



London Capital & Finance Plc (in administration)

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

26 August 2020



Contents

1.	Glossary	1
2.	Introduction & Summary	2
3.	Progress of the administration	3
4.	Investigations	7
5.	Pre-administration costs	9
6.	Administrators' remuneration	10
7.	Administration expenses	11
8.	Estimated outcome for creditors	14
9.	Outstanding matters	15
10.	Privacy and data protection	16
11.	Ending the administration	16
12.	Creditors' rights	17
13.	Next report	18

Appendices

I	Statutory information	20
II	Receipts and payments account	21
III	Time analysis for the period	25
IV	Cumulative time analysis	30
V	Fee Estimate for the year 30 January 2020 to 29 January 2021	34
VI	Loan/Borrower Position	36
VII	Group Structure Diagram - LCF	38
VIII	Borrower Schedule - 'London Group'	39
IX	Group Structure Diagram - 'Prime'	40
X	Staffing, charging, subcontractor and adviser policies and charge out rates	41



1. Glossary

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

2. Introduction & Summary

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

- The primary focus and main activity in the administration since the last progress report has involved a great deal of investigation work which we believe will result in making significant recoveries for Bondholders. As has been referred to previously, because of the need to review and analyse a very high volume of transactions and documents, numbering in their hundreds of thousands, it has been a complex and necessarily detailed investigation. **Whilst the detail of our investigation work has been and remains highly confidential, we can say that significant progress has been made pursuant to which we are proposing to give Bondholders and creditors a focussed update in the course of the next few weeks.**
- In addition to the investigation work referred to above, the joint administrators are pursuing other routes for recoveries into the administration, for the benefit of the Bondholders. As with the major developments with regard to our investigation work, once we are in a position to disclose further details of our other activities, without prejudicing the outcomes, we will inform the Bondholders. The Creditors' Committee has been kept informed with regard to these matters and its members remain subject to Non-Disclosure Agreements ('NDAs').
- Objective 3 (1) (b) of administration is currently being pursued, which is to achieve a better result for the Bondholders/creditors than would have been the case had the Company been wound up (without first being in administration).
- A dividend of 2.5% of capital (circa £6m) invested by Bondholders was paid in April 2020 to over 11,000 Bondholders.
- Since our last formal report issued in February 2020, we have taken steps to protect the Company's (and therefore the Bondholders') interests in other entities which have either been the beneficiaries of LCF monies or identified as a conduit for LCF monies.
- In this regard, the joint administrators have taken control of entities within the Prime Group (see schedule at Appendix IX) which have an interest in the Waterside holiday village in Bodmin, Cornwall and the land sites in the Dominican Republic. (5 Prime Group companies were placed into administration in February 2020 and March 2020).
- Following the successful removal of GST as the security trustee, LCF, as the principal creditor of GST in respect of the unpaid judgement costs awarded to LCF, petitioned for the compulsory winding-up of GST and Adam Stephens and Finbarr O'Connell were appointed as joint liquidators of GST by the Secretary of State, on 20 July 2020.
- LCM, a sister venture owned by Andy Thomson (principal director of LCF), was placed into compulsory liquidation by order of the Court on 27 July 2020, following a petition submitted, on behalf of LCF, by the joint administrators.
- It is not anticipated that there will be a sufficient surplus beyond the sums payable to the Bondholders, who are secured creditors, to enable a dividend to either the preferential creditors, or unsecured creditors (other than if there were to be a Prescribed Part fund available, as explained in section 8.2).
- The joint administrators' fees are subject to the approval of the Creditors' Committee, which has requested that the joint administrators engage an independent fee assessor to provide advice as to the reasonableness and quantum of their costs, given the size and complexity of the administration. The independent fee assessor is in possession of all relevant information to enable them to deliver their report to the joint administrators and the Creditors' Committee. It is anticipated that the basis and quantum of the joint administrators' fees will be agreed and disclosed by the time of the next report.
- The Creditors' Committee resolved that the joint administrators be authorised to draw an on-account fee in the sum of £500,000 plus VAT, which was duly paid in April 2020.

- At the outset of the administration, it was expected that as a minimum, 25% of funds invested by Bondholders would eventually be repaid to them. This percentage is constantly being reviewed and will be updated when it is clear to the administrators that a different percentage is more appropriate.

BREAKING NEWS RE LEGAL ACTION TAKEN BY THE ADMINISTRATORS OF LOG

(Whilst this legal action relates to proceedings issued by the administrators of LOG, the judgment obtained is very important to the LCF Bondholders as LOG is LCF's biggest debtor, owing it c.£122m as at the date of the administration of LCF.)

On 25 August 2020, judgment was handed down by ICC Judge Mullen in the High Court, setting aside two novation agreements ("the Novation Agreements") and two Facility Agreements ("the Facility Agreements"), the parties to which were London Oil & Gas Limited ("LOG"), the Applicant in these proceedings, and London Group LLP ("LG LLP"), LPE Enterprises Limited ("LPE") and London Power & Technology Limited ("LPT") ("the Respondents"). The court ruled that the Novation Agreements and Facility Agreements were void, and constituted transactions at an undervalue.

All the Respondents were controlled by one or both of Simon Hume-Kendal and Elten Barker. They were also both directors of LOG.

The LCF and LOG Administrators' investigations had concluded that, between March 2016 and December 2018, the gross sum borrowed from LCF by LOG was circa £122 million although the net figure, after deduction of Surge's commission, amounted to £91 million. Following their investigations, the administrators concluded, and the judge agreed, that LG LLP was a debtor of LOG in the sum of c.£32.6 million. The bulk of that sum was paid, ultimately, to Elten Barker, Andrew Thomson, Simon Hume-Kendall and Spencer Golding. Simon Hume-Kendal and Elten Barker are the only legal members of LG LLP and, according to Mr Hume-Kendal, the beneficial owners of it are himself (23.75%), Mr Barker (5%); the Simon Hume-Kendall Trust (23.75%) and the Golding Trust (47.5%). These funds ultimately originated from the LCF Bondholders.

The Novation Agreements provided by the Respondents purported to novate LG LLP's indebtedness to LOG, transferring it to LPE and LPT, with effect from 1st January 2019. The Novation would have had the effect of unconditionally releasing LG LLP from all its obligations to LOG under its loan facility with LOG.

Loan agreements between LOG and LPE/LPT were also provided by the Respondents. Both of these loan agreements were signed by Simon Hume-Kendal and witnessed by Robert Sedgwick.

The court was satisfied that Mr Hume-Kendall

- had no the authority on LOG's behalf to enter into the Facility Agreements;
- had no authority on LOG's behalf to enter into the Novation Agreements;
- was acting in breach of duty in executing the Novation Agreements;
- misled the board of LOG.

This is a very important judgment and is another step along the way for the administrators of LOG and LCF to uncover the true position with regard to the complicated web of financial inter-relationships between a number of connected entities and parties.

3. Progress of the administration

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

There is no available comparison with the director's SOA values, as the director has not complied with the administrators' formal request to deliver a SOA. In the Proposals dated 25 March 2019, the administrators provided an estimated financial position of the Company as at 30 January 2019, based on information provided by the Company's former accountants.

3.1 Administration strategy

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

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

3.2 Amounts due to the Company from Borrowers

The total sum invested by Bondholders prior to our appointment as administrators was c.£237m which, as we have previously explained, was booked in the Company's accounts as loans to a small number of entities/borrowers. These 12 entities and the loans allocated to each borrower are summarised in Appendix VI.

To reiterate briefly, all borrowers had ceased paying the interest payments due on their loans by September 2018. From this point, coupon payments made to Bondholders were being funded by new Bondholder subscriptions.

It is clear to the joint administrators that the borrowers had insufficient assets to ever be able to meet the returns required and it is also the case that the loans booked to LCF's accounts cannot be fully reconciled to the actual movement of funds out of LCF.

The following table summarises the four main groupings for the Borrowers:

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

The Bondholders and creditors are reminded that, regrettably, there are very few assets of any value in the above groups. The principal asset is LOG's investment in AIM listed Independent Oil & Gas plc ("IOG"). As regards the remainder of the loan portfolio, there are a number of other avenues of future realisations of significantly lesser value. (See appendix VI for further financial and diagrammatical information about the LCF loan portfolio.)

By way of reminder, 25% commission was paid to Surge for introducing the Bondholders to LCF and therefore only 75% of the loan funds were passed on to the LCF borrowers in cash. (Whilst this statement is true as a matter of general principle, as mentioned above, there are numerous discrepancies between the amounts that LCF loans are shown at in the accounts of LCF and the actual amounts of cash advanced.) In any event, the LCF borrowers assumed liability for repayment of the full grossed up loan amounts to LCF.

The following updates can be found in more detail in the LOG administration reports, however, they are summarised here for the benefit of the LCF Bondholders and creditors:

Update on the London Group LLP

The lending to the London Group LLP (see appendix VIII) and on-lending by other entities can be broken down further as follows:

Debtor	Sum advanced (£ million)
Independent Oil & Gas plc	34.6
London Group LLP (“LG”)	32.6
London Power Corporation Ltd (“LPC”)	8.3
p/f Atlantic Petroleum (“AP”)	3.8
Intelligent Technology Investments Ltd (“ITI”)	3.8
Total	83.1

IOG (£34.6m)

Following the ‘farm-in’ completion in late 2019, £10.8 million of the remaining £22.3m owed to LOG from IOG has been converted into 135 million shares at 8.0p per share. The balance of £11.5 million has been exchanged into a new series of unsecured zero-coupon convertible loan notes which are convertible into shares at 19p at any time prior to October 2024. If not converted at that point, the loans are repayable in cash.

Following the loan conversions, the Company’s shareholding now stands at 29.78% in IOG. It should be noted that the conversion of this loan was a taxable event. Further work is being carried out by the LOG administrators to mitigate the extent of any tax liability associated with this conversion.

The value of the Company’s overall investment in IOG as at 17 August 2020, at a share price of 15p per share, including the proceeds from the shares which have already been sold, was £57.57 million. Any future gains will be subject to Capital Gains Tax.

The LOG Administrators understand that IOG remains on target to produce gas during the third quarter of 2021.

LG (£32.6m) - in liquidation

On 17 June 2020, Asher Miller of David Rubin & Partners and Lane Bednash of CMB Partners UK Limited were appointed joint administrators of LG by LCF, in its capacity as a secured creditor of LG, to ascertain what, if any, recoveries might be made in respect of the debt due from LG. In this regard, the Joint Administrators of LOG, prior to the appointment of administrators to LG, were engaged in litigation against LG in relation to the funds that were understood to have been forwarded to LG by LOG. The judgement in that litigation was issued just before this report was released and a summary of the key points from that judgement are provided in this report.

LPC (£8.3m) - in administration

The joint administrators of LOG are investigating what, if any, recoveries might be made from the debt due from LPC. The administrator of LPC has asserted, in his report in that administration, that £1,336,210 is due from LOG to LPC, although the LOG administration has not received a claim or a proof of debt from LPC.

In any case, the assertion by the administrator of LPC that LPC is a creditor in LOG has not been accepted as the correct position by the LOG administrators.

AP (£3.8m)

Since the last LCF report, the standstill agreement has been extended and varied, with the corresponding funds, relating to the standstill agreement, being received in the LOG administration in June 2020. There are still monies outstanding pertaining to the agreement and the LOG administrators are in dialogue with the AP board of directors. Due to the declining and volatile oil market over the course of the past months, the likelihood of the loan facility being repaid is less likely than previously anticipated. The LOG administrators will continue to monitor the situation.

ITI (£3.8m) - in liquidation

- **ITI loans to Asset Mapping (“AM”) £3m**

Should there be any additional consideration from the sale of AM’s business to Metrikus, there will be some level of recovery to ITI from AM. The timing and quantum of any such return is uncertain; the situation continues to be reviewed by the LOG administrators.

- **ITI shares in Reserec Ltd (“RL”) c.£1m**

Recoveries in respect of ITI’s investment in RL are still uncertain and dependent on the ongoing performance and development of RL’s business.

Update on LPE Support Ltd (“LPES”) (£18.2m) - in administration

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

The administration of LPES was sought by LCF, acting by its joint administrators and in its capacity as the secured creditor, to protect the assets of LOG.

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

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

Detailed background on the Cape Verde Companies, and the monies owed by them to LCF, can be found in our previous reports. The prospects of recovering the debt are unchanged from our previous report; serious concerns remain as to the security position and to the reasoning as to why LCF was exposed as a creditor to the Cape Verde Companies for such a significant sum.

Update on the Prime Group (£70.1m)

LCF is owed money from six companies (“the Prime Companies”) which consist of three leisure investments: one in Cornwall (Waterside Resort) and two in the Dominican Republic (Colina and Costa).

As stated in our report from February 2020, Prime Resorts Developments Ltd (“PRDL”), the parent company of the Prime Group, was placed into administration by LCF as QFCH. (See appendix IX for a group structure of the Prime Group) Although PRDL is essentially a shell company, it was vital to take control over the Prime Group by way of this appointment and to have access to the available books and records of that group. The next progress report for PRDL is due for issue in September 2020, where further detail regarding that administration will be available.

Update on Waterside

The holiday village, land and lodge titles are held within the following companies within the Prime Group, all of which were placed into administration on 17 March 2020, with Finbarr O’Connell and Colin Hardman of S&W LLP and Lane Bednash of CMB Partners (UK) Ltd being appointed as joint administrators.

- International Resorts Management Ltd (“IRML”)
- Waterside Villages Ltd (“WVL”)
- Waterside Cornwall Group Ltd (“WCGL”)
- Waterside Cornwall Operations Ltd (“WCOL”).

Proposals for the four companies, also incorporating those for PRDL were issued on 26 March 2020 to the creditors of those companies and are available for download from Companies House.

The next combined progress report for IRML, WVL, WCGL and WCOL, is due for issue by mid-October 2020.

WCOL is the only trading company within the Prime Group and holds the operating business of the Waterside holiday village in Cornwall. The intention of the joint administrators of WCOL was to allow the trade to continue, thus preserving the site’s value as a going concern, until a sale of the entire complex could be facilitated. The challenging circumstances and uncertainty that the COVID-19 pandemic has caused meant that

the strategy was revisited but, following a period of closure due to the Government lockdown restrictions, areas of the business have reopened, under the supervision and control of the administrators, with a view to maximising revenue where possible and enhancing the site's value, until the appropriate time that a sale can be facilitated.

It is not possible to confirm the quantum of timing of the anticipated return to LCF as a secured creditor, as there are a number of complex title issues and competing security interests (across IRML, WVW and WCGL) to consider and resolve, prior to an eventual sale of the site.

Update on Dominican Republic Colina Property Holdings Ltd and Colina Support Ltd Costa Property Holdings Ltd and Costa Support Ltd

Colina Property Holdings Ltd is the property-owning company ("the propco") for an inland property in the Dominican Republic. This property is currently an undeveloped brownfield site but we understand that the intention was to develop a resort on it.

Colina Support Ltd is the property operating company ("the "opco") in respect of this property.

Costa Property Holdings Ltd, the propco, has an interest in a coastal property in the Dominican Republic which is currently an undeveloped brownfield site and we understand that the intention was to develop a resort there.

Costa Support Ltd, the "opco", was set up to operate the Costa resort.

Following a site visit in February 2020, it is evident that there remain significant complexities regarding ownership of the Dominican Republic sites, which continue to require work by our lawyers and the local agents retained for this purpose. The administrators will only continue to pursue recoveries, where there is a net (after all costs) economic and/or commercial justification for doing so, for the benefit of creditors.

Update on FS Equestrian Services Limited ("FSE") (£12.3m)

The background to the issues surrounding FSE are detailed in previous reports.

Due to the continued lack of cooperation from Mr Cubitt (sole director and shareholder), LCF, as the significant creditor, has petitioned for the compulsory winding up of FSE.

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

However, as with all compulsory liquidations, the Official Receiver is required to deal with the initial matters, prior to effecting a handover to the formal liquidators and an appointment of Finbarr O'Connell and Colin Hardman of S&W LLP is expected imminently. If there are any issues requiring urgent action, the Official Receiver has conduct of these and is required to submit a report on such matters (including any remaining assets) and will compel Mr Cubitt to attend on the Official Receiver to provide the relevant information, which has largely been withheld to date.

Very substantial concerns remain that there may be no net recoveries to LCF, and hence to its creditors, including Bondholders, from the £12.3m due to it from FSE. The administrators of LCF have been working to reconcile the FSE loan balance to funds actually received by FSE, from LCF.

4. Investigations

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

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

As reported previously, the Company's accounting records showed that the c.£237m invested by Bondholders had been allocated to a number of borrowers but it became apparent that;

- the borrowers were not in a position to meet the interest repayments or ultimately the cost of borrowing (particularly given the payment to Surge of the 25% commission and that this was a cost which the borrowers from LCF agreed to pay back to LCF) and
- that the recording of the loans in LCF's accounts did not correlate with the flow of funds from LCF to the borrowers.

Our investigations have ultimately led to a number of potential routes for recovery of significant sums of money which originated from Bondholders and we have now concluded that initiating substantial legal proceedings is ultimately the only course of action now available to the joint administrators in our efforts to recover funds for the benefit of the Bondholders. **Whilst the detail of our investigation work has been and remains highly confidential, we can say that significant progress has been made pursuant to which we are proposing to give Bondholders and creditors a focussed update in the course of the next few weeks.**

It has taken a very substantial effort over an extended period of time to reach the point where our claims are sufficiently robust to withstand the defence(s) that will inevitably be mounted against our claims.

There are strands to our investigation not covered by these particular proceedings which are also anticipated to increase the recoveries to the administration estate in time. Whilst we are unable to divulge specifics at this juncture due to legal privilege and a risk of prejudicing claims, the Creditors' Committee has been kept well informed of all intended actions and remain bound by non-disclosure agreements ('NDAs').

Conflict Administrator - Progress of specific investigation matter

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

The purpose of this appointment is to undertake certain investigatory work into the Company's affairs.

As previously reported, in the interest of minimising costs in the administration, the Conflict Administrator is currently limiting his investigations to one specific matter whilst maintaining a proportionate level of involvement and overview of the administration generally. By way of an update, the Conflict Administrator has continued to progress his investigations into this specific matter which has included requests for information from third parties, collation and processing of relevant information, and ongoing liaison with the administrators' solicitors to determine appropriate avenues of investigation and potential litigation.

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

FCA

The independent investigation into the issues raised by the failure of LCF, headed up by Dame Elizabeth Gloster, was expected to conclude in July 2020 with the findings reported to HM Treasury thereafter. The completion date has since been revised to 30 September 2020. Dame Gloster has set out the remit of the investigation, which can be found here: <https://london-capital-and-finance-investigation.org.uk/>

To contact the Independent Investigation team, please email: IndependentInvestigation.LondonCapitalFinance@fca.org.uk

SFO

The joint administrators continue to assist the SFO with their information requests.

The latest update (2 June 2020) in respect of the SFO's investigation can be found here: <https://www.sfo.gov.uk/cases/london-capital-finance-plc/>

The SFO has requested that members of the public who have invested with LCF since 2013 (originally since 2016), contact them via a secure reporting form at <https://operation-axite.egressforms.com/>

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

FSCS

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

The latest update was issued by the FSCS on 30 July 2020 and is summarised as follows:

“We have increased the rate at which we are issuing decisions to LCF customers. We have now issued 844 decisions and paid out over £13.5m in compensation, and we expect the volume of decisions to increase further in the coming months.

The specialist team we set up to review these claims are continuing to analyse all the evidence we have collected. This includes telephone call recordings, emails, records within LCF’s customer database, and an additional 100,000 emails we gained access to last month.

Gathering all this evidence ourselves has meant LCF customers do not need to take any action or send us any other evidence at this stage unless we ask for it (emphasis added).

As mentioned in our last update, assessing the additional information means we will not complete this process in September as we had expected. But, as we understand more about these claims, we will aim to provide a more definite timescale as soon as we can. This is a priority for us and we’re working to pay compensation to LCF customers as quickly as possible.

We understand this has been a distressing experience for LCF customers and appreciate the patience they have shown.”

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

The FSCS has become a subrogated creditor as regards the claims of those Bondholders that have received compensation i.e. to that extent the FSCS will stand in those Bondholders’ shoes as creditors of LCF. As such, it should be noted that the FSCS will be entitled to receive a proportionate dividend, in line with the remaining Bondholders, for the value of the compensation that it has paid out. As mentioned in the latest update from the FSCS, they now have a subrogated claim in excess of £13m, which will increase as and when more Bondholders are compensated.

The joint administrators cannot assist with requests or queries regarding compensation, nor communicate with the FSCS on behalf of individual Bondholders; the joint administrators do not determine the criteria for compensation, this is limited to the eligibility rules of the FSCS.

5. Pre-administration costs

The pre-administration costs were reported in the administrators’ proposals dated 25 March 2019. The joint administrators have taken steps to seek approval, for the pre-administration costs incurred, from the Creditors’ Committee. As mentioned at section 2, the joint administrators have, at the request of the Creditors Committee, engaged the services of an independent fee assessor, which will provide guidance and advice to the Committee in respect of the reasonableness and quantum of the pre-administration costs. This process will also apply to the post-administration costs detailed below at section 6.

By way of reminder, the joint administrators’ pre-administration costs are as follows:

Charged by/service(s) provided	Brief description of services provided	Amount incurred £
Smith & Williamson LLP	Joint administrators’ pre-administration work	142,435
Mishcon de Reya LLP	Legal advice provided to the proposed joint administrators	52,805
Clyde & Co	Legal advice to the Company with regard to its insolvency position, in the context of GST, the QFCH	5,000
Lewis Silkin LLP	Legal advice provided to the Company with regard to assisting S&W LLP with its enquiries	4,026
Oliver Clive & Co Limited	Accounting services	18,250
CMB Partners (UK) Ltd	Fees incurred as proposed advisors/prospective administrators	30,650

Charged by/service(s) provided	Brief description of services provided	Amount incurred £
Total		253,166

Narrative regarding the work undertaken in respect of the joint administrator's pre-administration costs can be found in the joint administrators' proposals issued in March 2019.

6. Administrators' remuneration

The administrators' time costs are:

Period	Total hours hrs	Total costs £	Average hourly rate £/hr	Fees drawn £
30 January 2019 to 29 July 2019	5,619	2,316,159	412	500,000*
30 July 2019 to 29 January 2020	3,965	1,314,137	331	Nil
Adjusted time**	71	47,959	675	Nil
30 January 2020 to 29 July 2020	3,589	1,308,274	365	Nil
Total	13,244	4,986,529	377	500,000

* Although paid in the current period, the on-account fees were drawn against time costs incurred during the period from 30 January 2019 to 29 July 2019.

** Due to a technical issue within the time reporting system, the costs for the period ended 30 January 2020 were understated by £47,959. The cumulative SIP9 report at Appendix IV reflects this amount in the total time costs.

Attached as Appendix III, is a time analysis which provides details of the activity costs incurred by staff grade during the period of this report in respect of the costs fixed by reference to time properly spent by the administrators and their staff in attending to matters arising in the administration. Details of work carried out in the period are also included in the body of this report. During the period, fees of £500,000 have been drawn on account, following approval by the Creditors' Committee.

Appendix III provides a detailed breakdown of the current period's costs, while Appendix V provides a copy of the previously provided time cost estimate breakdown. Also attached as Appendix IV, is a cumulative time analysis for the period from 30 January 2019 to 29 July 2020 which provides details of the administrators' time costs since appointment.

The joint administrators' costs to date are £4,986,529, as above, compared to our estimate of £7,235,321 for the first two years of the administration. Appendix V provides a copy of our time cost estimate breakdown for comparison purposes. Going forward, the joint administrators anticipate future costs to be in the region of £2,300,000, in line with the fee estimate provided. A narrative explanation of these costs can be found in the 'Outstanding matters' section of this report at section 9.

Please note that this estimate is based on present information and may change due to unforeseen circumstances arising. In the event that the fees estimate is likely to be exceeded, the joint administrators are required to provide an update and seek approval from the Creditors' Committee before drawing any additional sums. Fee estimates may be given up to a certain milestone or for a designated period, if it is not possible to provide an accurate estimate at any given point.

Creditors should be aware that some of the work is required by statute and may not necessarily provide any financial benefit to creditors. Examples would include preparing and issuing the joint administrators' six-month progress reports and dealing with Bondholders' queries.

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

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

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

6.1 Conflict Administrator's remuneration

Basis of remuneration

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

Time incurred

The Conflict Administrator has incurred 89.55 hours during the period from 30 January 2020 to 29 July 2020 and is summarised below:

Tasks	Total Hours
Administration and Planning	9.30
Investigation	74.00
Statutory Compliance	6.25
Total Hours	89.55

The Conflict Administrator has incurred 161.40 hours during the period from his appointment on 30 October 2019 to 29 July 2020 and this is summarised below:

Tasks	Total Hours
Administration and Planning	21.15
Investigation	107.15
Statutory Compliance	33.10
Total Hours	161.40

Fees drawn to date

To date, no fees have been drawn in respect of the Conflict Administrator's work.

7. Administration expenses

7.1 Subcontractors

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

7.2 Professional advisers

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

Name of professional adviser/Service(s)	Basis of fee arrangement	Costs incurred in current period £	Costs paid in current period £	Total costs outstanding at period end £	Total costs paid £
Mishcon de Reya (legal advice)	Hourly rate and disbursements	1,938,895	2,175,944	1,928,301	2,175,944
		99,323	382,137	15,492	382,137

Name of professional adviser/Service(s)	Basis of fee arrangement	Costs incurred in current period £	Costs paid in current period £	Total costs outstanding at period end £	Total costs paid £
Farrer & Co LLP (legal advisors)	Hourly rate and disbursements	6,755	6,755	Nil	6,755
		Nil	Nil	Nil	Nil
Fraser CRE Ltd (Specialist property agents)	Hourly rate and disbursements	32,100	32,100	Nil	32,100
		1,196	1,196	Nil	1,196
Maybern Consulting Ltd	Hourly rate and disbursements	37,756	37,756	Nil	37,756
		429	429	Nil	429
Total		2,116,454	2,636,317	1,943,793	2,636,317

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

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

7.3 Administrators' disbursements

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

Description	Incurred in current period £	Paid in current period £	Total costs outstanding at period end £
Travel (largely in respect of Dominican Republic site visit)	1,384	11,606	Nil
Subsistence & Essentials	135	3,909	Nil
Specific Bond	Nil	140	Nil
Bondholder Email Costs (MailChimp)	1,049	4,907	280
Network Internet & Telephone	Nil	2,146	1,072
Searches	78	78	Nil
Stationery & Postage	81	1,445	146
Storage Costs	2,599	2,599	Nil
Business Mileage @ HMRC Rates	462	Nil	462
Total	5,788	24,231	1,960

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

Conflict Administrator's disbursements

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

Description	Incurred in current period £	Paid in current period £	Total costs outstanding at period end £
Advertising	Nil	Nil	72
Bonding	Nil	Nil	18
Computer Consumables	523	Nil	523
Electronic Storage Costs	3	Nil	3
Total	526	Nil	616

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

7.4 Category 2 disbursements (See appendix X)

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

Description	Incurred in current period £	Paid in current period £	Total costs outstanding at period end £	Total costs paid £	Estimated total costs £	Variance £
Business mileage @ HMRC rates	Nil	Nil	462	Nil	150	312
Forensics data hosting platform	74,985	Nil	267,975	Nil	450,000	(182,025)
Total	74,985	Nil	268,437	Nil	450,150	182,337

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

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

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

Conflict Administrator's Category 2 disbursements

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

7.5 Other expenses and loans

The administrators of LCF have made a loan to the administrators of the Prime Group, as explained below.

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

Supplier/Service Provider	Nature of expense incurred	Incurred in current period £	Paid in current period £	Total costs outstanding at period end £
Royal Mail Group	Mail Redirection	506	506	Nil
Loan to Prime Group (including Waterside)	Loan	330,386	330,386	Nil
Total		330,892	330,892	Nil

Loan to the administrators of the Prime Group - In order to maximise the value within the Prime Group (including in the Dominican Republic) and to ensure the continuing trade of the Waterside holiday village in Bodmin, Cornwall, the joint administrators of LCF have funded certain essential costs. These payments are being treated as a loan, in the anticipation that funds will be repaid at such time that the relevant Prime Group companies make sufficient future realisations.

7.6 Policies regarding use of third parties and disbursement recovery

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

8. Estimated outcome for creditors

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

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

8.1 Secured creditors

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

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

As detailed in our previous report, GST was removed as security trustee by an order of the Court and Madison Pacific Trust Limited was subsequently appointed as an independent security trustee.

For dividend purposes, the Bondholders are considered to be secured creditors. In April 2020, a dividend representing 2.5% of capital invested, was repaid to Bondholders, of c.£6m.

Future Dividend Prospects for Bondholders

At the outset of the administration, it was expected that as a minimum, 25% of funds invested by Bondholders would eventually be repaid. This percentage is constantly being reviewed and will be updated when it is clear to the administrators that a different percentage is more appropriate.

As explained in our email of 31 March 2020, the April 2020 dividend is the first tranche to be repaid to Bondholders, leaving at least an estimated further 22.5% to be paid in future dividends, once the Joint Administrators have realised sufficient assets. Each 5% dividend requires net recoveries of c.£12m. Future realisations are anticipated to arise largely from the sale of investments and also from legal actions to be commenced in the very near future by the joint administrators. This is likely to be a lengthy process, with no significant monies expected to be recovered into the LCF administration estate for at least the next 6 to 12 months. We will of course, continue to keep Bondholders informed of relevant developments.

8.2 Prescribed Part

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

The joint administrators do not anticipate that there will be net floating charge property of sufficient value to enable a dividend to unsecured creditors.

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

8.3 Preferential creditors

In accordance with the Employment Rights Act 1996, certain former members of staff were able to claim for any arrears of wages and holiday pay through the RPS. The RPS has now submitted details of their preferential claim against the Company which is set out as follows:

Preferential creditor	Claims received £
RPS	1,073
Total	1,073

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

8.4 Unsecured creditors

We have received 13 claims totalling £93,661.

There will be insufficient realisations from the Company's assets to enable a dividend to unsecured creditors in this case, apart for potentially from the Prescribed Part, as referred to in section 8.2.

9. Outstanding matters

The joint administrators' costs to date for the first six months of the second year in the administration are £1,308,274, as detailed in section 6, compared to our original estimate of £3,605,205 for the second year in office and only the incurred time costs within the approved estimate will be drawn, subject to approval from the creditors' committee.

It should be noted again, that neither the basis nor quantum for the joint administrators' remuneration has been agreed as yet, however, we are required to provide our fee estimates within our reports.

Appendix V provides a comparison of the fee estimate for year 1 (£4,469,300) against the actual time costs incurred (£3,678,254), together with a narrative explanation. This is also provided for year 2, however, we are only at the sixth-month period for year 2, for comparative purposes.

Please note that this estimate is based on present information and may change due to unforeseen circumstances arising. In the event that the fees estimate is likely to be exceeded, the joint administrators are required to provide an update and to seek approval from the creditors' committee before drawing any additional sums. Fee estimates may be given up to a certain milestone or for a designated period if it is not possible to provide an accurate estimate at any given point.

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

Investigations

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

Potential Actions

As joint administrators' investigations have progressed, we have considered any actions that may be taken for the benefit of the Company's creditors, including the Bondholders. It is likely that any actions pursued by the joint administrators may end up in court, if not settled, and therefore be protracted. However, successful claims will provide a direct financial benefit to the Company's creditors, including the Bondholders. The Creditors' Committee have been provided with a summary of the actions that we are currently pursuing, outlining the estimated costs of this work and these details will be provided to the wider creditor/Bondholder group, once these actions have been initiated. The Creditors' Committee remains bound by non-disclosure agreements ('NDAs').

Other matters

Other actions that remain outstanding include:

- statutory obligations, including preparing and issuing the joint administrators' progress reports;
- further dividends to Bondholders;
- consideration of any tax implications within the administration; and
- closure of the administration.

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

10. Privacy and data protection

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

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

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

11. Ending the administration

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

- (i) If having realised the assets of the Company, the joint administrators think that a distribution will be made to the unsecured creditors other than by virtue of the Prescribed Part, they may file a notice with the Registrar of Companies which will have the effect of bringing the appointment of the joint administrators to an end and will move the Company automatically into Creditors' Voluntary Liquidation ('CVL') in order that the distribution can be made, but only if they consider that the associated incremental costs of a CVL are justified. In these circumstances, the joint administrators (being Finbar O'Connell, Adam Stephens, Colin Hardman and Henry Shinnars) will become the joint liquidators of the CVL. The acts of the joint liquidators may be undertaken by any one, or all of them. (Creditors had the

right to nominate alternative liquidators of their choice if they made their nomination in writing to the joint administrators prior to the administrators' proposals being approved. However, as the creditors did not make such a nomination, the joint administrators will automatically become the joint liquidators of the Company in any subsequent CVL). (Geoff Rowley of FRP was not nominated as a potential joint liquidator of the Company when the Proposals were issued as he was only appointed as a conflict administrator by the court on 30 October 2019. However, it is envisaged that if the Company converts into a CVL that an application will subsequently be made to Court for the appointment of Geoff Rowley as an additional liquidator of the Company to take on the role of a conflict liquidator.)

- (ii) If the joint administrators have, with the permission of the court, made a distribution to unsecured creditors in addition to any Prescribed Part distribution, or they think that the Company otherwise has no property which might permit a distribution to its unsecured creditors, subject to there being a need for further investigations as described below, they will file a notice, together with their final progress report, at court and with the Registrar of Companies for the dissolution of the Company. The joint administrators will send copies of these documents to the Company and its creditors. The joint administrators' appointment will end following the registration of the notice by the Registrar of Companies.

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

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

12. Creditors' rights

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

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

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

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

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

- i) Email: insolvency.enquiryline@insolvency.gsi.gov.uk
- ii) Telephone number: +44 300 678 0015
- iii) Postal address: The Insolvency Service, IP Complaints, 3rd Floor, 1 City Walk, Leeds LS11 9DA.

13. Next report

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



Finbarr Thomas O'Connell

Joint Administrator

Date: 26 August 2020



Appendices

I Statutory information

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

II Receipts and payments account

Statement of Affairs £	From 30/01/2020 To 29/07/2020 £	From 30/01/2019 To 29/07/2020 £
ASSET REALISATIONS		
Bank Interest Gross	3,138.12	10,756.18
Cash at Bank	NIL	3,189,912.30
Insurance Refund	NIL	7,902.72
Loan Accounts	NIL	100,383.28
Loan Repayment - London Oil & Gas Ltd	9,500,000.00	9,500,000.00
Motor Vehicles	NIL	203,110.39
Rates Refund	513.40	513.40
	9,503,651.52	13,012,578.27
COST OF REALISATIONS		
Administrators' Expenses	330.75	330.75
Administrators' Fees	500,000.00	500,000.00
Agents/Valuers Expenses	1,196.01	3,492.39
Agents/Valuers Fees	32,100.00	182,539.17
Bank Charges	291.25	340.68
Committee Expenses	430.85	4,000.62
Consultant expenses	NIL	574.90
HP Finance	NIL	888.45
ICO Renewal	NIL	40.00
Insurance	NIL	7,571.42
Internet, Telephone Costs & Network	7,053.09	68,425.37
Irrecoverable VAT	659,864.68	898,461.81
Legal Expenses	382,137.36	499,067.50
Legal Fees	2,182,699.30	2,869,476.30
Loan to WCOL/Prime Group	330,386.11	330,386.11
Meeting costs	NIL	4,575.17
Other Property Expenses	NIL	237.50
PAYE & NI	NIL	245.73
Pension contributions	NIL	822.80
Petitioners Deposit	NIL	1,891.00
Professional Expenses	428.77	1,193.76
Professional Fees	37,756.25	176,096.25
Rates	NIL	1,107.02
Re-Direction of Mail	506.00	1,787.00
Rents Payable	NIL	1,666.66
Security Trustee/ Dividend costs	18,356.66	18,356.66
Specific Bond	140.00	140.00
Stationery & Postage	1,191.10	19,324.41
Statutory Advertising	NIL	169.00
Storage Costs	2,598.68	5,281.56
Transfer to LCF Dividend A/c	5,902,219.07	5,902,219.07
Travel & Subsistence	15,514.94	15,514.94
Wages & Salaries	NIL	12,753.98
	(10,075,200.87)	(11,528,977.98)
	(571,549.35)	1,483,600.29
REPRESENTED BY		
Clients Deposit (Interest Bearing)		1,483,600.29

<u>LCF Dividend Account</u>	From 30/01/2020 To 29/07/2020 £	From 30/01/2019 To 29/07/2020 £
ASSET REALISATIONS		
Bank Interest Gross	1,897.83	1,897.83
Transfer from LCF main account	5,902,219.07	5,902,219.07
	<u>5,904,116.90</u>	<u>5,904,116.90</u>
SECURED CREDITORS		
Bondholders	5,586,258.50	5,586,258.50
FSCS	77,093.07	77,093.07
	<u>(5,663,351.57)</u>	<u>(5,663,351.57)</u>
REPRESENTED BY		
Clients Deposit account - Dividend A/c*		<u><u>240,765.33</u></u>

* Funds ringfenced for Bondholders yet to claim their dividend

Notes and further information required by SIP 7

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

Notes and further information required by SIP 9

Agents & Professional Fees

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

Committee Expenses

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

Loan to WCOL/ Prime Group

As detailed at section 7.5, the joint administrators have provided loans to the administrators of Prime Group, including Waterside, in order to maximise the realisable value of the assets held by this entity for the ultimate benefit of LCF's creditors.

Legal Fees

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

- **Investigations.** This included advice relating to gathering evidence, actions to safeguard assets, and investigating possible routes to recovery.
- **Litigation** - This included dealing with litigation brought against LCF by other parties and includes time and disbursements incurred in defending these actions.
- **Forensic Analysis.** This included advice relating to structuring appropriate initial search methodologies, an initial targeted review of data, and a consideration of possible legal remedies.
- **Appointment of Administrators and related.** This includes advice around the formalities of appointment of the administrators of LCF and other associated companies as detailed within the body of this report, and advice as regards to the administrators' powers and various other matters under IA86.
- **Winding up petitions.** - This included dealing with the winding up petitions against various parties associated with LCF including GST, LCM, FSE and LFG.
- **Regulatory.** This included advice relating to the FCA, FSCS and the SFO, such as around the administrators' obligations and powers, attendance at various meetings, and a consideration of the potential claims for compensation and providing appropriate guidance to Bondholders.
- **Corporate.** This included advice around corporate aspects of the existing and proposed arrangements between LOG and IOG and this included advice relating to associated corporate regulatory issues.
- **Banking/Security/Loan Agreements.** This included advice around reviewing and analysing finance related documents such as loan security, on-lending arrangements, and possible routes to realisation.
- **Project and Document Management.** This included work around collecting, managing and processing data (please note that in excess of 1.5 million documents have been collected to date) pertaining to, amongst other matters, the asset realisation and investigatory work streams.
- **Insurance.** This included work around reviewing, analysing and advising on the implications of various insurance policies, and corresponding with various relevant parties.
- **Miscellaneous.** This included advice relating to certain law enforcement activity.

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

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

Legal Expenses

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

- **Counsel Fees - £298,776.07** - It has been necessary to seek advice from Counsel in respect of a number of matters regarding the administration. This includes in respect of the GST application, other litigation and other general administration advice. As large quantum of these costs have been incurred as a direct result of the joint administrators' investigations and it is therefore necessary that the exact details remain confidential.
- **Agents and Professional Advisors - £53,922.57** - It has been necessary to instruct various agents to assist with the joint administrators' investigation as detailed within the body of this report. A number of agents and professional advisors have been instructed directly by the joint administrators' legal advisors and, as

these costs have been incurred as a direct result of the joint administrators' targeted confidential investigations, it is necessary that the exact details of these agents and advisors remain confidential.

- **General Legal Disbursements - £29,438.72** - The joint administrators' legal advisors have necessarily incurred general disbursement costs directly related to the administration. These costs include travel, subsistence, postage and courier costs, Company and Land Registry Searches, Court Fees and search fees.

III Time analysis for the period

From 30 January 2020 to 29 July 2020

Classification of work function	Hours					Total hours	Time cost	Average hourly rate
	Partner / Director	Associate director	Manager/ Assistant Manager	Other professional staff	Assistants & support staff			
Administration and planning								
Statutory returns, reports & meetings	29.15	0.00	20.25	38.80	0.00	88.20	40,868.75	463.36
Initial post-appointment notification letters, including creditors	0.50	0.00	0.00	0.00	0.00	0.50	337.50	675.00
Cashiering general, including bonding	0.45	0.00	0.00	195.65	0.00	196.10	46,483.25	237.04
Job planning, reviews and progression (inc 6 month reviews and planning meetings, checklist & diary)	250.70	6.20	33.15	74.20	0.00	364.25	209,911.75	576.28
Post-appointment taxation (VAT, PAYE/NIC, Corp Tax that are not trading related)	0.50	0.00	1.00	0.50	0.00	2.00	930.00	465.00
Insurance & general asset protection	0.35	0.75	0.00	0.00	0.00	1.10	683.50	621.36
Agents and advisers, general	74.50	0.00	0.00	8.65	0.00	83.15	52,882.50	635.99
Correspondence with joint liquidator	0.00	0.00	0.00	0.35	0.00	0.35	105.00	300.00
Director/manager review, approval and signing	5.90	2.95	6.75	3.70	0.00	19.30	10,723.25	555.61
Other	0.05	0.00	1.50	0.70	0.00	2.25	962.75	427.89
Investigations								
Creditor & shareholder complaints	0.00	0.55	0.00	0.00	0.00	0.55	319.00	580.00
Review of the Company's books and records	0.00	0.00	0.00	0.30	0.00	0.30	90.00	300.00
Debtor/ Loan Book and other investigations to identify asset recoveries	159.50	5.70	4.20	18.65	0.00	188.05	113,163.25	601.77
SIP2 obligations (inc liaising with the insolvency service)	0.25	0.00	0.00	2.70	0.00	2.95	903.75	306.36
Cash and other asset tracing	0.00	16.65	87.45	4.55	0.00	108.65	42,280.65	389.15
S235/6 hearings & applications	0.95	0.00	0.00	0.00	0.00	0.95	565.25	595.00
Director/manager review, approval and signing	0.30	0.00	0.00	0.00	0.00	0.30	213.00	710.00
Other (including liaising with various bodies i.e. SFO, FCA, FSCS)	1.00	0.00	0.00	1.60	0.00	2.60	1,075.00	413.46
Creditors								
Bondholders (dealing with Bondholder correspondence and queries)	14.95	7.80	92.60	270.10	15.50	400.95	136,978.25	341.63
Creditors' committee	37.55	5.40	37.00	41.95	0.00	121.90	58,502.75	479.92
Bondholder distribution	15.60	4.50	192.35	726.95	485.95	1,425.35	324,989.00	228.01
Dealing with creditor queries in relation to regulatory bodies (i.e. FCA, FCSC, SFO)	0.00	0.50	4.00	5.10	0.00	9.60	3,724.50	387.97
Dealing with creditor queries (i.e. SAR requests)	0.00	1.25	0.00	1.60	0.00	2.85	1,205.00	422.81
Director/manager review, approval and signing	0.00	0.00	0.00	2.45	0.00	2.45	1,174.25	479.29
Prime								
Dominican Republic	92.70	0.00	0.00	0.55	0.00	93.25	62,638.25	671.72
Waterside	80.85	0.00	0.00	0.00	0.00	80.85	54,573.75	675.00
Corporate Tax								
Corporate Tax	9.75	0.00	0.00	0.25	0.00	10.00	6,932.50	693.25
Assurance & Business Services								
Assurance & Business Services	0.35	0.00	0.00	0.00	0.00	0.35	231.00	660.00
Forensics								
Forensics	30.25	0.00	217.75	131.85	0.00	379.85	134,826.50	354.95
Total	806.10	52.25	698.00	1,531.15	501.45	3,588.95	£1,308,273.90	£364.53

Explanation of major work activities undertaken

Administration and planning

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

- preparing and issuing the joint administrators' six-month progress report;
- maintenance of compliance checklists in relation to the case;
- maintenance of the IPS compliance diary in respect of the case;
- statutory case reviews (to be completed every six months);
- internal case staff strategy meetings, including weekly strategy meetings with MdR and the administrators of LOG and Prime;
- dealing with case progression matters;

- general case planning and administration including case strategy decisions;
- arranging for a mail redirection to be put in place in respect of PO Boxes belonging to the Company;
- internal communications with the Forensics team;
- internal communications with the Assurance & Business Services team;
- dealing with routine correspondence;
- maintaining schedules of professional advisor costs and expenses;
- corresponding with HMRC;
- reviewing and signing off various documents and correspondence by partners, directors and managers;
- completing paperwork to settle outstanding invoices;
- maintaining physical case files;
- dealing with and instructing agents and other professional advisers to assist with the case;
- liaising with the Smith & Williamson IT department regarding the maintenance of the LCF email mailbox and webpage;
- dealing with the provision of various information to the FSCS, the SFO and other parties;
- attending at various meetings in respect of the administration;
- responding to various press queries in respect of the progression of the administration;
- liaising with FRP Advisory LLP regarding statutory requirements following the appointment of Geoff Rowley as conflict administrator.

Cashiering time:

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

Investigations

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

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

The Company's largest asset is its debtor book and the joint administrators have dedicated a large quantity of time to understanding this asset in great detail. This work is not only necessary but crucial to the joint administrators' ability to determine any likely returns to the Company's creditors, including the Bondholders. By way of reminder, the joint administrators are working to identify assets to the value of £238 million which the Company is owed by a number of entities. Dealing with assets of this value will naturally result in a significant amount of time being expended in order to ensure the best chance of recoveries. The time incurred by the joint administrators to date in dealing with this asset is less than 1% of the total debtor book value. An overview of the debts totalling £237,854,124, which the Company is due to be repaid, is detailed at Appendix VI of this report. The time expended thus far by the joint administrators has allowed them to carefully assess the recoverability of each debt which will ultimately provide a direct financial benefit to creditors, including the Bondholders.

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

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

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

- liaising with the debtors of the Company;
- investigating the recoverability of each loan made by the Company, including investigations into the Borrower companies;
- monitoring the financial position of each of the debtors of the Company in order to determine their ability to settle the liability owed to the Company;
- maintaining various debt profiles in respect of the Borrowers;
- liaising with our legal advisors in respect of the Borrower companies;
- reviewing the flow of funds from the Company to various entities;
- interviewing various parties under S236 of the IA86;
- reviewing information provided by third parties in respect of the debtors;
- meeting with third parties to gather information in respect of the debtors;
- collating information on third parties associated with each of the debtors;
- reconciliation of the Company's bank accounts to the debtor book;
- reviewing and submitting various witness statements;
- discussions with LOG in respect of its financial arrangements with IOG;
- requests for information belonging to, or held on behalf of, the Company from various parties;
- investigating circumstances which might give rise to claims against various parties and hence potential realisations of assets for the benefit of the creditors, including the Bondholders;
- dealing with the removal of GST as security trustee;
- dealing with the appointment of Madison Pacific as the replacement security trustee;
- attendance at court for various matters; and
- investigation of other potential litigation matters that may give rise to further recoveries for creditors, including Bondholders. At this juncture, it is necessary that these investigations remain confidential so as not to jeopardise any potential actions that may be taken.

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

- meeting with and interviewing a number of third parties associated with the Company;
- reconciling the debtor book to the Company's bank statements and requesting further information from the respective banks;
- review of the Company's financial accounting records;
- making enquiries of various parties associated with the Company in respect of the Company's finances and other business activities;
- dealing with the petition for the winding up of LCM;
- dealing with the petition for the winding up of FSE;
- dealing with the petition for the winding up of GST;
- tracing assets belonging to the Company, or purchased by the Company;
- preparing for and attending various interviews under S238 IA86;
- tracing assets of third parties connected to the Company;
- liaising with agents in respect of the review of bank statements of the Company;
- assisting the FCA and the FSCS with their enquiries including providing information requested;

- liaising with the SFO; and
- liaising with the FCA.

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

Creditors/ Bondholders

This section is in relation to time spent in dealing with correspondence from creditors including both Bondholders and trade and expense creditors. It should be noted that there are over 11,700 Bondholders who have been affected by the administration of the Company and consequently the joint administrators and their staff have incurred a significant amount of time in dealing with a wide range of communications with Bondholders. During the period, the costs incurred in respect of Bondholder communications works out as approximately £12 spent per Bondholder. During the period, the costs incurred in respect of the Bondholder dividend work out as approximately £28 spent per Bondholder. For every £1 distributed, it cost 5p.

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

- dealing with personal information update requests from Bondholders including email addresses and postal addresses;
- dealing with telephone calls received from Bondholders;
- drafting and issuing responses to written correspondence received from certain Bondholders;
- drafting and issuing responses to written correspondence received from Members of Parliament on behalf of Bondholders;
- dealing with correspondence received in respect of deceased Bondholders;
- monitoring and responding to emails received to the dedicated LCF mailbox;
- managing the MailChimp account for ease of communication to Bondholders;
- preparing updates to Bondholders and issuing these updates through the MailChimp service;
- liaising with the Financial Ombudsman Service in respect of complaints received against the Company;
- liaising with the FSCS in respect of Bondholder compensation;
- dealing with queries in respect of the FSCS' announcement in respect of compensation;
- sending physical copies of correspondence to Bondholders;
- liaising with the Creditors' Committee;
- planning and organising Creditors' Committee meetings;
- attending Creditors' Committee meetings;
- preparing and circulating minutes following Creditors' Committee meetings;
- liaising with the Creditors' Committee in respect of the appointment of a fee assessor;
- holding frequent calls with the Creditors' Committee at their request;
- dealing with requests made by the Creditors' Committee;
- dealing with all other correspondence with the Creditors' Committee;
- adjudication of all Bondholder claims (i.e. reconciling the proof of debt forms received to the Company's records);
- finalising the Bondholder dividend master schedule for processing of payments to over 10,000 Bondholders;
- dealing with the logistics of the Bondholder dividend including site visits to cheque printers, arranging for telephone lines to be set up to deal with the influx of calls, setting up staff on phone lines;

- adapting the strategy for dividend payments in response to the Covid-19 pandemic;
- dealing with correspondence by email, telephone and physical post from Bondholders in respect of the dividend;
- arranging for cheques to be reissued at the request of Bondholders, primarily for uninformed changes to address;
- contacting all Bondholders whose cheques failed to be delivered to obtain up to date contact information; and
- dealing with queries from Bondholders in respect of the SFO, FCA and other bodies.

Corporate Tax

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

Forensics

- maintaining the joint administrators' data hosting platform;
- mining information from the Eclipse system in order to support the joint administrators' investigations; and
- provision of information to various bodies including the SFO.

Assurance & Business Services

- providing information in respect of the work conducted by the Company's auditors.

IV Cumulative time analysis

From 30 January 2019 to 29 July 2020

Classification of work function	Hours					Total hours	Time cost	Average hourly rate
	Partner / Director	Associate director	Manager/ Assistant Manager	Other professional staff	Assistants & support staff			
Administration and planning								
Statutory returns, reports & meetings	173.40	0.00	103.30	156.05	14.00	446.75	203,744.00	456.06
Initial post-appointment notification letters, including creditors	13.10	0.00	7.85	5.40	0.00	26.35	13,237.00	502.35
Cashiering general, including bonding	0.85	0.00	0.00	226.55	0.00	227.40	54,617.00	240.18
Job planning, reviews and progression (inc 6 month reviews and planning meetings, checklist & diary)	421.20	9.70	180.30	285.05	4.00	900.25	441,132.50	490.01
Post-appointment taxation (VAT, PAYE/NIC, Corp Tax that are not trading related)	0.85	0.00	2.00	2.60	0.00	5.45	2,143.75	393.35
Protection of company records (incl electronic)	8.15	0.00	1.25	8.10	0.00	17.50	8,034.75	459.13
Insurance & general asset protection	14.70	0.75	0.00	2.60	0.00	18.05	10,723.00	594.07
Filing, file and information management	5.70	0.00	2.25	1.50	0.00	9.45	5,062.50	535.71
Pre-appointment non creditor tax	1.60	0.00	1.75	0.00	0.00	3.35	1,852.50	552.99
Agents and advisers, general	76.20	0.00	4.25	17.40	0.00	97.85	58,363.75	596.46
Correspondence with joint liquidator	0.00	0.00	0.00	0.35	0.00	0.35	105.00	300.00
Filing - Administration and planning	0.00	0.00	0.00	0.30	0.00	0.30	87.00	290.00
Director/manager review, approval and signing	10.95	4.20	19.25	5.95	0.00	40.35	21,570.75	534.59
Other	5.30	0.00	4.50	21.50	0.00	31.30	11,316.00	361.53
Investigations								
Correspondence with directors	0.00	0.00	0.00	4.75	0.00	4.75	1,586.00	333.89
Creditor & shareholder complaints	0.00	1.75	0.75	0.00	0.00	2.50	949.00	379.60
Review of the Company's books and records	9.00	21.10	2.20	23.60	4.50	60.40	24,227.50	401.12
Debtor / Loan Book and other investigations to identify asset recoveries	1,984.40	19.00	135.80	97.65	0.00	2,236.85	1,360,212.75	608.09
SIP2 obligations (inc liaising with the insolvency service)	11.15	0.00	4.25	13.50	0.00	28.90	12,945.00	447.92
Cash and other asset tracing	65.05	70.20	692.65	129.45	0.00	957.35	382,450.65	399.49
Enquiries of advisers (including legal advisors and other professional advisors)	18.40	0.00	8.05	7.20	0.00	33.65	17,611.75	523.38
S235/6 hearings & applications	73.60	0.00	1.45	6.55	0.00	81.60	47,372.25	580.54
Director/manager review, approval and signing	0.55	6.50	0.00	0.00	0.00	7.05	3,788.00	537.30
Other (including liaising with various bodies i.e. SFO, FCA, FSCS)	11.50	0.00	25.50	12.00	0.00	49.00	22,618.50	461.60
Realisation of assets								
Debtors	24.30	0.00	0.00	18.10	0.00	42.40	19,264.25	454.35
Other chattel assets	3.75	0.00	2.00	0.85	0.00	6.60	3,050.00	462.12
Financed assets (only if equity-otherwise creditors, incl HP and leasing)	8.25	0.00	0.00	0.75	0.00	9.00	4,920.00	546.67
Cash at Bank	0.30	0.00	3.75	2.00	0.00	6.05	2,433.25	402.19
Liaising with agents (general)	0.00	0.00	1.75	0.40	0.00	2.15	909.00	422.79
Director/manager review, approval and signing	0.50	0.00	0.00	0.00	0.00	0.50	337.50	675.00
Other	15.25	0.00	2.95	0.25	0.00	18.45	8,466.25	458.88
Trading/ Premises								
Trading on decision and day 1-3 operations	0.00	0.00	2.50	0.00	0.00	2.50	1,150.00	460.00
Purchasing/suppliers (not landlord)	2.40	0.00	0.00	0.00	0.00	2.40	1,560.00	650.00
Accounting	0.60	0.00	3.00	0.00	0.00	3.60	1,770.00	491.67
Insurances	0.00	0.00	8.00	0.00	0.00	8.00	3,698.75	462.34
Staff and payroll (inc PAYE/NIC for trading period)	0.00	0.00	0.75	1.50	0.00	2.25	735.00	326.67
Premises issues (inc landlord and site clearance)	0.00	0.00	4.50	12.25	0.00	16.75	5,275.00	314.93
Shutdown or handover	0.00	0.00	0.00	15.50	0.00	15.50	4,030.00	260.00
Other	0.00	0.00	0.60	0.35	0.00	0.95	367.00	386.32
Creditors								
Bondholders (dealing with Bondholder correspondence and queries)	185.95	10.25	479.15	1,294.20	627.10	2,596.65	733,274.90	282.39
Floating charge creditors	18.30	0.00	0.00	24.20	7.50	50.00	17,566.00	351.32
HP & lease creditors	0.00	0.00	0.00	0.85	0.00	0.85	245.00	288.24
RPO and ERA claims & tribunals	0.00	0.00	0.00	0.50	0.00	0.50	130.00	260.00
Employees & pension	1.50	0.00	0.00	18.40	0.00	19.90	5,641.50	283.49
Crown (not RPO etc)	1.40	0.00	0.00	0.75	0.00	2.15	1,105.00	513.95
Unsecured creditors	0.00	0.00	7.00	6.70	0.00	13.70	5,010.00	365.69
Creditors' committee	112.25	5.40	96.50	135.65	0.00	349.80	161,733.50	462.36
Distributions for prefs and unsecured	16.65	4.50	200.85	850.30	1,414.70	2,487.00	447,230.00	179.83
Dealing with creditor queries in relation to regulatory bodies (i.e. FCA, FCSC, SFO)	3.35	0.50	24.05	7.70	7.00	42.60	16,536.25	388.17
Dealing with creditor queries (i.e. SAR requests)	0.85	1.25	9.50	4.25	7.00	22.85	7,550.50	330.44
Director/manager review, approval and signing	0.00	0.00	18.00	2.45	0.00	20.45	9,724.25	475.51
Other	3.50	0.00	15.10	7.65	0.00	26.25	10,886.25	414.71

Prime									
Dominican Republic	92.70	0.00	0.00	0.55	0.00	93.25	62,638.25	671.72	
Waterside	96.85	0.00	0.00	0.00	0.00	96.85	65,373.75	675.00	
Corporate Tax									
Corporate Tax	46.85	0.40	0.00	0.25	0.00	47.50	31,848.00	670.48	
Assurance & Business Services									
Assurance & Business Services	23.60	2.50	0.00	0.00	0.00	26.10	14,857.50	569.25	
Forensics									
Forensics	134.75	0.00	1,005.05	783.90	0.00	1,923.70	631,461.50	328.25	
Total	3,699.50	158.00	3,082.35	4,218.30	2,085.80	13,243.95	£4,986,529.05	£376.51	

Notes

Additional time of £47,988.75 has been incurred which was not reported in the joint administrators' progress report dated 26 February 2020 for the 6 months 30 July 2019 to 29 January 2020 due to an error with the time recording system. The cumulative SIP9 table, above, has been updated to include the additional work in progress of £47,988.75.

Time comparison

The following gives a summary of our estimated administrators' fees for the second year of the administration, provided in our previous progress report, and the actual time costs incurred for the 6 months to 29 July 2020, for ease of comparison:

Task	Estimated fees to be incurred for the year to 29 January 2021 £	Actual Fees incurred for the 6 months to 29 July 2020 £
Administration and Planning	511,300	363,888
Investigations (including Prime)	1,598,775	275,822
Realisation of Assets	52,750	Nil
Creditors	919,200	526,574
Corporate Tax and VAT	21,250	6,933
Assurance & Business Services	6,750	231
Forensics	495,000	134,827
Total	3,605,025	1,308,275

It is expected that the administrators' fee estimate provided will be sufficient to cover the second twelve months of the administration.

By way of reminder, the following gives a summary of our estimate for the first year of the administration, to 29 January 2020, provided in our progress report for the period ending 29 July 2019, and the actual time costs incurred for the year to 29 January 2020, for ease of comparison:

Task	Estimated fees to be incurred for the year to 29 January 2020 £	Actual Fees incurred for the year to 29 January 2020 £
Administration and Planning	596,745	468,101

Task	Estimated fees to be incurred for the year to 29 January 2020 £	Actual Fees incurred for the year to 29 January 2020 £
Investigations	2,394,930	1,715,151
Prime	Nil	10,800
Realisation of Assets	312,330	39,380
Trading	30,615	18,586
Creditors	746,790	890,059
Corp Tax and VAT	36,170	24,916
Assurance & Business Services	22,700	14,626
Forensics	329,020	496,635
Total	4,469,300	3,678,254

This table has been updated to include the additional time of £47,988.75, as detailed above.

Expenses comparison

The following gives a summary of our professional advisors' costs' estimates for the year from 30 January 2020 to 29 January 2021 and the professional advisor costs incurred for the 6 months to 29 July 2020, for ease of comparison:

Type of disbursement	Costs incurred in current period £	Costs paid in current period £	Total costs outstanding £	Estimated total costs £	Variance £
Legal Advice	1,945,650	2,182,699	1,928,301	2,500,000	(571,699)
Agents and Professional Advisor Fees	69,856	69,856	Nil	250,000	(180,144)
Total	2,015,506	2,252,555	1,928,301	2,750,000	(751,843)

Due to the substantial amount of complicated legal work carried out during the period, it is very possible that the fee estimate for the year with regard to legal advice is underestimated and we will be reviewing this with our legal advisers. (Please see our comments with regard to the legal advice costs during the first year of the administration, which partly goes to explain the underestimate mentioned above.) However, please note that the administrators do closely monitor all legal advice which they obtain to make sure it is necessary and priced appropriately.

By way of reminder, the following gives a summary of our professional advisor estimate for the year from 30 January 2019 to 29 January 2020 and the professional advisor costs incurred for the year to 29 January 2020, for ease of comparison:

Type of disbursement	Costs incurred in current period £	Costs paid in current period £	Total costs outstanding £	Estimated total costs £	Variance £
Legal Advice	2,692,359	613,262	2,504,295	4,000,000	(1,307,641)
Agents and Professional Advisor Fees	224,269	185,948	38,320	200,000	224,269
Total	2,916,628	799,210	2,542,615	4,200,000	(1,083,372)

The positive variance of £1.31m with regard to legal advice indicates that not all of the projected legal advice was carried out within that year. That legal advice was provided to the administrators during the following year and this is very likely the reason for the projected overall underestimate for total legal advice costs in the second year of the administration, as referred to above.

V Fee Estimate for the year 30 January 2020 to 29 January 2021

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

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

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

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

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

VI Loan/Borrower Position

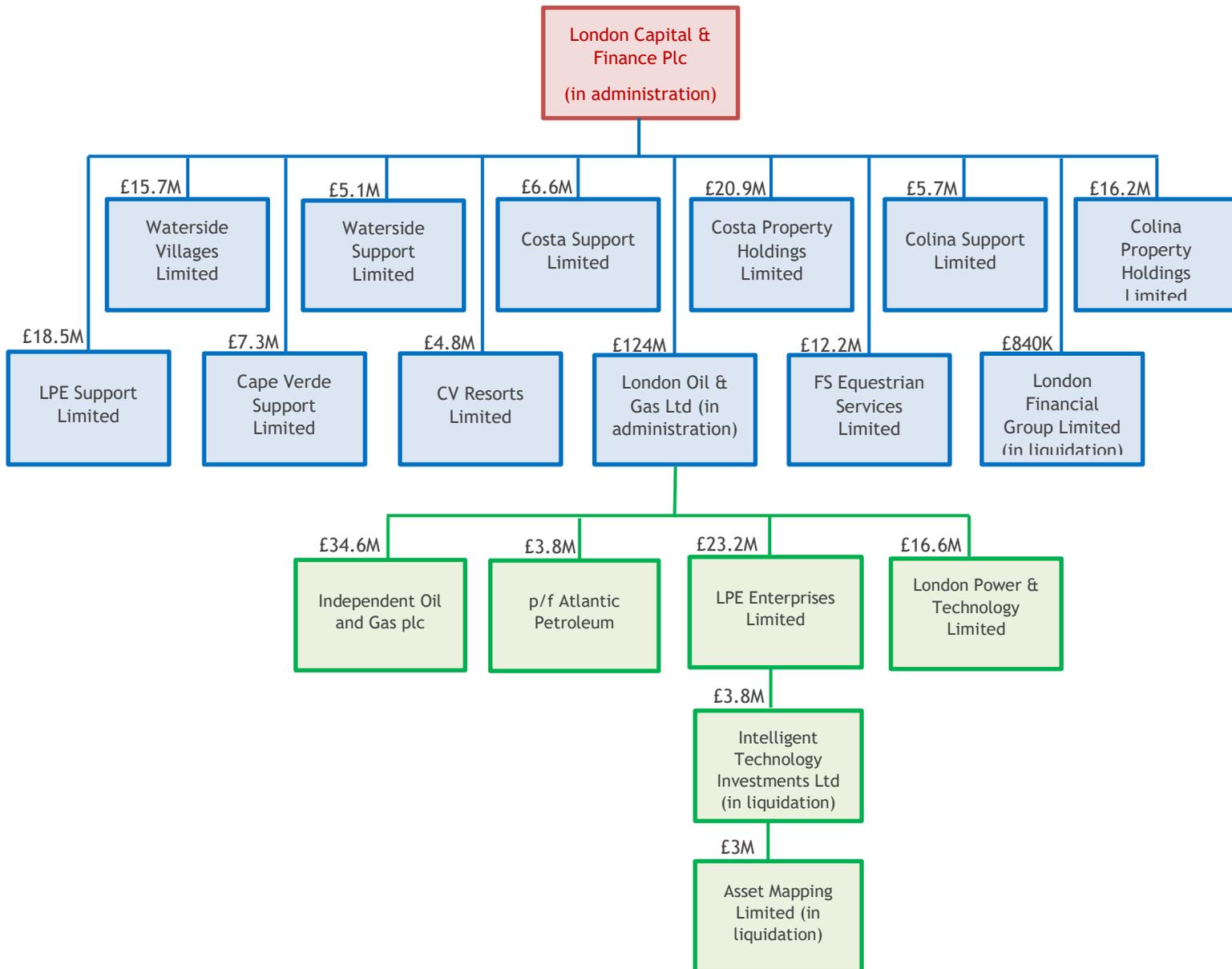
Debtor gross loan amount as at 30 January 2019:

Debtor	Amount due to LCF as at 30 January 2019 (£)
London Oil & Gas Limited (in administration)	124,083,128
LPE Support Limited	18,460,382
Cape Verde Support Limited	7,268,038
CV Resorts Limited	4,796,834
Waterside Villages Limited	15,733,152
Waterside Support Limited	5,084,345
Costa Support Limited	6,603,543
Costa Property Holdings Limited	20,872,447
Colina Support Limited	5,654,890
Colina Property Holdings	16,196,319
FS Equestrian Services Limited	12,261,270
London Financial Group Limited (in liquidation)	839,776
Total	237,854,124

Debtor groups:

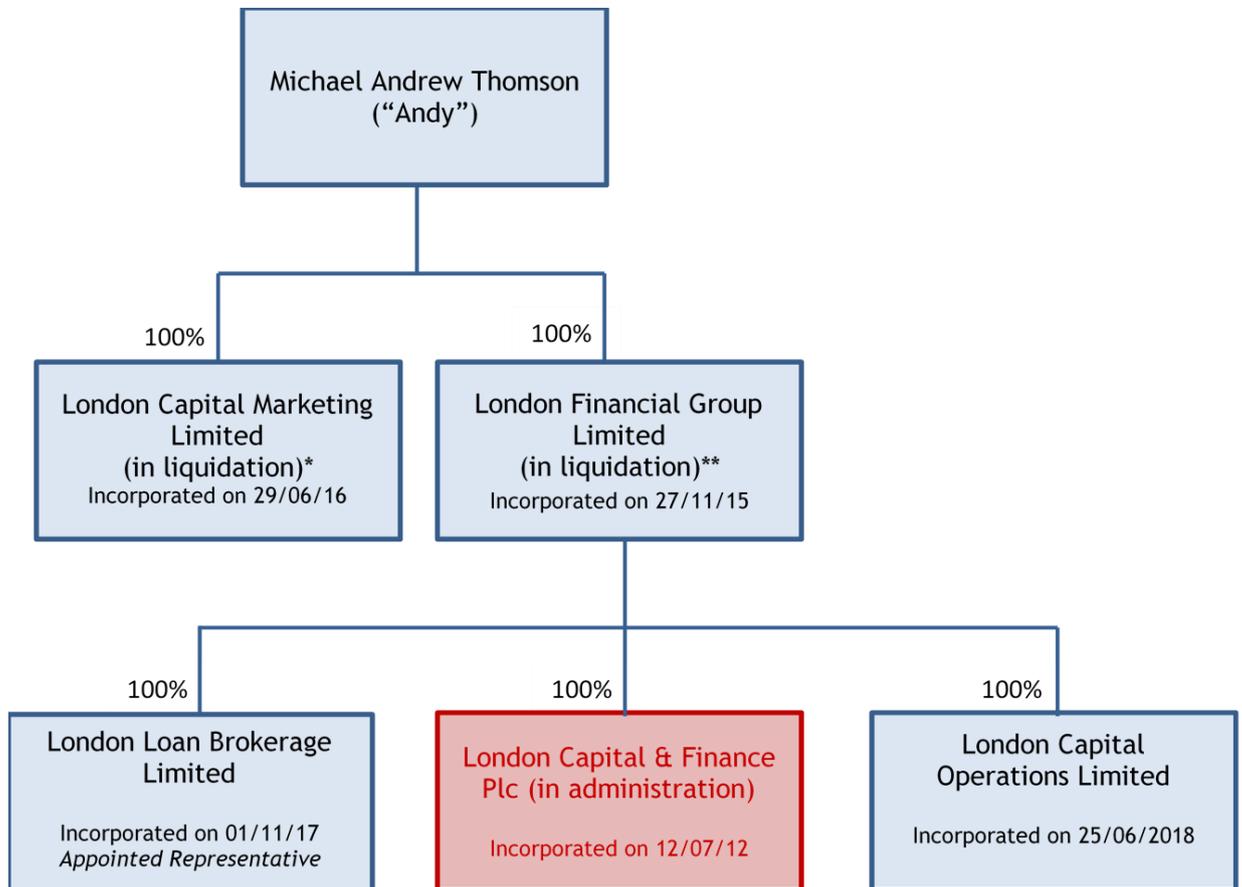
Controlling groups/ entities	Amount due to LCF as at 30 January 2019 (£)
London Group LLP (London Oil & Gas Limited, LPE Support Limited, Cape Verde Support Limited and CV Resorts Limited)	154,600,000
Prime Resort Development Limited (Waterside Villages Limited, Waterside Support Limited, Costa Support Limited, Costa Property Holdings Limited, Colina Support Limited and Colina Property Holdings Limited)	70,100,000
FS Equestrian Services Limited	12,300,000
London Financial Group Limited	800,000
Total	237,800,000

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



VII Group Structure Diagram - LCF

London Capital & Finance Plc (in administration) Group Structure



* The joint administrators issued a petition for the compulsory winding up of London Capital Marketing Limited ("LCM") on 1 July 2019. The petition was opposed by LCM, whose sole director is Mr Thomson. Following a court hearing, on 27 July 2020 a winding up order was granted and LCM entered compulsory liquidation. It is expected that Finbarr O'Connell and Colin Hardman, both of Smith & Williamson LLP, will be appointed as joint liquidators of LCM shortly.

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

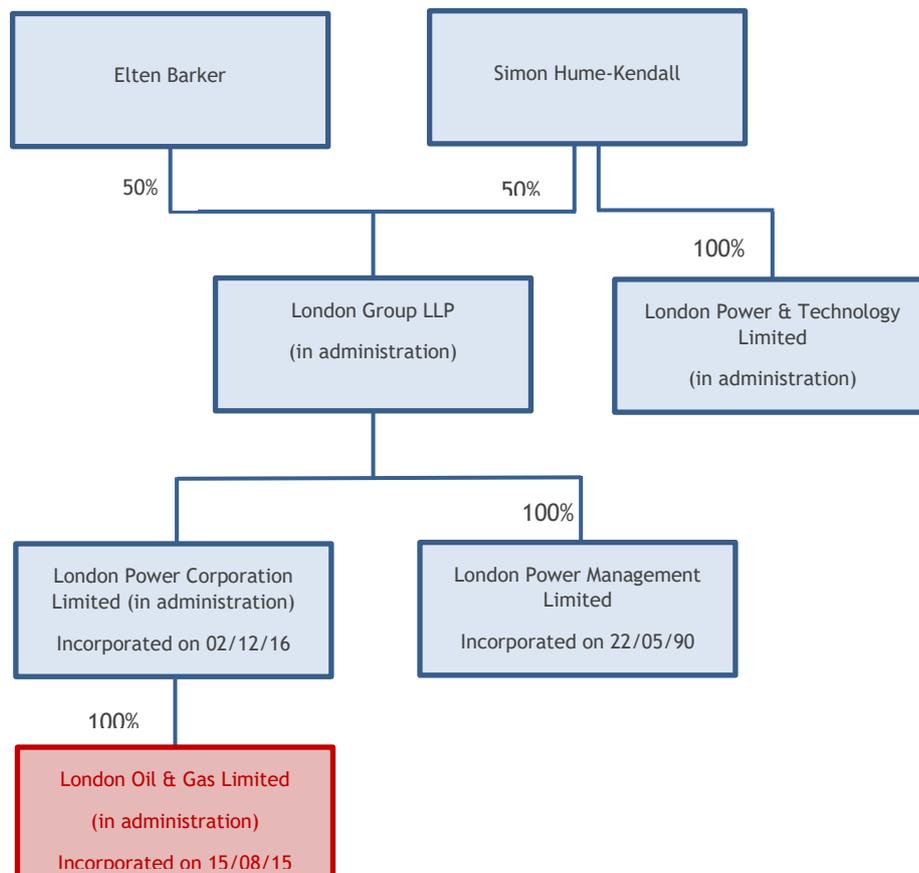
VIII Borrower Schedule - ‘London Group’

London Group loan position:

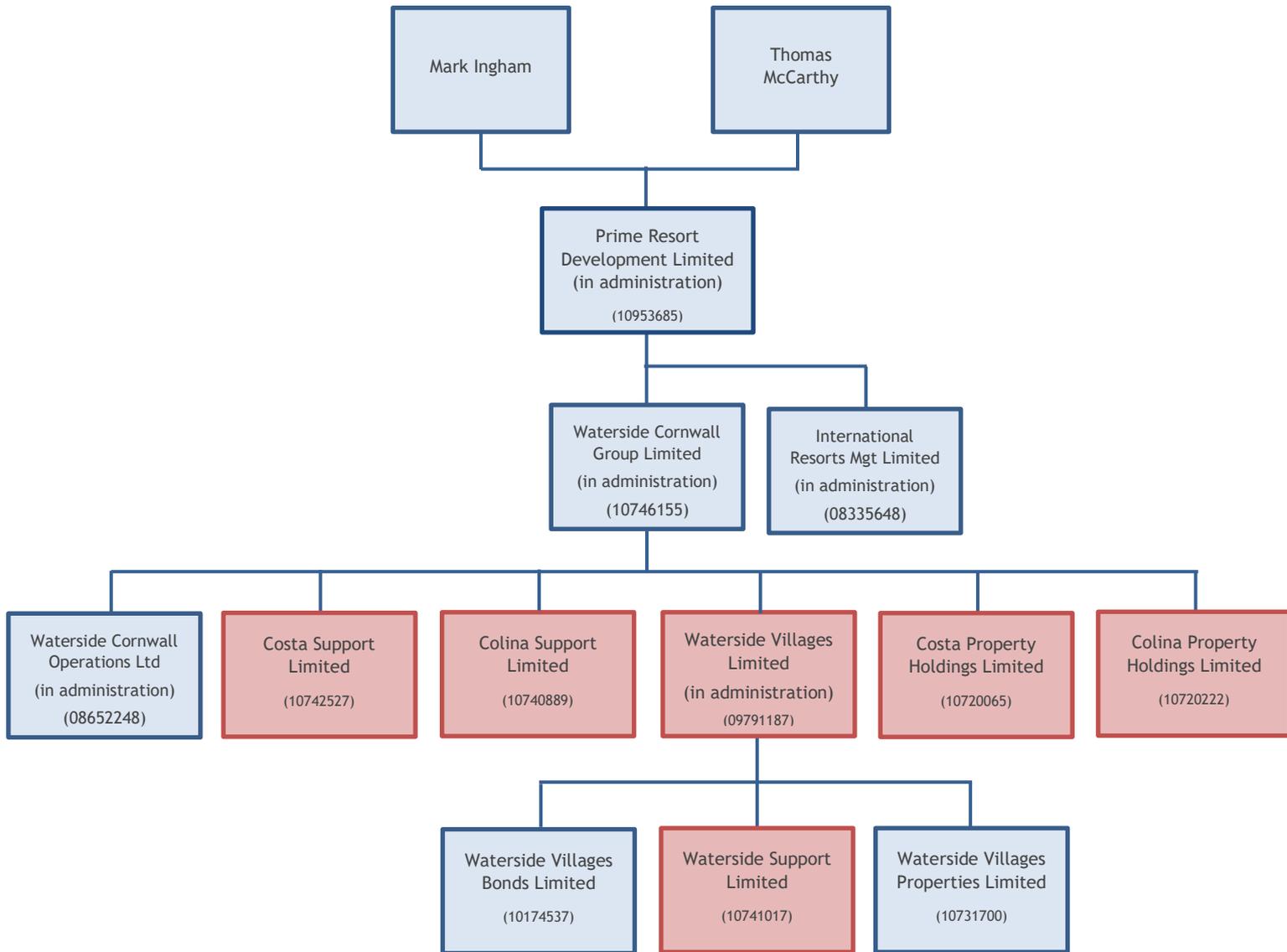
Debtor	Sum advanced (£m)
Independent Oil & Gas plc (“IOG”)	34.6
London Group LLP (“LG”)	32.6
London Power Corporation Ltd (“LPC”)	8.3
p/f Atlantic Petroleum (“AP”)	3.8
Intelligent Technology Investments Ltd (“ITI”)	3.8
Total	*83.1

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

London Group structure diagram:



IX Group Structure Diagram - 'Prime'



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

Introduction

Detailed below are:

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

Staff allocation and the use of subcontractors

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

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

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

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

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;
- 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.

Disbursements

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

Category 2 disbursements do require approval from creditors. These are costs which are directly referable to the appointment in question but are not payments which are made to an independent third party and may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis such as internal room hire, document storage or business mileage.

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

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

Charge out rates

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

The rates applicable to this appointment are set out below. Changes to the charge out rates during the period of this report were applied with effect from 1 July 2020.

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

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

Smith & Williamson LLP Restructuring & Recovery Services Charge out rates as at 1 July 2020	London office £/hr	Regional offices £/hr
Partner / Director	620-710	396-456
Associate Director	580	372
Managers	360-500	228-320
Other professional staff	235-580	152-204
Support & secretarial staff	130	84

Notes

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

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

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

Smith & Williamson LLP	London office
Corporate Tax	£/hr
Charge out rates as at 1 July 2019	
Partner / Director	625-740
Associate Director	500
Managers	270-430
Other professional staff	95-230
Support & secretarial staff	65

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

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

www.smithandwilliamson.com

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

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

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 2013