

TO ALL KNOWN MEMBERS AND CREDITORS

3 May 2018

Please ask for Tauqir Ahmed
Direct Line - 0151 237 4420
Email - BRCMT@bdo.co.uk

Dear Sirs

**ARM Asset Backed Securities S.A.
In Compulsory Liquidation and subject to a Company Voluntary Arrangement ('ARM')**

High Court of Justice, Chancery Division No 006914 of 2013

On 4 October 2013, ARM, a *société anonyme* incorporated under the laws of the Grand Duchy of Luxembourg, presented a petition to the English court that it be wound up (i.e. that it be placed into liquidation). That petition was adjourned and Mark Shaw and Malcolm Cohen were appointed as provisional liquidators of ARM by an Order of the English court dated 9 October 2013.

Following an application made during the Provisional Liquidation ('PL') of ARM, Mark Shaw, Malcolm Cohen and I were appointed Joint Liquidators of ARM on 10 March 2017 by the Secretary of State.

I set out below an annual progress report in accordance with Section 104A of the Insolvency Act 1986 and Rule 18.4 of the Insolvency (England and Wales) Rules 2016 ('the Rules'). This report covers the period 10 March 2017 to 9 March 2018 ('the Period'), and should be read in conjunction with previous bondholder updates issued during the PL, available at <https://www.bdo.co.uk/en-gb/arm-asset-backed-securities-sa>.

As you may be aware, the Joint Liquidators proposed a Company Voluntary Arrangement ('CVA') on 5 April 2017, which was approved at a meeting of creditors on 3 May 2017, and subsequently by the members of ARM on 4 May 2017. As such, the Joint Liquidators will also shortly be reporting on the progress of the CVA, in their capacities as Supervisors.

It should be noted that actions regarding payments of dividends to bondholders have been undertaken by the Supervisors as part of the CVA, and as such this report only contains a brief summary of the CVA process.

1. Professional Information Regarding the Joint Liquidators

The Joint Liquidators are Sarah Rayment (officeholder No: 9162), Mark Shaw (officeholder No: 8893) and Malcolm Cohen (officeholder No: 6825) all of BDO LLP, 55 Baker Street, London, W1U 7EU. The Joint Liquidators carry out their functions jointly and severally, meaning any action can be done by one Liquidator or by all of them. The Joint Liquidators may also be contacted via Tauqir Ahmed at BRCMT@bdo.co.uk.

2. Receipts and Payments

I attach for your information a summary of my receipts and payments account to 9 March 2018 showing a balance in hand of £1,280,024. I consider the account to be self-explanatory, but comment specifically on the below:

2.1. Receipts

2.1.1. Transfer from Provisional Liquidation

In any Compulsory Liquidation, the Liquidators are required to make use of the Insolvency Service Account ("ISA"). As such, the funds held within the PL estate (totalling £5,918,558) were transferred to the ISA upon my appointment as Joint Liquidator.

2.1.2. Receipt of funds held by Jarvis Investment Management

A total of £1,512,621 was held as pending monies by Jarvis Investment Management. Upon my appointment as Joint Liquidator, this was transferred into the Liquidation estate and will be transferred to the CVA for distribution at the time of the second interim dividend.

2.1.3. Petitioners' Deposit

The Insolvency Service received £1,165 in respect of the winding up Petitioner's Deposit, paid from the PL estate funds, and held as part of the Liquidation estate funds.

2.2. Payments

2.2.1. Transfer to CVA account for distribution

Upon the approval of the CVA, a total of £5,641,871 was transferred from the ISA to the CVA account, in order to pay the first interim dividend, as set out below.

2.2.2. Joint Liquidators' Fees

Joint Liquidators' fees of £149,668 were paid in the period.

2.2.3. CVA Nominee Fees

The sum of £86,187 was paid to BDO LLP in respect of nominees' fees incurred prior to the approval of the CVA.

2.2.4. Secretary of State - General Fees

A total of £80,000 was paid to the Secretary of State in respect of General Fees during the Period. On 21 July 2016 the Official Receiver changed their fee structure to reduce the maximum general fee to £6,000, however, due to the winding up petition for ARM being presented on 8 October 2013 (i.e. prior to 21 July 2016), the Secretary of State was due the maximum general fee, being £80,000.

<https://www.gov.uk/government/news/changes-to-official-receivers-fees>

2.2.5. Provisional Liquidators' Fees

Outstanding Provisional Liquidators' fees of £68,812 were paid in the period.

2.2.6. Professional Fees

Payee	Payment Of	Amount Paid (£)
Akin Gump	Legal Fees	47,116.46
Bonn & Schmitt	Legal Fees	5,848.75
Irish Stock Exchange	Registration Fees	1,861.94
TMF Group	Accounting Fees	3,995.99
Wilmington Trust	Custodian Fees	9,444.76
Total		68,267.90

2.2.7. Irrecoverable VAT

As ARM is a Luxembourg registered company and not registered for VAT in the UK, all VAT on payments is irrecoverable.

2.2.8. Secretary of State - Statutory Fees

A total of £2,520 was paid in respect of statutory fees due for use of the Insolvency Service Account - a required process in compulsory liquidations.

3. Progress of the Liquidation

As previously reported, the purpose of the Liquidation was to allow the Joint Liquidators to propose a CVA, through which the terms of the settlement agreement could be put into effect and the assets of ARM could be distributed.

On 20 November 2017, the JL's, as Supervisors of the CVA, declared the first interim dividend in the CVA of 11p in the £.

This dividend payment totalled £20.05m, with approximately 89% of this dividend being paid to the Financial Services Compensation Scheme ('FSCS'), representing the assigned claims of the investors who have accepted FSCS compensation. The FSCS has confirmed that any sums paid to it that are due to a compensated investor, under the FSCS's normal rules, will be paid as soon as reasonably practicable.

3.1. FSCS Reconciliation

The Summary for Creditors of 5 April 2017 estimated the total value of the bondholder pool to be £216,710,813, based on the calculation of gross claims.

During the course of the liquidation and CVA we have been working alongside the FSCS to reconcile the known bondholders (identified in ARM's records) to the FSCS compensated bondholders. This exercise has been necessary due to the incomplete state of ARM's records prior to the appointment of the PL's.

This exercise is now near completion and it is the Joint Liquidators intention, as Supervisors of the CVA, to declare a second interim dividend as soon as reasonably practicable.

4. Future of the Liquidation

It is intended that the liquidation process will run alongside the CVA and that ARM will be handed back to the Luxembourgish authorities for dissolution at the end of the liquidation.

5. Prescribed Part

Under Section 176A of the Insolvency Act 1986 where after 15 September 2003 a company has granted to a floating charge to a secured creditor, a proportion of the net property of that company must be made available purely for the unsecured creditors. ARM has not granted a floating charge to any creditor after the 15 September 2003 and consequently there will be no prescribed part in this Liquidation.

6. Investigations

As this is a Compulsory Liquidation, the duty to investigate the affairs of ARM and also the conduct of the directors, rests with the Official Receiver, who have carried out their own investigations.

If any creditor believes that they may have any information that would assist the Official Receiver in their enquiries, they should write to the Official Receiver at 4 Abbey Orchard Street, London, SW1P 2HT.

7. Liquidators' Remuneration

Pursuant to the Rules, the Joint Liquidators are obliged to fix their remuneration in accordance with Rule 18.16. This permits remuneration to be fixed either:

- (1) as a percentage of the assets realised and distributed; and/or
- (2) by reference to the time the Joint Liquidators and the staff have spent attending to matters in the liquidation as set out in the fees estimate; and/or
- (3) as a set amount; and/or
- (4) as a combination of the above.

In our previous correspondence dated 6 December 2017, approval was sought of the Joint Liquidators' revised Fee Estimate and that the Joint Liquidators' remuneration was to be drawn on a time cost basis; approval was granted in respect of both matters.

To date, the Joint Liquidators have drawn £149,668 in respect of remuneration, all of which was drawn in the Period, as shown on the enclosed Receipts and Payments account.

I attach a schedule detailing the time costs incurred to date. The schedule covers the period of this report, 10 March 2017 to 9 March 2018. This records time costs of £156,013 which represents 338 hours spent at an average charge out rate of £462 per hour.

For guidance, I enclose a document that outlines the policy of BDO LLP in respect of fees and disbursements.

8. Disbursements

Where disbursements are recovered in respect of precise sums expended to third parties there is no necessity for these costs to be authorised. These are known as category 1 disbursements.

Some Liquidators recharge expenses, for example printing, photocopying and telephone costs, which cannot economically be recorded in respect of each specific case. Such expenses, which are apportioned to cases, require the approval of the creditors before they can be drawn, and these are known as category 2 disbursements. The policy of BDO LLP in respect of this appointment is not to charge any category 2 disbursements with the exception of mileage on the basis of the mileage scale approved by HMRC, being 45p per mile unless otherwise disclosed to the creditors. No category 2 disbursements have accrued during this period.

Total disbursements of £6,308.39 have been incurred in this Liquidation as detailed below.

	Cat. 1 (£)	Cat. 2 (£)	Total (£)
Bonding	200.01	-	200.01
Travel Costs	1,255.59	-	1,255.59
Advertising Costs	4,801.74	-	4,801.74
Comitee Expenses	51.05	-	51.05
Total	6,308.39	-	6,308.39

To date category 1 disbursements of £6,308 have been drawn, all of which was paid in the Period. No category 2 disbursements have been incurred or drawn to date. The travel costs incurred relate to costs incurred in respect of air fares, rail fares and taxis.

9. Creditors' Rights

I provide at the end of this report an extract from the Rules setting out the rights of creditors to request further information and/or challenge the remuneration or expenses within the liquidation. Creditors may access information setting out creditors' rights in respect of the approval of Liquidator's remuneration at <https://www.r3.org.uk/what-we-do/publications/professional/fees>.

The Insolvency Service has established a central gateway for considering complaints in respect of Insolvency practitioners. In the event that you make a complaint to me but are not satisfied with the response from me then you should visit <https://www.gov.uk/complain-about-insolvency-practitioner> where you will find further information on how you may pursue the complaint.

The Joint Office-holders are bound by the Insolvency Code of Ethics when carrying out all professional work relating to this appointment. A copy of the code is at: <http://www.icaew.com/en/members/regulations-standards-and-guidance/ethics/code-of-ethics-d>.

If you require any further information, please do not hesitate to contact me or my colleague Tauqir Ahmed at BRCMT@bdo.co.uk.

Yours faithfully
For and on behalf of
ARM Asset Backed Securities SA



S M Rayment
Joint Liquidator
Authorised in the UK by the Insolvency Practitioners Association

Enc

Statement from the Insolvency (England and Wales) Rules 2016 regarding the rights of creditors in respect of the Joint Liquidators' fees and expenses:

Creditors' and members' requests for further information in administration, winding up and bankruptcy

18.9.—(1) The following may make a written request to the office-holder for further information about remuneration or expenses (other than pre-administration costs in an administration) set out in a progress report under rule 18.4(1)(b), (c) or (d) or a final report under rule 18.14—

- (a) a secured creditor;
 - (b) an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors (including the creditor in question);
 - (c) members of the company in a members' voluntary winding up with at least 5% of the total voting rights of all the members having the right to vote at general meetings of the company;
 - (d) any unsecured creditor with the permission of the court; or
 - (e) any member of the company in a members' voluntary winding up with the permission of the court.
- (2) A request, or an application to the court for permission, by such a person or persons must be made or filed with the court (as applicable) within 21 days of receipt of the report by the person, or by the last of them in the case of an application by more than one member or creditor.
- (3) The office-holder must, within 14 days of receipt of such a request respond to the person or persons who requested the information by—
- (a) providing all of the information requested;
 - (b) providing some of the information requested; or
 - (c) declining to provide the information requested.
- (4) The office-holder may respond by providing only some of the information requested or decline to provide the information if—
- (a) the time or cost of preparation of the information would be excessive; or
 - (b) disclosure of the information would be prejudicial to the conduct of the proceedings;
 - (c) disclosure of the information might reasonably be expected to lead to violence against any person; or
 - (d) the office-holder is subject to an obligation of confidentiality in relation to the information.
- (5) An office-holder who does not provide all the information or declines to provide the information must inform the person or persons who requested the information of the reasons for so doing.
- (6) A creditor, and a member of the company in a members' voluntary winding up, who need not be the same as the creditor or members who requested the information, may apply to the court within 21 days of—
- (a) the office-holder giving reasons for not providing all of the information requested; or
 - (b) the expiry of the 14 days within which an office-holder must respond to a request.
- (7) The court may make such order as it thinks just on an application under paragraph (6).

Remuneration and expenses: application to court by a creditor or member on grounds that remuneration or expenses are excessive

18.34.—(1) This rule applies to an application in an administration, a winding-up or a bankruptcy made by a person mentioned in paragraph (2) on the grounds that—

- (a) the remuneration charged by the office-holder is in all the circumstances excessive;
 - (b) the basis fixed for the office-holder's remuneration under rules 18.16, 18.18, 18.19, 18.20 and 18.21 (as applicable) is inappropriate; or
 - (c) the expenses incurred by the office-holder are in all the circumstances excessive.
- (2) The following may make such an application for one or more of the orders set out in rule 18.36 or 18.37 as applicable—
- (a) a secured creditor,
 - (b) an unsecured creditor with either—
 - (i) the concurrence of at least 10% in value of the unsecured creditors (including that creditor), or
 - (ii) the permission of the court, or
 - (c) in a members' voluntary winding up—
 - (i) members of the company with at least 10% of the total voting rights of all the members having the right to vote at general meetings of the company, or
 - (ii) a member of the company with the permission of the court.
- (3) The application by a creditor or member must be made no later than eight weeks after receipt by the applicant of the progress report under rule 18.3, or final report or account under rule 18.14 which first reports the charging of the remuneration or the incurring of the expenses in question ("the relevant report").

Applications under rules 18.34 and 18.35 where the court has given permission for the application

18.36.—(1) This rule applies to applications made with permission under rules 18.34 and 18.35.

- (2) Where the court has given permission, it must fix a venue for the application to be heard.
- (3) The applicant must, at least 14 days before the hearing, deliver to the office-holder a notice stating the venue and accompanied by a copy of the application and of any evidence on which the applicant intends to rely.
- (4) If the court considers the application to be well-founded, it must make one or more of the following orders—
 - (a) an order reducing the amount of remuneration which the office-holder is entitled to charge;
 - (b) an order reducing any fixed rate or amount;
 - (c) an order changing the basis of remuneration;
 - (d) an order that some or all of the remuneration or expenses in question is not to be treated as expenses of the administration, winding up or bankruptcy;
 - (e) an order for the payment of the amount of the excess of remuneration or expenses or such part of the excess as the court may specify by —
 - (i) the administrator or liquidator or the administrator's or liquidator's personal representative to the company, or
 - (ii) the trustee or the trustee's personal representative to such person as the court may specify as property comprised in the bankrupt's estate;
 - (f) any other order that it thinks just.
- (5) An order under paragraph (4)(b) or (c) may only be made in respect of periods after the period covered by the relevant report.
- (6) Unless the court orders otherwise the costs of the application must be paid by the applicant, and are not payable as an expense of the administration, winding up or bankruptcy.

Applications under rule 18.34 where the court's permission is not required for the application

18.37.—(1) On receipt of an application under rule 18.34 for which the court's permission is not required, the court may, if it is satisfied that no sufficient cause is shown for the application, dismiss it without giving notice to any party other than the applicant.

- (2) Unless the application is dismissed, the court must fix a venue for it to be heard.
- (3) The applicant must, at least 14 days before any hearing, deliver to the office-holder a notice stating the venue with a copy of the application and of any evidence on which the applicant intends to rely.
- (4) If the court considers the application to be well-founded, it must make one or more of the following orders—
 - (a) an order reducing the amount of remuneration which the office-holder is entitled to charge;
 - (b) an order reducing any fixed rate or amount;
 - (c) an order changing the basis of remuneration;
 - (d) an order that some or all of the remuneration or expenses in question be treated as not being expenses of the administration or winding up or bankruptcy;
 - (e) an order for the payment of the amount of the excess of remuneration or expenses or such part of the excess as the court may specify by —
 - (i) the administrator or liquidator or the administrator's or liquidator's personal representative to the company, or
 - (ii) the trustee or the trustee's personal representative to such person as the court may specify as property comprised in the bankrupt's estate;
 - (f) any other order that it thinks just.
- (5) An order under paragraph (4)(b) or (c) may only be made in respect of periods after the period covered by the relevant report.
- (6) Unless the court orders otherwise the costs of the application must be paid by the applicant, and are not payable as an expense of the administration or as winding up or bankruptcy.



ARM Asset Backed Securities SA -in Compulsory Liquidation

Summary of receipts and payments for the period 10 March 2017 to 9 March 2018

	Statement of Affairs	Total
Receipts	£	£
Transfer from Provisional Liquidation	-	5,918,558.02
Receipt of funds held by Jarvis Investment	-	1,512,820.66
Bank Interest	-	6,851.54
Petitioners' Deposit	-	1,165.00
	-	7,439,395.22
Payments		
Transfers to CVA account for distribution	-	5,641,870.72
Joint Liquidators' Fees	-	149,668.00
CVA Nominee Fees	-	86,187.00
Secretary of State General Fees	-	80,000.00
Provisional Liquidators' Fees	-	68,812.06
Professional Fees	-	68,267.90
Irrecoverable VAT	-	54,380.98
Liquidators' Disbursements	-	6,308.39
Secretary of State Statutory Fees	-	2,520.00
Tax on interest received	-	1,183.43
Bank Charges	-	172.77
	-	6,159,371.25
Balance in hand		1,280,023.97

7,439,395.22

BDO LLP
55 Baker Street
London
W1U 7EU

Sarah Rayment
Joint Supervisor
3 May 2018





ARM Asset Backed Securities SA - In Liquidation

In accordance with best practice I provide below details of policies of BDO LLP in respect of fees and expenses for work in relation to the above insolvency.

The current charge out rates per hour of staff within my firm who may be involved in working on the insolvency, follows:

GRADE	£
Partner	741
Manager	328-572
Assistant Manager	295
Senior Administrator	276-295
Administrator	67-249
Other staff	102

This in no way implies that staff at all such grades will work on the case. The rates charged by BDO LLP are reviewed on a regular basis and are adjusted to take account of inflation and the firm's overheads.

Time spent on casework is recorded directly to the relevant case using a computerised time recording system and the nature of the work undertaken is recorded at that time. Units of time can be as small as 3 minutes. BDO LLP records work in respect of insolvency work under the following categories:-

- Pre Appointment
- Steps upon Appointment
- Planning and Strategy
- General Administration
- Asset Realisation/Management
- Trading Related Matters
- Employee Matters
- Creditor Claims
- Reporting
- Distribution and Closure
- Other Issues.

Under each of the above categories the work is recorded in greater detail in sub categories. Please note that the 11 categories provide greater detail than the six categories recommended by the Recognised Professional Bodies who are responsible for licensing and monitoring insolvency practitioners.

Where an officeholder's remuneration is approved on a time cost basis the time invoiced to the case will be subject to VAT at the prevailing rate.

Where remuneration has been approved on a time costs basis a periodic report will be provided to any committee appointed by the creditors or in the absence of a committee to the creditors. The report will provide a breakdown of the remuneration drawn and will enable the recipients to see the average rates of such costs.

1) Other Costs

Where expenses are incurred in respect of the insolvent estate they will be recharged. Such expenses can be divided into two categories.



2) Category 1

This heading covers expenses where BDO LLP has met a specific cost in respect of the insolvent estate where payment has been made to a third party. Such expenses may include items such as advertising, couriers, travel (by public transport), land registry searches, fees in respect of swearing legal documents etc. In each case the recharge will be reimbursement of a specific expense incurred.

3) Category 2

Insolvency practice additionally provides for the recharge of expenses such as printing, stationery, photocopying charges, telephone, email and other electronic communications eg webhosting, which cannot be economically recorded in respect of each specific case. Such expenses, which are apportioned to cases, must be approved by the creditors in accordance with the Insolvency (England and Wales) Rules 2016, before they can be drawn, and these are known as category 2 disbursements. The policy of BDO LLP, in respect of this appointment is not to recharge any expense which is not a specific cost to the case, therefore there will be no category 2 disbursements charged.

A further disbursement under this heading is the cost of travel where staff use either their own vehicles or company cars in travelling connected with the insolvency. In these cases a charge of 45p per mile is raised which is in line with the HM Revenue & Customs Approved Mileage Rates (median - less than 10,000 miles per annum) which is the amount the firm pays to staff. Where costs are incurred in respect of mileage, approval will be sought in accordance with the Insolvency (England and Wales) Rules 2016 to recover this disbursement.

Where applicable, all disbursements will be subject to VAT at the prevailing rate.

BDO LLP
3 May 2018