("House")</b>								
Administration & planning	6.80	17.92	75.33	21.43	-	121.48	£61,559.46	£506.73
Investigations	4.38		92.90	6.10	-	103.38	£54,049.62	£522.81
Realisation of assets	19.63	3.20	100.33	57.02	-	180.18	£87,151.90	£483.68
Creditors	0.60		2.25	3.10	-	5.95	£2,677.50	£450.00
Case specific: legal actions	9.33	1.83	39.50	0.35	-	51.02	£28,511.76	£558.87
Corporate Tax	5.40		7.72	13.15	-	26.27	£10,997.42	£418.69
<b>Total</b>	<b>46.15</b>	<b>22.95</b>	<b>318.03</b>	<b>101.15</b>	<b>-</b>	<b>488.28</b>	<b>£244,947.66</b>	<b>£501.65</b>
<b>Grand Total</b>	<b>388.10</b>	<b>319.37</b>	<b>890.05</b>	<b>426.77</b>	<b>0.75</b>	<b>2,025.03</b>	<b>£1,068,112.37</b>	<b>£527.45</b>

This schedule is a record of time costs incurred. What we are paid in respect of these time costs will be a matter for the Committee to decide, on the basis of the information provided above and any other evidence in support that is reasonably required.

## Notes and further information on tasks undertaken

### Objective 1: Client Assets time costs

#### Sale of Client Assets to Britannia

- Ongoing engagement with custodians and banks to finalise the transfer assets to Britannia
- Calculating the deferred consideration due from Britannia

#### Client communications

- Managing the dedicated email addresses and phone lines for general Client queries and responding to all Client queries received.
- Preparing documents for the website, arranging translations for time critical or material matters including the February 2022 statement verification letters, Global Update, Bar Date correspondence and FSCS public statement re compensation

#### Reconciliations

- Management of Dolfin's Client Assets, including both Client Monies, Client Custody Assets and accounting for PPM received
- Project team meetings in respect of reconciliation practicalities and issues arising
- Managing professional contractors to control costs as workloads lessen
- Management and liaison with banks and sub custodians (e.g. Bank of New York, Lloyds etc.) for the purposes of gaining access to relevant information
- Reviewing and determining the correct allocation of Dolfin's debtor ledger insofar as this impacts Dolfin's Clients

#### Post Pooling Monies

- Managing PPM accounts
- Dealing with funds received in error
- Reconciling and recording all dividends, coupons and corporate actions

#### Storage & backup of data

- Maintaining secure copies of paper and electronic Company and Client records
- Liaising with Dolfin's Head of IT and Evelyn Forensic team / Financial Crime Teams

#### Trading matters and continuity of operations

- Administering the payroll, including any associated tax related matters for retained contractors
- Review of critical suppliers and negotiating continuity of supply, managing any undertakings given or reducing hours / terminating contracts where possible
- Ensuring controlled functions, as required by the FCA, are fulfilled to the extent appropriate
- Drafting and issuing contracts to retained contractors

#### Liaison with the Committee

- Convening and holding the second and third meetings of the Committee
- Preparing reports and presentation packs for the Committee
- Preparing and / or circulating minutes of meetings
- Providing interim updates by group or individual emails and individual calls
- Reviewing the Global Update

## Client Statements

- Issuing Client Asset statements in February 2022, including updates to Dolfin website in English and Mandarin, and collating Client responses
- Analysis and where necessary correction of data following Client statement queries
- Issuing reminder in late March to Clients who failed to return statements
- Tracing Clients who haven't responded
- Planning, drafting and issuing the soft Bar Date Notice to Clients, including the reissue of Client Statements to those who haven't already responded

## Transfers, returns & sales

- Concluding negotiations with interested parties in relation to a sale of all or part the remaining Client book
- Negotiations and communication with parties interested in becoming a Nominated Broker to receive Client Assets following the approval of the DP
- Considering and managing the impact of restrictions on Clients and Client Assets (e.g. sanctions)
- Considering in detail the costs, contents and workable timeline of a Distribution Plan
- Planning and drafting the DP with our legal advisors

## Strategy & planning

- Case and file maintenance
- Regular review and if required revision of strategy for dealing with Client Assets
- Managing Client currency accounts in accordance with the prescribed Client Money Rules
- Reviewing bank statements and transactions, dealing with bank charges and other issues arising
- Monitoring foreign exchange issues
- Proactive management of strategy in relation to the ongoing management of Dolfin's functions
- Proactive management of the strategy to deal with the Residual Client Book

## Reporting

- Updating Client information schedules and back ups
- Liaising with IT contractor to write and amend code to generate reports and statements in required reporting format (e.g. to aggregate Client accounts, include granular detail of stock and cash balances per account and include statutory disclaimers as a footer)
- Other general reporting and schedules for Clients, as required
- Drafting and making available the JSAs' 2nd progress report

## Objective 2: Liaison with Regulatory bodies time costs

- Correspondence, calls and meetings with the FCA. This includes in respect of their ongoing investigation
- Correspondence, calls and meetings with the FSCS and provision of information to it
- Communication with other regulatory bodies, such as the Bank of England and HMRC

## Objective 3: Company ("House") time costs

### Administration & Planning

- Case and file maintenance and periodic compliance review
- Filing of statutory documents in accordance with the Rules and Regulations
- Complying with filing of formal notices etc. to all requisite stakeholders in accordance with statute and relevant timescales

- Review and revision of the Special Administration strategy, including internal and external meetings
- Managing Evelyn staff resource and briefings on the Special Administration strategy
- Managing various agents and advisors assisting with the Special Administration
- Liaising with Evelyn VAT and corporation tax partners regarding tax efficient strategies on the case and the filing of returns
- Statutory reporting, including the steps required to collate information required for this report

### Investigations

- Ongoing general and targeted review of the Company's books and records, including financial and management accounts and bank statements, Client files and contracts
- Detailed review of the Tier 1 Visa program and associated Client Custody Assets
- Detailed analysis of the aged debtor records (identity, contracts, status of account, rationale for debt, seeking explanations from directors / officers)
- Issuing reminders to those directors and senior officers whose conduct questionnaires remained outstanding
- Completing and filing conduct reports to the Insolvency Service in accordance with the Company Directors Disqualification Act 1986
- Liaising with the Insolvency Service in respect of filed conduct questionnaires
- Completing and filing other regulatory returns and assisting in other ongoing investigations
- Completing the exercise of obtaining and reviewing copies of all bank statements for the two years preceding the Special Administration

### Realisation of assets

- Managing ongoing insurance cover requirements for the business and assets
- Reviewing potential insurance claims (inc recovery of loss for historic loss as a consequence of a phishing exercise)
- Engaging with Rabbows, the Company's chattel agents to ensure current assets under their control remain secure
- Contacting all known debtors, including 113 former Clients with material outstanding balances (greater than £1k) of the total aged debt balance of £2.1m, included in the Directors' Statement of Affairs.
- Reviewing responses from the former Clients and cross checking with the Directors
- Detailed review of rationale for the inclusion of the uncollectable aged debts in Dolfin's records
- Managing the sale / marketing of remaining Company assets (e.g. laptops, Recycle Group artwork)
- Managing the assignment of domains
- Maintaining receipts and payments for House realisations and associated costs

### Creditors

- Correspondence and telephone calls with Company Creditors
- Ongoing legal matters pertaining to employment tribunal claims and Subject Access Requests, engaging with solicitors and in house legal

### Legal actions

- Instructing lawyers and Counsel
- Initial exchanges of correspondence
- Preparation of witness statement

### Corporate Tax

- Advising on and providing information for monthly VAT returns

- Liaising with HMRC in respect of VAT queries (e.g. partial recovery)
- Approving and filing VAT returns
- Advising on and providing information for Corporation Tax returns

# III Cumulative time analysis

From 30 June 2021 to 29 June 2022

Classification of work function	Hours					Total hours	Time cost	Average hourly rate
	Partner / Director	Associate director	Manager/ Assistant Manager	Other professional staff	Assistants & support staff			
<b>Objective 1: Client Assets</b>								
Sale of Client Assets to Britannia	241.35	225.18	37.72	46.93	-	551.18	£331,020.59	£600.56
Client communications	149.35	48.23	101.47	128.57	-	427.62	£224,156.39	£524.20
Reconciliations	55.90	307.45	140.53	140.20	-	644.08	£346,837.30	£538.50
Post Pooling Monies	1.78	11.05	8.17	4.50	-	25.50	£13,811.87	£541.64
Storage & backup of data	7.35	3.75	18.85	32.57	-	62.52	£28,207.38	£451.20
Trading matters	75.87	34.87	79.20	112.73	-	302.67	£147,472.98	£487.25
Liaison with the Committee	67.45	31.30	238.68	81.22	1.25	419.90	£218,190.96	£519.63
Client statements	28.05	7.05	48.83	144.42	-	228.35	£98,238.59	£430.21
Transfers, returns & sales	459.95	128.58	237.33	52.23	-	878.10	£529,201.27	£602.67
Strategy & planning	30.62	27.65	67.75	94.52	-	220.53	£100,601.19	£456.17
Reporting	9.25	4.75	34.38	35.17	-	83.55	£38,244.85	£457.75
<b>Total</b>	<b>1,126.92</b>	<b>829.87</b>	<b>1,012.92</b>	<b>873.05</b>	<b>1.25</b>	<b>3,844.00</b>	<b>£2,075,983.37</b>	<b>£540.06</b>
<b>Objective 2: Liaison with Regulatory Bodies</b>								
Liaison with Regulatory Bodies	47.70	26.20	25.28	50.90	-	150.08	£78,686.28	£524.28
<b>Total</b>	<b>47.70</b>	<b>26.20</b>	<b>25.28</b>	<b>50.90</b>	<b>-</b>	<b>150.08</b>	<b>£78,686.28</b>	<b>£524.28</b>
<b>Objective 3: Company ("House")</b>								
Administration & planning	173.35	108.08	225.78	211.35	1.15	719.72	£347,970.81	£483.48
Investigations	15.93	7.15	120.93	44.10	-	188.12	£88,848.98	£472.31
Realisation of assets	62.72	35.40	129.98	86.77	-	314.87	£155,049.54	£492.43
Creditors	5.03	8.15	14.57	44.72	-	72.47	£26,963.44	£372.08
Case specific: legal actions	9.33	1.83	39.50	0.35	-	51.02	£28,511.76	£558.87
Corporate Tax	13.88	1.85	11.87	28.57	-	56.17	£22,545.19	£401.40
<b>Total</b>	<b>280.25</b>	<b>162.47</b>	<b>542.63</b>	<b>415.85</b>	<b>1.15</b>	<b>1,402.35</b>	<b>£669,889.71</b>	<b>£477.69</b>
<b>Grand Total</b>	<b>1,454.86</b>	<b>1,018.53</b>	<b>1,580.83</b>	<b>1,339.80</b>	<b>2.40</b>	<b>5,396.43</b>	<b>£2,824,559.35</b>	<b>£523.41</b>

## Notes and further information on tasks undertaken

In addition to the Notes accompanying the time analysis for this reporting period (pages 23-26), readers may wish to refer to the detailed narrative of tasks undertaken provided in the 1<sup>st</sup> progress report (pages 27-30). A copy of the 1<sup>st</sup> progress report can be found here: [Dolfin - Evelyn web page](#)

# IV Staffing, charging, subcontractor, and adviser policies and charge out rates

## Introduction

Detailed below are:

- Evelyn Partner LLP's policies in relation to:
  - Staff allocation and the use of subcontractors
  - Professional advisers including Evelyn Partners Financial Services Ltd
  - Expense recovery
- Evelyn Partner LLP's current charge out rates

## Staff allocation and the use of subcontractors

Our general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case.

The constitution of the case team will usually consist of a partner and a partner or director or associate director or consultant as joint officeholders, a manager, and an administrator or assistant. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment. The charge out rate schedule below provides details of all grades of staff and their experience level. We delegate tasks to suitable grades of staff, considering their experience and any specialist knowledge that is needed, and we supervise them properly to maximise the cost effectiveness of the work done. Anything complex or important matters of exceptional responsibility are handled by our senior staff or us.

All of our staff who work on the case (including our cashiers (which is centralised, and London rates apply), support and secretarial staff) charge time directly to the assignment and are included in any analysis of time charged. Each grade of staff has an hourly charge-out rate which is reviewed from time to time. Time up to 31 July 2020 is recorded in units representing 3 minutes or multiples thereof. From 1 August 2020 time is recorded in 1-minute units or multiples thereof. The minimum time chargeable is one minute. We do not charge general or overhead costs.

It may be necessary to utilise staff from both the regional and London offices, subject to the specific requirements, e.g., geographical location, of individual cases.

This case is predominantly being conducted from the London office.

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

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

Any such arrangements will be reviewed periodically to ensure that best value and service continue to be obtained.

## 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 best value and service to the assignment.
- The expertise and experience of the service provider;
- The provider holds appropriate regulatory authorisations; and
- The professional and ethical standards applicable to the service provider.

Arrangements will be reviewed periodically to ensure that best value and service continue to be obtained.

External professional advisers are third party entities. The insolvency practitioners and their firm do not have any association with any external provider of services and therefore they do not fall within the definition of an associate as defined in Section 435 of the Insolvency Act 1986 and in Statement of Insolvency Practice 9. Payments to external professional advisers for the services they provide are therefore not a category 2 expense as defined in Statement of Insolvency Practice 9 and therefore do not require prior approval from the committee or creditors.

## Expenses

Category 1 expenses do not require approval by creditors. The type of expenses that may be charged as a Category 1 expense 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 expenses do require approval from creditors. These are costs which are directly referable to the appointment in question but are not payments which are made to an independent third party and may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis such as internal room hire, document storage or business mileage.

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

However, on this case we have also sought to recover the costs of Evelyn Partners Special Operations Team to assist with reconciling and handling Client Assets. Details of their costs in the period covered by this report are set out in the body of this report.

## Charge out rates

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

<b>Evelyn Partners LLP Restructuring &amp; Recovery Services Charge out rates from 1 July 2021</b>	<b>London Office £/hr</b>	<b>Regional Offices £/hr</b>
Partner	750-995	600
Director / Associate Director	494-863	494-519
Managers	375-595	300-419
Other professional staff	175-383	231-269
Support & secretarial staff	125-150	113

## Notes

1. Time is recorded in 1-minute units or multiples thereof.
2. It may be necessary to utilise staff from both regional and London offices, subject to the requirements of individual cases.
3. The firm's cashiering function is centralised and London rates apply. Up to 31 July 2020 the cashiering function time is incorporated within 'Other professional staff' rates. Following a change to our time reporting software, from 1 August 2020 the cashiering function time continues to be reported according to the seniority of staff undertaking the work in our time analyses and is split between 'Other professional staff', 'Managers' and 'Associate Director'.
4. Partner includes a Consultant acting as an officeholder or in an equivalent role.

Evelyn Partners LLP Corporate Tax Charge out rates from 1 January 2022	London office £/hr
Partner / Director	590-950
Associate Director	430-535
Managers	230-460
Other professional staff	105-245
Support & secretarial staff	60-75

Evelyn Partners LLP Corporate Tax Charge out rates from 1 January 2021	London office £/hr
Partner / Director	545-890
Associate Director	370-500
Managers	230-430
Other professional staff	75-230
Support & secretarial staff	70

Evelyn Partners LLP Forensics Charge out rates from 1 July 2021	London office £/hr
Consulting Partner	808
Senior Managers	595
Other professional staff (inc. technical support)	196-408

Evelyn Partners LLP Investment Operations Team Charge out rates as at 1 July 2021	London office £/hr
Managers	580
Analysts / Specialists	250

# V Consultants

Provider / service (s)	Role	Basis of fee arrangement	B/F from previous period	Costs incurred in current period	Costs paid in current period	Total costs outstanding at period end
			£	£	£	£
Consultants (various)	Reconciliations & CASS Support	Hourly rate & expenses	0.00	85,014.25	85,014.25	0.00
Consultants (various)	Other (IT / Client communications & Legal)	Hourly rate & expenses	0.00	135,665.00	135,665.00	0.00
Total			0.00	220,679.25	220,679.25	0.00

## VI Professional advisers

Name of professional advisor	Basis of fee arrangement	Balance brought forward	Costs incurred in current period	Cumulative total £	Costs paid in current period £	Total costs outstanding at period end £
DWF LLP – inclusive of counsels' fees  (Legal advice re Clients and transactions)	Hourly rate and expenses	189,535.49	183,443.50	388,240.49	137,336.00	235,642.99
Lewis Silkin LLP - Legal advice re employment matters	Hourly rate and expenses	0.00	0.00	0.00	0.00	0.00
Foot Anstey LLP  (Legal advice re strategic matters)	Hourly rate and expenses	22,283.00	29,737.50	52,020.50	0.00	52,020.50
Rabbow & Co LLP	Hourly rate and expenses	0.00	2,700.00	2,700.00	2,700.00	0.00
Birkett Green Lees LLP  (Advice and assistance with business rates, refunds / mitigations)	Hourly rate and expenses	0.00	300.00	4,544.34	300.00	0.00
Total		211,818.49	216,181.00	447,505.33	140,336.00	287,663.49

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

- Please note that DWF's brought forward figure has been adjusted by £15,271.50 to reflect a reallocation of general legal fees of £40,870.50, paid during the preceding reporting period.

## VII Category 1 expenses

Description	B/F from previous period	Costs incurred in current period	Cumulative total £	Costs paid in current period £	Total costs outstanding at period end £
Administrators' bonds	140.00	0.00	140.00	0.00	140.00
Travel & subsistence	575.50	0.00	575.50	0.00	575.50
Information Commissioner's Office ("ICO") Renewal Fee	40.00	0.00	40.00	0.00	40.00
<b>Total</b>	<b>755.50</b>	<b>0.00</b>	<b>755.50</b>	<b>0.00</b>	<b>755.50</b>

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

## VIII Category 2 expenses

Description	Basis of expenses arrangement	B/F from previous period	Costs incurred in current period	Cumulative total £	Costs paid in current period £	Total costs outstanding at period end £
Tilney	Time costs & disbursements	45,617.00	9,245.88	54,862.88	0.00	54,862.88
Total		45,617.00	9,245.88	54,862.88	0.00	54,862.88

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

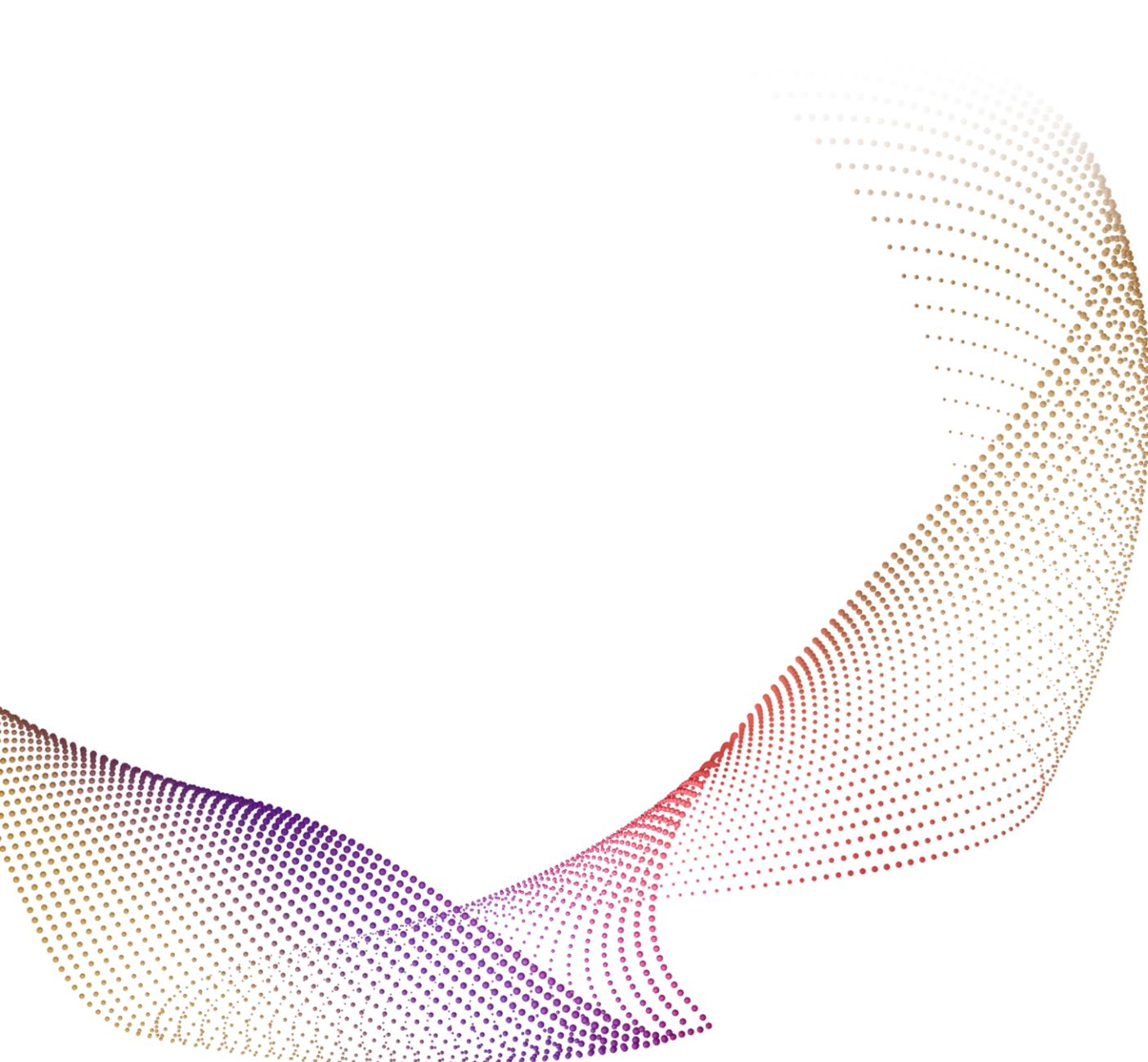
## IX Other expenses

Supplier/service provider and nature of expenses incurred	B/F from previous period	Costs incurred in current period	Costs paid in current period £	Cumulative total	Total costs outstanding at period end £
Techrelate Ltd - manage the IT infrastructure and supply the various licenses required to run the systems	0.00	18,095.25	18,095.25	35,764.96	0.00
CorelX Ltd - data centre, where all the backups are maintained	0.00	9,143.41	9,143.41	16,086.49	0.00
Dashro Solutions Ltd - assisting JSAs with the Company's bespoke software and migrating data, as well as producing the Client statements	0.00	50,433.33	50,433.33	123,533.33	0.00
Profile system & software (Cyprus) Ltd (CASS client database software)	0.00	25,000.00	25,000.00	25,000.00	0.00
Grants Storage Ltd (Storage and removals)	0.00	900.54	900.54	900.54	0.00
Courts Advertising (Sale of business advert)	0.00	1,000.00	1,000.00	1,000.00	0.00
<b>Total</b>	<b>0.00</b>	<b>104,572.53</b>	<b>104,572.53</b>	<b>202,285.32</b>	<b>0.00</b>

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

# X Statutory information

Relevant Court	High Court of Justice, Business & Property Courts of England & Wales Company & Insolvency List			
Court Reference	1111 of 2021			
Incorporated on	5.11.10			
Trading Name(s)	Dolfin			
Trading Address & former registered office	77 Coleman Street, London EC2R 5BN			
Former Name(s)	RMS Fingroup Limited (23.4.14 – 4.10.16) Structured Investment Group Limited (5.11.10 – 23.4.14)			
Registered Office	45 Gresham Street, London, EC2V 7BG			
Registered Number	07431519			
Joint Special Administrators	Adam Henry Stephens (IP No 9748) & Kevin Ley (IP No 25090) Evelyn Partners LLP, 45 Gresham Street, London EC2V 7BG In accordance with P100 (2) Sch B1 IA 86, a statement has been made authorising the Joint Special Administrators to act jointly and severally			
Date of Appointment	30 June 2021			
Appointor	Order made on the application of the directors			
Directors (current)	<u>Name</u>	<u>Appointed</u>	<u>Resigned</u>	<u>Shareholding</u>
	Rodney Baker-Bates	29.5.20	20.1.22	-
	Amir Nabi	16.9.16	8.9.21	-
Directors (last 3 years)	Stephen Kingsley	19.5.20	31.3.21	-
	Sanjay Maraj	30.9.13	30.9.20	-
	Denis Nagy	20.9.13	30.4.20	-
Company Secretary	None recorded at Companies House			
Shareholders	<u>Name</u>	<u>No. shares held</u>	<u>Voting rights</u>	
	Semen & Marina Linovich	563,634 - Preference	3.08 %	
	Semen & Marina Linovich	563,634 - Ordinary	3.08 %	
	Dolfin Group (UK) Ltd	17,160,001- Ordinary	93.84 %	
Cross-border insolvencies and EU Regulation	<p>The Recast EC Regulation on Insolvency Proceedings (2015/848) does not apply since it does not apply to insurance undertakings, credit institutions and investment undertakings. Dolfin is an investment undertaking providing services including the holding of funds or securities for third parties.</p> <p>The JSAs have been advised that the Retained Insolvency Regulation will not apply to insolvency proceedings opened in respect of the Company. These proceedings are 'centre of main interest' proceedings to which the EU Regulation as it has effect in the law of the United Kingdom.</p>			



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

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

**Evelyn Partners LLP** is regulated by the Institute of Chartered Accountants in England and Wales for a range of investment business activities. Registered in England at 45 Gresham Street, London, EC2V 7BG. No. OC 369631.

**CLA Evelyn Partners 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.

**evelyn**  
PARTNERS