

TO ALL KNOWN INVESTORS AND CREDITORS

21 June 2018

Dear Sir(s)

**Collateral (UK) Limited
Collateral Sales Limited
Collateral Security Trustee Limited
(together “the Companies”) - All in Administration**

Please find attached the Joint Administrators’ proposals to investors and creditors in accordance with Rule 3.35 of the Insolvency (England and Wales) Rules 2016 and under Paragraph 49 of Schedule B1 to the Insolvency Act 1986.

The making of such proposals is a statutory requirement. They allow the Joint Administrators to provide an update on their conduct of the Administrations to date. They also allow the Joint Administrators to seek creditors’ input into decisions in relation to matters such as (a) the ongoing progress of the Administrations (b) whether or not to form a Creditors’ Committee and (c) in certain situations, the Joint Administrators’ fees and expenses.

The attached formal proposals contain a detailed update in respect of the work undertaken by the Joint Administrators to date. However, by way of high-level summary, the Joint Administrators have carried out the following key steps since their appointment by the Court on 27 April 2018:

- We have liaised with each of: the directors, Mr Craig of Refresh Recovery Ltd and various other professional advisors instructed by the Companies to understand the business of the Companies and to recover certain books and records (this being necessary as the Joint Administrators had no access to the Companies, the directors or their advisors until after their appointment by the Court);
- We have carried out investigations with a view to establishing what happened to the Companies’ electronic platform for conducting their business, and the underlying data contained in that platform. The current position is that the Joint Administrators have identified and secured servers operated by a third party supplier that appear to contain a significant volume of data belonging to the Companies. Steps are being taken to obtain a copy of that data which will then be interrogated by the Joint Administrators to establish whether it provides additional information in relation to the Companies’ affairs and the position of investors (for example, whether it provides, in granular detail, an analysis of each individual investor’s exposure to each loan that he/she has invested into);
- Secured and taken control of the Companies’ bank accounts and various chattels held as security in relation to loans. The chattels are held in a secure safe deposit facility under the Joint Administrators’ control;

- Obtained loan agreements and associated security documentation in respect of the loan book. This has enabled the Joint Administrators to commence the process of managing and recovering the outstanding loans; and
- Investigated, based upon the information obtained to date, the status of investors and their rights as against the loan book and other assets belonging to the Companies, as well as the Companies themselves. In broad summary, the preliminary view, which may be subject to change as further information comes to light, is that in addition to having trust claims where the Companies held assets (such as the loan book and client account monies) on trust for the benefit of the relevant investors, investors may also be treated as unsecured creditors of the Companies in respect of any shortfall in relation to their trust claims. We are investigating the extent to which investors have trust and/or unsecured shortfall claims.

Section 16 of the proposals contains instructions for voting in respect of the Joint Administrators' proposals, together with the Joint Administrators' proposed mechanism for dealing with the submission of proof of debt forms for voting purposes in circumstances where it is appreciated that not all investors will have details of their claims. It is not compulsory for investors and creditors to vote in relation to the proposals; this does not affect in any way investors' and creditors' rights to recovery from trust assets and/or other assets belonging to the Companies. However, all investors and creditors are welcome to vote, and if any investor or creditor has any queries in relation to the process they should contact investorcollateral@bdo.co.uk. Commonly asked questions will be posted on the 'Frequently Asked Question' section of the website detailed below.

The proposals invite the formation of a Creditors' Committee ("Committee"). The Joint Administrators would very much welcome the formation of such a Committee as they consider that this would provide significant assistance in relation to the issues that we foresee are likely to be encountered in relation to the Administrations, particularly in a case such as this where there are a significant volume of interested stakeholders. Such a Committee will be formed of between 3 and 5 investor/other creditor representatives who will represent the interests of all investors and creditors.

Its job is to liaise with the Joint Administrators in relation to matters of strategy and also in relation to agreeing the basis and level of the Joint Administrators' fees. It is not an onerous role, and the Joint Administrators will seek to arrange meetings in the most appropriate format given the widely-dispersed nature of the investor/creditor base. Section 16 provides details of how investors/creditors can nominate themselves or another person to act as a member of the Committee.

Please note that all proposals and reports in relation to the Companies' insolvency will be available online at <https://www.bdo.co.uk/en-gb/collateral-companies-in-administration>.

You are entitled to ask us to write to you by Royal Mail if you would prefer us to do so, although we are allowed by law to assume that we can communicate with you by email if the Companies normally contacted you in this way. If you would prefer to receive a hard copy of any proposal or report (including any report in relation to the Companies previously published on the website) you may request them and we will be obliged to send them to you within 5 business days. If you have any difficulty in accessing the website, please report them to investorcollateral@bdo.co.uk.

As set out in Section 16 of the proposals, all resolutions contained within the proposals, except those dealing with the formation of a Committee, will be dealt with by a 'deemed approval' mechanism. The Decision Date for the deemed approval process is 5 July 2018. The remaining decision (ie that relating to a Committee) will be made by postal resolution. Postal resolutions must be returned by 4pm on the business day before the Decision Date.



As recorded in the formal Notice of Decision Procedure attached at Appendix 9, if certain thresholds are reached, investors and creditors may requisition a physical meeting by writing to me before 5 July 2018. In this respect, the minimum number of investors and/or creditors required to requisition a meeting is any of the following: (a) 10% in value of the investors/creditors; (b) 10% in number of the investors/creditors; (c) 10 investors/creditors.

Please contact investorcollateral@bdo.co.uk should you have any queries in relation to these proposals.

Yours faithfully
For and on behalf of
The Companies

A handwritten signature in black ink, appearing to read 'Shane Crooks'. The signature is fluid and cursive, with a large initial 'S' and 'C'.

Shane Crooks
Joint Administrator
Authorised by the Institute of Chartered Accountants in England & Wales in the UK



**Collateral (UK) Limited
In Administration
Registration Number: 09314729**

**Collateral Security Trustee Limited
In Administration
Registration Number: 10390795**

**Collateral Sales Limited
In Administration
Registration Number: 10390419**

Statement to Creditors pursuant to Rule 3.35 of
the Insolvency (England and Wales) Rules 2016
and Statement of Proposals under Paragraph 49 of
Schedule B1 to the Insolvency Act 1986

Dated 21 June 2018



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COLLATERAL (UK) LIMITED - IN ADMINISTRATION

Registered No: 09314729

In the High Court of Justice, the Business and Property Courts in Manchester 2170 of 2018

COLLATERAL SECURITY TRUSTEE LIMITED - IN ADMINISTRATION

Registered No: 10390795

In the High Court of Justice, the Business and Property Courts in Manchester 2169 of 2018

COLLATERAL SALES LIMITED - IN ADMINISTRATION

Registered No: 10390419

In the High Court of Justice, the Business and Property Courts in Manchester 2168 of 2018

Registered offices situated at BDO LLP, 55 Baker Street, London W1U 7EU

The following abbreviations are used from time to time throughout these proposals:

“CUKL”	Collateral (UK) Limited
“CSTL”	Collateral Security Trustee Limited
“CSL”	Collateral Sales Limited
“the Companies”	CUL, CSTL and CSL
“the Joint Administrators”	Shane Crooks and Mark Shaw, of BDO LLP

Given the degree of inter-dependence between the Companies’ affairs and for cost-efficiency, the proposals for the Companies have been consolidated into one document.

1. Introduction

Shane Crooks (officeholder number: 15110) and Mark Shaw (officeholder number: 8893), both authorised by the Institute of Chartered Accountants in England & Wales in the UK and both of BDO LLP, 55 Baker Street, London, W1U 7EU were appointed Joint Administrators of each of the Companies by the Manchester Business and Property Courts of the High Court (“the Court”) on 27 April 2018.

These proposals are addressed to the investors, creditors and contributories of the Companies and incorporate the Joint Administrators’ Proposals.

As set out in greater detail in Section 16 below, these proposals are to be considered by investors and creditors through a decision procedure which may be either by deemed consent, correspondence or a physical meeting requested by investors and creditors and called pursuant to Paragraph 51 of Schedule B1 to the Insolvency Act 1986 (‘Sch. B1 to the Act’). The initial Decision Date is to be held within 10 weeks of the Companies entering Administration, in this case 5 July 2018.

Where a decision procedure is arranged, investors and creditors may approve the proposals with or without modifications, subject to the Joint Administrators’ agreement to any such modifications. If the creditors reject the Joint Administrators’ proposals, a report will be sent to the High Court confirming that the creditors have rejected the proposals. The Court may then discharge the Administrations and make consequential directions. Alternatively, it may adjourn the hearing or make some other Order as it thinks fit.

If the Joint Administrators’ proposals are agreed by investors and creditors, the Joint Administrators will continue to manage the affairs, business and property of the Companies. The Joint Administrators intend, at some later date, to arrange for the Companies to exit Administration, by a route as agreed by the investors and creditors. Based on the information presently available, the Joint Administrators’ proposal is that the Companies will move from Administration to Creditors’ Voluntary Liquidation.

The Joint Administrators are bound by the Insolvency Code of Ethics when carrying out all professional work relating to these Administrations. A copy of the code can be found at <http://www.icaew.com/en/members/regulations-standards-and-guidance/ethics/code-of-ethics-d>.

Investors and creditors may access information setting out creditors' rights in respect of the approval of the Joint Administrators' remuneration at <https://www.r3.org.uk/what-we-do/publications/professional/fees>.

2. Events leading up to the appointment of the Joint Administrators

CUKL was incorporated on 17 November 2014, CSTL was incorporated on 22 September 2017 and CSL was incorporated on 22 September 2016. The Companies were based in Manchester and their registered office was previously located at 12th Floor, Blue Tower, Media City UK, Manchester, M50 2ST. The registered office is now at our London offices.

The Companies operated an online peer-to-peer lending platform which introduced potential borrowers to investors. Investors were able to decide the amount that they wished to invest into any particular loan. The loans were of a relatively short tenor and were secured, predominantly by property but also against a variety of other asset classes such as jewellery, vehicles or works of art. The borrowers were mostly corporate entities. The investors were mostly individuals.

As has been widely-reported, there had historically been a protracted dispute between the Companies and the UK Financial Conduct Authority (the "FCA") as to whether the Companies were carrying out a regulated activity, and therefore whether they required relevant permissions from the FCA.

Ultimately, and in light of the above dispute, the directors took steps to place the Companies into administration on 28 February 2018. Mr Gordon Craig of Refresh Recovery Limited was purportedly appointed as administrator over the Companies on that date.

Under section 362A of the Financial Services and Markets Act 2000, an administrator cannot be appointed over a company carrying out regulated activities without the prior consent of the FCA. In this particular case, the FCA's consent was neither sought nor provided in relation to the directors' proposed appointment of Mr Craig. As a consequence, on 15 March 2018, the FCA made an application to the High Court seeking (i) a declaration that the purported appointment of Mr Craig was invalid; and (ii) an order appointing Shane Crooks and Mark Shaw of BDO LLP as Joint Administrators. Following the final court hearing on 27 April 2018, the High Court made an order in those terms.

Accordingly, on 27 April 2018, Shane Crooks and Mark Shaw were appointed Joint Administrators. Under the provisions of paragraph 100(2) of Sch. B1 to the Act, the Administrators carry out their functions jointly and severally, meaning any action can be done by one Administrator or by both of them.

3. Statement of affairs and statutory information

Attached, at Appendix 1, is certain statutory information in respect of the Companies, including a record of the names of the Companies' directors and company secretary, together with details of their respective shareholder.

With the agreement of the Joint Administrators, the directors have not yet submitted Statements of Affairs for the Companies as at the date of this report, due to the uncertainty regarding the legal status of the assets held by the Companies. These statements of affairs will be provided in due course.

Pending receipt of the Statements of Affairs, the Joint Administrators have produced a statement of the Companies' estimated financial position, as attached at Appendix 2.

4. Achieving the purpose of the Administrations

The statutory purpose of an administration consists of three objectives, which must be considered by the Joint Administrators in the cascading order set out below. I address below the progress that has been made to date in respect of each objective:

- (a) The first objective is rescuing the Companies as a going concern (i.e. restructuring the Companies' business, and resulting in the survival of the Companies as corporate entities). The Companies had ceased trading prior to our appointment. In the circumstances, this objective will not be achievable.
- (b) The second objective is achieving a better result for the Companies' creditors as a whole than would be likely if the Companies were wound up (without first being in Administration). The Joint Administrators believe that this objective is likely to be achieved. The administration proceedings have allowed the Joint Administrators to take control of the Companies and to seek to recover the books and records. This should allow the Joint Administrators to maximise recoveries from the winding down of the loan book and maximise the returns to investors and creditors.
- (c) The final objective is realising property in order to make a distribution to one or more secured or preferential creditors. There are no secured creditors but, to the extent that it is established that there are preferential claims against the Companies (and the Joint Administrators consider, based on the information available, that there may well be such claims), this objective is likely to be achieved. In this regard, this objective overlaps, and is consistent, with that at (b) above.

5. Management of the Companies' affairs since the Joint Administrators' appointment

At an initial court hearing on 16 March 2018, following the application made by the FCA, the Companies, the directors and Mr Craig all gave certain undertakings to the High Court, the effect of which, in broad terms, meant that no step was to be taken in relation to the Companies' affairs (save to protect assets and receive funds) until such time as the FCA's application had been finally determined. That application was in effect (a) to have Mr Craig's purported appointment declared invalid and (b) to have the current Joint Administrators appointed as administrators.

As a consequence of these undertakings, effectively, no steps were taken in relation to the Companies' affairs from that date until the Joint Administrators' subsequent appointment on 27 April 2018. Since that date, it has been necessary for the Joint Administrators to meet with the directors and Mr Craig and to liaise with them and other third parties, in order to (a) take steps to recover the Companies' books and records; (b) better understand the nature of the Companies' business; (c) commence the process of managing and collecting out the loan book; and (d) better understand the nature and extent of the Companies' obligations to investors and creditors.

5.1. The Companies' bank accounts

Immediately following their appointment, the Joint Administrators took steps to secure the Companies' bank accounts with Santander. At the Joint Administrators' direction, the accounts remain open to accept credits (i.e. in respect of loan repayments and interest). The Companies operated an 'office account' and a 'client account', the latter of which are said to have contained surplus investor funds that had not been allocated to specific loans.

At the date of our appointment, there were balances of £383,243.54 and £429,307.30 in the office and client accounts respectively.

The Companies' records subsequently obtained by the Joint Administrators indicated that funds of £370,552.64 should have been held on the client account as at 28 February 2018, on behalf of 777 of the investors. The bank statements provided by Santander indicate that the client account balance was £342,104.45 on this date (i.e. further credits were received into

the client account during March and April 2018 such that the client account balance increased to £429,307.30). There is therefore a discrepancy between the actual balance held in the client account as at 28 February 2018 and the Companies' records that have thus far been made available to the Joint Administrators. This discrepancy is being investigated. The nature of the office account and client account are also being investigated by the Joint Administrators, including the extent of investors' rights in relation to them.

The Joint administrators have also opened new administration bank accounts in respect of each of the Companies.

5.2. Trading address

Members of the Joint Administrators' team attended the Companies' trading address in Manchester on the afternoon of their appointment. The address is a serviced office space, and the office provider advised that the Companies had vacated the office several months prior to the Joint Administrators' appointment. There were no assets or books and records remaining at the premises. The directors have since confirmed that the Companies ceased trading from the office premises prior to the Joint Administrators' appointment.

5.3. Meetings with directors and Mr Craig

Immediately following their appointment, the Joint Administrators requested meetings with the directors and Mr Craig. We had had no prior involvement with the Companies or Mr Craig, and our knowledge of the Companies' affairs was limited to publicly-available information, including the evidence filed in the Court proceedings. It was therefore essential for the Joint Administrators to obtain a better understanding of the Companies' affairs, including what steps had been taken by Mr Craig following his purported appointment on 28 February 2018.

Following our prompt request, after an initial period of delay, a meeting was held with Mr Craig, where he advised what actions he had taken in the period between 28 February and 16 March 2018. Mr Craig also provided certain key information in relation to the investors and loan book, in the form of two spreadsheets (which I refer to below) and copies of email correspondence between his office and various stakeholders during the period in which he purported to act as administrator. Mr Craig advised that he held no other books or records, and neither did he have any access to the Companies' electronic platform, or the data contained within it.

A number of meetings have taken place with the directors, Mr Andrew Currie and Mr Peter Currie, since the Joint Administrators' appointment. Amongst other matters, the directors have provided a more detailed explanation of the Companies' business and activities, including the analysis of the investor information and loan book information provided by Mr Craig, provided contact details for various borrowers, and facilitated handover of control of the safety deposit box (see below) which holds various chattels held as security for chattel loans. The directors have also advised that they will provide assistance, as required, to the Joint Administrators in order to maximise recoveries from the loan book.

The directors have advised that they hold no books or records, nor do they have access to the Companies' electronic platform or data. They have, however, provided contact details of various firms of solicitors who held copies of the loan agreements and security documents in respect of the loan book.

5.4. Books and records

As advised above, the initial focus of our investigations was to recover and take control of the Companies' books and records.

The information collected from Mr Craig provided details of the loan book, but not the underlying loan agreements or security documents. Following the receipt of contact details for the Companies' solicitors from the directors, my staff made immediate contact with the firms concerned, and have now obtained copies of the relevant documents. Since taking

control of, and reviewing, this information, the Joint Administrators have begun the process of seeking to manage and recover the outstanding sums due in relation to the loan book.

In respect of the investors, the information that has been retrieved by the Joint Administrators to date contains contact and personal details of the investors, their total exposure to loans on the Companies' platform, and an analysis of balances held by certain investors on the Companies' client account (although, as noted above, these balances do not appear to reconcile with the actual balance held on the client account, and the Joint Administrators are investigating the discrepancy).

The investor information does not, however, provide sufficient detail to enable the Joint Administrators to prepare an analysis of each investor's investments into specific loans or tranches of loans. We have been advised by the directors that this information was held on the Companies' electronic platform, as discussed below. Obtaining this information is a key focus in order that we can properly consider the position of individual investors.

5.5. Electronic data and online platform

From the outset of the Administrations, we identified that securing the Companies' electronic records would be critical. Following our initial meeting, the directors advised that all of the Companies' IT functions and services were outsourced to an IT consultant. Both the directors and Mr Craig advised that they had no access to the electronic platform, nor any back-up of the data contained within it, and they advised that the electronic platform had been de-commissioned during March 2018 due to non-payment of outstanding bills; they did not therefore consider that the Joint Administrators would be able to recover the platform or the underlying data.

After obtaining relevant details, we made contact with the IT consultant. Following protracted correspondence with the consultant, we were advised that the Companies' servers were hosted by a third party company, and had been de-commissioned prior to our appointment. As a consequence, the view of the consultant was that all data had been lost. Nonetheless, we ultimately obtained details of the third party server provider from the IT consultant.

We have since made contact with the third party company holding the servers. Again, following protracted correspondence and with the assistance of our lawyers and my firm's Forensic Technology team, we have located and secured the actual servers previously used by the Companies. There appears to be a significant volume of data still held on those servers and, as at the date of these proposals, we have taken steps to consolidate the contents of the different servers containing the Companies' data into a single location (whilst preserving the originals intact). We shortly expect to receive a copy of the data, which we will then interrogate and review to better understand the nature of the data that has been recovered.

Whilst it is not yet clear whether we have retrieved all of the Companies' electronic data, nor whether it will be possible to restore the electronic platform, the Joint Administrators consider that this represents positive progress. We will provide further updates to creditors and investors on this matter in due course. It remains an area of focus for us.

5.6. The loan book

The Companies' business and activities were all interlinked - effectively, CUKL, CSTL and CSL all played a role in the running of the 'Collateral business', whose aim was to provide a market place for investors to make loans to borrowers. CUKL appears to have dealt with all administrative aspects of the business, operated the Collateral platform and accepted funds from investors for the purpose of making loans to borrowers. We understand that CSTL acted as security trustee in respect of the lenders, in relation to the security held in respect of loans to borrowers in the 'property' loan book. CSL was the counterparty in relation to the 'chattel' loans. Of the Companies, only CUKL had filed any accounts with Companies House.

The main assets are the outstanding debts due from the borrowers. As noted above, the Joint Administrators have secured details of the loan book, and we have reviewed and discussed this information with the directors, who have provided additional information and background to each of the outstanding loans.

The Companies effectively operated two loan books: one book containing loans secured by a first charge over property assets, and a second book containing loans secured over chattel assets. Based on the information provided to us, as at 28 February 2018 the 'property' loan book is said to have included loans with an aggregate value of c£14.8m, secured over assets valued in excess of £22m, and the 'chattel' loan book is said to have included loans with an aggregate value of c£1.67m, secured over assets with a value in excess of £2.4m. Whilst the Companies' records indicate that the value of the security is more than sufficient to cover the amounts due from the outstanding loans, the value of the security may ultimately only be tested as we seek to recover the outstanding loans from the borrowers.

A significant part of the loan book is now overdue. In respect of those loans that are overdue, the Joint Administrators have calculated the amounts outstanding, including the interest accruing under the loan agreements, and have written to the borrowers asking them to settle their outstanding balances in full. We are already in discussions with a number of borrowers regarding the repayment of the outstanding loans and, to date, one loan has been repaid in full, together with accrued default interest, in the sum of c£212k (as noted on the summary of my receipts and payments attached at Appendix 3). Please note that, at the present time, all receipts and payments have been allocated to CUKL; as such, there are no summaries of receipts or payments for CSL and CSTL. The allocation between each of the Companies may change as more information becomes available.

It is already apparent that many of the borrowers will need to re-finance their overdue loans by obtaining new loans from other peer-to-peer platforms or alternative lenders. This will likely delay the recovery of some of the loans (albeit interest will continue to accrue, at a default rate, after the loans fall due for repayment).

There are a number of loans that have not yet fallen due for repayment. From the information available it appears that all of the loans will fall due by mid-November 2018 at the latest.

The property loans are understood to be secured by a first charge over the relevant property assets. In the event that borrowers fail to repay the outstanding sums due, the Joint Administrators will take all steps available to them to recover the amounts due including, where applicable, taking enforcement action under the security, in order to protect the interests of the Companies and their investors and creditors.

At this stage, it is too early to provide an estimate of the likely level of recovery from the loan book (and indeed to do so publicly may not be in the Companies' commercial interests). The position will likely become clearer as the wind-down of the loan book progresses, and a further update will be provided in due course (subject, again, to commercial considerations).

The Companies hold various chattel assets as security for certain chattel loans, consisting of jewellery, precious stones and some antiques and works of art. The majority of these assets were held in a safe deposit facility in Manchester. Upon our appointment, the Joint Administrators immediately contacted the safe deposit facility to ensure that only they and their staff had access to the safe and the assets held there. A transfer of access rights and change of security pin took place shortly thereafter.

The directors also advised that they were personally holding some chattel assets. We arranged for these assets to be delivered to the safe deposit facility and consolidated with the assets held there.

The Joint Administrators have instructed an independent valuer to prepare a valuation of these assets, to establish whether the values listed on the Companies' books and records correspond to their realisable value.

5.7. Employees

Prior to the appointment of the Joint Administrators, the directors advised that all five members of staff ceased working with effect from 28 February 2018. Letters have been sent to all former employees to allow them to make claims for any accrued holiday pay or payment in lieu of notice. We understand from the directors that there were no outstanding wages due.

5.8. Repayment of funds paid to Refresh Recovery

The High Court Order appointing the Joint Administrators also ordered the repayment of the pre-appointment fees previously paid by the Companies to Refresh Recovery, in the sum of £48,000 (being £40,000 plus VAT). This sum has been received from Refresh Recovery, as noted on the summary of my receipts and payments attached at Appendix 3.

5.9. Communication with stakeholders

The Joint Administrators have set up a dedicated website that provides information to both investors, creditors and borrowers of the Companies. Please note the website link below:

<https://www.bdo.co.uk/en-gb/collateral-companies-in-administration>

This website is updated periodically and will be used to provide updates to stakeholders on the progress of the administrations. Frequently asked questions ("FAQs") have been uploaded to the website that try to deal with the most common queries received from investors and creditors. This approach has been adopted so that we can share the answers raised by individual investors/creditors with all investors/creditors.

We have also set up a dedicated email address for investors at investorcollateral@bdo.co.uk and for borrowers at borrowercollateral@bdo.co.uk.

Whilst the Joint Administrators appreciate the need for a direct channel of correspondence with investors and creditors, this must also be a cost-effective process. As part of our proposals, however, we would very much welcome the appointment of a Creditors' Committee (being a committee consisting of between 3 and 5 investor or creditor members) who would be able to liaise closely with the Joint Administrators in respect of strategy and progress of the Administrations. Please see Section 16 for further details of how to nominate an investor or creditor to act as a member of the Creditors' Committee.

The Joint Administrators have also held periodic telephone conversations with the FCA to keep it advised of progress in the Administrations.

6. The legal position of investors

The Companies' records obtained so far indicate that 1,132 investors have exposure to borrowers on the Collateral platform.

The Joint Administrators have sought legal advice to determine the status of the investors following the Companies being placed into Administration.

The preliminary view, from the books, records and contractual documentation available, is that, as the Companies were carrying on business activity which required regulation by the FCA, any client monies and assets may be held on trust for them pursuant to the FCA Client Assets Sourcebook ("CASS") Rules. This analysis is supported by section 12.3 of the Terms and Conditions entered into between the Companies and the investors ("the T&Cs"), which provides that the assets are held on trust by the Companies for the benefit of investors.

Based on present information, the majority of assets held by the Companies (being the loans offered through the Collateral platform and the monies on the client account) may be 'trust' assets.

Additionally, the initial view is that investors can be treated as creditors of the Companies as a consequence of s26 of the Financial Services and Markets Act 2000. This provides that an agreement made by a person in the course of carrying on a regulated activity in contravention of the general prohibition (in this case, the Companies), is unenforceable against the other party (the investors). The innocent parties (the investors) are entitled to recover any money or other property paid or transferred by them under the agreement. The Companies are understood to have received money from investors in the course of operating an unauthorised regulated business. As a result, the investors would be entitled to recover any sums paid to the Companies as creditors.

Based on present information, the assets available to the Companies (that is, those assets that are not ultimately found to be trust assets) appear to be limited to the cash held in the office account and any loans that were made directly by the Companies rather than investors via the Collateral platform. In respect of this latter category, the directors have advised us that there is a limited number of assets, being certain chattels and one property loan, that pre-date the Collateral platform and which are assets of the Companies (rather than potentially trust assets). We will review the position in relation to these assets as more information becomes available. We will also review whether any of the funds currently standing to the credit of the office account should, in fact, be treated as 'client money' and therefore aggregated with the balance of the client monies held by the Companies as at the date of appointment of the Joint Administrators.

In summary, based on present information we foresee that investors may effectively have two types of claims:

- (i) Investors may firstly be entitled to recover any funds held on trust for them in their lender account with the relevant Company (trust claims); and
- (ii) Secondly, and to the extent required, the investors will also have a claim as creditors against the relevant Company in respect of any shortfall from any trust claims. This could arise, for example, from an investment loaned through the platform to a borrower which subsequently becomes irrecoverable.

In practice, for investors to pursue trust claims they will need to be able to identify the specific loans (or loan tranches) into which they invested. Once a relevant trust asset (i.e. a loan) has been realised, the net proceeds might then be returned to the relevant investors. As noted above, however, the information obtained to date does not contain this granular level of information and, furthermore, the Joint Administrators appreciate that many investors are currently unable to confirm their total exposure to specific loans without access to the electronic platform.

Obtaining the data from the back-up server may provide the level of detailed information that is required properly to reconcile investors' positions into the various trust assets. The legal advice in relation to this issue will be revisited as further information becomes available, and a further update will be provided to investors in due course. Investors and creditors should be aware that it is an inevitable consequence of the Joint Administrators sharing developing thinking in real-time that the position may change as further information/analysis becomes available.

7. Creditors' Claims

7.1. Secured Creditors

Based on available information, the Companies have no secured creditors.

7.2. Preferential Creditors

Preferential claims are defined as monies owed to former employees in respect of arrears of wages and accrued holiday pay at the date of Administrations. The directors have advised that staff were paid up to 28 February 2018, when they ceased working. The Joint Administrators have written to the former staff to establish whether there are any amounts due to former employees in respect of accrued holiday or notice pay.

7.3. Unsecured Creditors

As outlined in Section 6 above, investors will have a claim as unsecured creditors against the relevant Company in respect of any shortfall from any trust claims they may have.

Excluding the potential claims of investors, to date, the Joint Administrators have only received one claim from an unsecured creditor in relation to the Companies. We would ask any creditors to provide a detailed account of the sum owing to them as at the date of Administrations, together with details of any security held, on the proof of debt form attached at Appendix 8.

Given the current uncertainty surrounding investors' claims, at this stage, unless any investor wishes to participate in the decision procedures (see Section 16 of this report), the Joint Administrators do not require investors to complete a proof of debt form. Should any investor wish to participate in the decision procedures, please see the further instructions at Section 16. Pending certainty as to the status of their claims, the Joint Administrators will allow investors to vote in full and without prejudice to their trust position in relation to the voting procedure.

7.4. Prescribed Part

Under the provisions of Section 176A of the Insolvency Act 1986, the Joint Administrators must state the amount of funds available to unsecured creditors in respect of the prescribed part. This provision only applies where a company has granted a floating charge to a creditor after 15 September 2003. None of the Companies has granted a floating charge to any creditor after 15 September 2003, and consequently there will be no prescribed part in these Administrations.

7.5. Estimated outcome to investors and creditors

The Joint Administrators are not currently in a position to comment on the likely return to investors and creditors. This will depend on various factors, such as:

- the quality of the loan book generally, and the security under-pinning it;
- the quality of individual loans, and the security under-pinning the individual loans, to the extent that particular investors or groups of investors have trust claims against those individual loans;
- the extent to which the Companies' available books and records accurately record their respective assets/liabilities and financial positions (or can be recreated for the same purpose);
- the way in which assets and liabilities fall into each of the Companies; and
- the extent to which litigation is needed.

We would, however, note that, as summarised on the statement of estimated financial position attached at Appendix 2, the estimated claims of creditors exceed the book value of the assets held by the Companies (including trust assets). Therefore, even before taking account of any potential asset write-downs and the costs of the Administrations, it appears likely that not all investors and creditors will recover their entire exposure to the Companies and the Collateral lending platform.

The Joint Administrators expect to be able to provide an estimate of the likely outcome to investors and creditors in due course, once recoveries from the loan book are further advanced and further information is available from the Companies' books and records.

8. Sale of business

The business ceased trading before the Joint Administrators' appointment, and no expressions of interest in the business have been received. A number of parties have notified the Joint Administrators of their potential interest in the loan book, but such expressions of interest cannot be progressed until the Joint Administrators have obtained further details of loan book and investors' rights in relation to it.

9. Investigations

The Joint Administrators have a duty to investigate the affairs of the Companies to establish if there are any actions that can be pursued for the benefit of investors and creditors as a whole, including investigations into the conduct of the Companies' officers (including de facto and shadow officers).

In this latter respect, the Joint Administrators must submit a confidential report to the Secretary of State regarding the conduct of all directors and shadow directors during the three years preceding the Administration appointments.

If any investor or creditor holds any information that they wish to bring to our attention, which may assist us in the Administrations or which they believe merits further investigation, they should contact the Joint Administrators c/o BDO LLP, 55 Baker Street, London, W1U 7EU.

10. Other Matters

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 my response, you should visit <https://www.gov.uk/complain-about-insolvency-practitioner> where you will find further information on how you may pursue the complaint.

11. EC Regulation on Insolvency Proceedings

The Joint Administrators are required under the Insolvency (England and Wales) Rules 2016 ("the Rules") to state whether and, if so, the extent to which the Recast European Regulation on Insolvency Proceedings (No.2015/848) ("the Regulation") applies to the Companies. We confirm the Regulation applies to the Companies and these are main proceedings as defined in Article 23 of that Regulation.

12. Pre-Administration Costs

BDO LLP incurred certain costs in preparing and planning for the Administrations. Investors and creditors may, under Rule 3.52 of the Rules, approve those costs to be paid from the Administration estates, as an expense of the Administrations.

Allowable pre-appointment costs fall into the following categories:

- (i) The fees charged by the Joint Administrators' firm;
- (ii) The expenses incurred by the Joint Administrators' firm;

- (iii) The fees charged (to the Joint Administrators' knowledge) by any other person qualified to act as an insolvency practitioner.

I deal with these categories of costs below.

12.1. The fees charged by BDO LLP

The pre-appointment work of BDO LLP primarily involved preparing for and attending Court in Manchester for the initial and adjourned hearings on 16 March and 27 April, liaising with the FCA and legal advisors and preparing and planning the Joint Administrators' indicative strategy (based on the information available) in respect of the proposed appointment.

Enclosed at Appendix 4 is a summary of the time spent dealing with this matter prior to the Joint Administrators' formal appointment. For ease of reference, the pre-appointment time is summarised in the table below. You will note that the time has been split equally between the Companies, for administrative ease.

	Hours	Total Cost (£)
CUKL	28.17	12,154.41
CSL	28.17	12,154.41
CSTL	28.17	12,154.41
Total	84.51	36,463.23

No payments have yet been received from the Companies in relation to these pre-appointment fees.

12.2. The expenses incurred by the Joint Administrators

In preparing for the Administrations, the following disbursements and expenses have been incurred by BDO LLP:

Stevens & Bolton LLP, solicitors, ("S&B") were engaged to provide advice in relation to the Joint Administrators' prospective appointment and to attend the Court hearings in Manchester. S&B's costs of £9,816.72 (inclusive of VAT) in this regard remain outstanding.

Further disbursements of £1,108 have accrued, but not been paid, in respect of rail fares and accommodation. These disbursements were necessary for attendance at the Manchester Court hearings in anticipation of the Administration appointments.

12.3. The fees charged (to the Joint Administrators' knowledge) by any other person qualified to act as an insolvency practitioner

No fees of this nature were incurred, other than those incurred by Mr Craig who subsequently repaid the fees to the Joint Administrators in accordance with an undertaking provided to the Court (see para 5.8 for further detail).

These proposals invite the formation of a Creditors' Committee ("Committee"), to liaise with the Joint Administrators in relation to strategy and issues arising in the Administrations. If a Committee is appointed, the Joint Administrators will seek its approval to these pre-appointment fees of BDO LLP being treated as an expense of the Administrations. In the absence of a Committee, the Joint Administrators will seek the approval of the general body of investors and creditors.

13. Joint Administrators' remuneration

Rule 18.16 of the Rules provides the bases on which administrators may be remunerated. This permits remuneration to be fixed either as (i) a percentage of the value of the property with which the Joint Administrators have to deal; (ii) by reference to the time the Joint Administrators and their staff spend in attending to matters in the Administrations in accordance with the fee estimate; or (iii) a set amount. Remuneration may be fixed on one or a combination of any of these bases. In respect of these Administrations, the Joint Administrators intend to seek the approval of their remuneration on a time cost basis.

The issue of the Joint Administrators' remuneration in the Administrations is, however, made more complicated by the nature of the assets and the fact that, as explained in Section 6 of this report, the Joint Administrators believe they are dealing with both 'trust' assets and 'company' assets.

Those elements of the Joint Administrators' fees that involve dealing with 'non-trust' assets and activities can be approved by a Committee (or, in the absence of a Committee, the general body of investors and creditors) and drawn from realisations of the Companies' assets in the usual way.

In respect of time spent dealing with trust assets, the Joint Administrators understand that the CASS Rules provide for the (agreed) fees incurred in relation to the recovery and distribution of client monies to be deducted from those client monies that are held on trust by the Companies.

The Joint Administrators have therefore set up an internal time recording protocol whereby:

- time spent on matters which may relate to a specific trust asset (for example, time spent recovering and/or making distributions in relation to a particular loan, or tranche of loan) will be allocated, to the extent possible, to the specific trust asset in question;
- time spent on matters which may relate to general trust assets (for example, work in recovering the loan books and facility documents, investigations into the IT platform) will be allocated across all trust assets, on the basis that all investors would benefit from this work; and
- time spent dealing with non-trust assets (for example, dealing with our statutory duties, CDDA returns, non-trust assets etc) shall be recorded in the usual manner to the specific company to which the activity relates. The Joint Administrators will seek to recover such fees from any non-trust asset realisations, or in such a manner as may be agreed with a Committee.

Attached at Appendix 4 are schedules that summarise the time that has been spent in dealing with the Administrations up to 15 June 2018, in accordance with the time recording protocol outlined above (i.e. the time has been split in relation to activities dealing with what, on our initial analysis, are trust assets and those non-trust activities pertaining to specific Companies). In relation to this latter category of costs, and due to the inter-linked nature of the Companies' affairs, you will note that these costs have at this time been allocated evenly across the Companies. You will note that total time costs for the period to 15 June 2018 total £102,417.53. We will keep under review the appropriate allocation of costs across the Companies as further information/analysis comes to light.

Additionally, a fee estimate is attached at Appendix 5, which provides details of the work expected to be carried out and the expenses anticipated to be incurred in dealing with the Administrations. These estimates are based on current information and will be reviewed as further information/analysis becomes available.

It should be noted that the nature of the Administrations, and the work required to be undertaken by the Joint Administrators, has departed significantly from that which had been anticipated prior to the Joint Administrators' appointment. Originally, it was envisaged that

the Companies would continue to trade during the administration period from their Manchester premises, and that staff from the Joint Administrators' Manchester office would have supervised the wind down of the Companies activities and the work of their employees.

Ultimately, as the Companies had ceased trading prior to our appointment, and in light of the difficulties encountered in recovering the books, records and electronic data contained within the Collateral platform, it has been more efficient and cost effective to have a small, London-based team with the primary responsibility for this assignment. The core team consists of a partner leading the assignment, assisted by a manager and an executive who have the day-to-day responsibility for the various work streams. Staff from our Manchester and Forensic Technology teams have been involved on an ad-hoc basis.

If a Committee is appointed, the Joint Administrators will seek its approval to the basis and quantum of their remuneration (insofar as that is possible). In the absence of a Committee, the Joint Administrators will seek the approval of the general body of investors and creditors.

Appreciating the complexity of the issue of the Joint Administrators' remuneration and the fact that, based on the information/analysis currently available, there is still a significant element of uncertainty in relation to the ability of the Joint Administrators to reconcile investors' positions with those of specific assets (including as to trust issues), the Joint Administrators propose to work up a protocol for allocating the burden of their remuneration and costs across the different 'pots' of assets under their control and to seek to agree that protocol, together with the basis and quantum of their remuneration, with any appointed Committee. In the absence of a Committee, the Joint Administrators will seek the approval of the general body of investors and creditors or, alternatively, the Court.

13.1. Joint Administrators' 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.

Since the commencement of the Administrations, we can advise that category 1 disbursements of £1,346.81 have accrued, but not been paid, from the Administration estates. These category 1 disbursements cover statutory advertising, rail fares and accommodation. You will note from the enclosed time costs schedules at Appendix 4 that all disbursements have at this point been attributed to CUKL - this will also be kept under review as to its appropriateness.

For your guidance, we attach at Appendix 12 a Creditors' Guide to Administrators' Fees, together with a document that outlines the policy of BDO LLP in respect of fees and disbursements.

14. Possible outcomes for the Companies and Creditors

The Insolvency Act 1986 and the Rules provide a variety of options regarding the possible exit routes for the Companies from administration, being primarily a Company Voluntary Arrangement, liquidation or dissolution of the Companies.

It is the Joint Administrators' recommendation and proposal, as detailed below, that once realisations are sufficiently completed, the Companies should move from Administration to Creditors' Voluntary Liquidation and that Shane Crooks and Mark Shaw be appointed Joint Liquidators. This is dealt with further in the proposals set out below.

15. Statement of proposals under Paragraph 49 of Sch. B1 to the Act

15.1. Formal Proposals - the Joint Administrators propose that:

- A. They continue to manage the Companies' affairs, business and property and realise assets in accordance with (as appropriate) objectives 3(1)(b) and (c) of Sch B1 of the Act.
- B. They exit the Administrations by way of Creditors' Voluntary Liquidation, and that Shane Crooks & Mark Shaw will be the Joint Liquidators and will act jointly and severally.

NB. Under Paragraph 83(7) of 'Sch. B1 to the Act' and Rule 3.60(6)(b) creditors may nominate different Liquidators, but in the absence of such nomination the above named would become the Joint Liquidators.

15.2. Other resolution for approval:

- C. Creditors appoint a Creditors' Committee to assist the Joint Administrators in their conduct of the Administrations, including the consideration and approval of the Joint Administrators' fees (insofar as possible) (such a committee must comprise between 3 and 5 investors and/or creditors)

16. Notices of decision procedures

Resolutions (A) and (B) above will be dealt with using the 'Deemed Consent Procedure' as set out in the Rules. An investor, a creditor or a combination of investors and creditors having 10% or more of the total unsecured debts of the Companies may object to these resolutions and request a physical meeting, on the basis that such objections are received by the Joint Administrators within 5 business days from the date of this report. The form attached at Appendix 7 should be used for this purpose. Otherwise, the resolutions will be treated as having been approved on the Decision Date, which is 5 July 2018. Investors and creditors, including those claiming a small debt (£1,000 or less) who wish to object must send a proof of debt form with the written notice of their objection. (Whilst creditors who have a small debt of £1,000 or less must send a proof of debt in order to object to the resolutions, they may receive dividends in relation to their unsecured claim without sending a proof of debt).

Resolution (C) must be dealt with using the 'Qualifying Decision Procedure' as set out in the Rules. This will involve a postal resolution procedure. Investors and creditors are requested to use the postal resolution form attached at Appendix 10 to vote on this resolution. Investors and creditors may nominate either themselves or an alternative person to act as a Committee member.

The Decision Date for postal resolutions is Thursday, 5 July 2018. You should return the postal resolution form to the Joint Administrators by 4pm on the business day before this date. If you have not already done so, you will need to send a proof of debt for your postal resolution to be included in the Decision. Investors and creditors with a 'small debt' of £1,000 or less must send a proof of debt for their postal resolution to count, even though they may receive dividends in respect of their unsecured claims without sending a proof of debt.

Please note that it is not compulsory for investors and creditors to participate in the decision procedures; this will not in any way affect your rights to recover any sums owing as a result of your trust or unsecured claims against the Companies.

16.1. Uncertainty in respect of amounts owed to investors

The Joint Administrators are aware that a number of investors will not hold details of the exact sums that they are owed, as they currently have no access to the electronic platform to obtain details of their exposure.

To enable creditors to vote on the above decision procedures (if they so wish) the Joint Administrators have pre-completed proof of debt forms for each investor, with the “total amount of claim” (Box 3) extracted from the investor details obtained from the Companies’ records (i.e. the amount of investors’ total exposure, including amounts invested in loans and any amount that may be held on the Companies’ client account). These forms will be sent separately by email from investorcollateral@bdo.co.uk.

If any investor disagrees with the amount set out as being owed on the pre-completed proof of debt form they may adjust it accordingly and return it to the Joint Administrators together with evidence in support of the amended claim.

For the avoidance of doubt, the claim amounts included in the proof of debt forms are, at this stage, solely for the purpose of voting in relation to the Joint Administrators’ proposals (i.e. they will not in any way affect your rights to recover any sums owing - whether as a result of trust or unsecured claims against the Companies). It is accepted that the nature and/or extent of these claims may change as the Administrations progress and further information/analysis becomes available.

Should you have any queries in relation to these proposals, please contact investorcollateral@bdo.co.uk.

Dated: 21 June 2018



.....
Shane Crooks
Joint Administrator

**Collateral (UK) Limited
Collateral Security Trustee Limited
Collateral Sales Limited**

Statutory information

Collateral (UK) Limited - In Administration**Statutory Information**

Registered Number:	09314729
Date of Incorporation:	17 November 2014
Address of Registered Office:	55 Baker Street, London, W1U 7EU Formerly 12 th Floor, Blue Tower, Media City UK, Manchester, M50 2ST.
Directors:	Mr Peter Currie Mr Andrew Currie
Company Secretary:	Mr Peter Currie
Nominal Share Capital:	£1 - divided into 100 ordinary shares of £1 each
Registered Shareholders:	No of £1 ordinary shares held
Mr Peter Currie	100
	<hr/>
	100
	<hr/> <hr/>

Trading Results:

Y/E	Total Assets £	Total Current Assets £	Cash and Liquid Assets £	Total Fixed Assets £	Total Current Liabilities £
31/11/2016	2,326,950	2,233,561	282,839	93,389	2,621,127
31/11/2015	59,946	26,239	981	33,707	142,297



Collateral Security Trustee Limited - In Administration

Statutory Information

Registered Number:	10390795
Date of Incorporation:	22 September 2017
Address of Registered Office:	55 Baker Street, London, W1U 7EU Formerly 12 th Floor, Blue Tower, Media City UK, Manchester, M50 2ST.
Directors:	Mr Peter Currie
Company Secretary:	Mr Peter Currie
Nominal Share Capital:	£1 - divided into 100 ordinary shares of £1 each
Registered Shareholders:	No of £1 ordinary shares held
Mr Peter Currie	100
	<hr/>
	100
	<hr/> <hr/>

Note: No accounts have been filed in relation to Collateral Security Trustee Limited.



Collateral Sales Limited - In Administration

Statutory Information

Registered Number:	10390419
Date of Incorporation:	22 September 2016
Address of Registered Office:	55 Baker Street, London, W1U 7EU Formerly 12 th Floor, Blue Tower, Media City UK, Manchester, M50 2ST.
Directors:	Mr Peter Currie
Company Secretary:	Mr Peter Currie
Nominal Share Capital:	£1 - divided into 100 ordinary shares of £1 each
Registered Shareholders:	No of £1 ordinary shares held
Mr Peter Currie	100
	<hr/>
	100
	<hr/> <hr/>

Note: No accounts have been filed in relation to Collateral Sales Limited.

**Collateral (UK) Limited
Collateral Security Trustee Limited
Collateral Sales Limited**

Statement of estimated financial position

**Collateral (UK) Limited, Collateral Sales Limited, Collateral Security Trustee Limited - All in Administration
Statement of Estimated Financial Position as at 27 April 2018**

<u>Assets</u>	Book Value (£)	(£)
Property loan book	14,910,651.91	
Chattel loan book	1,346,297.30	
Cash at bank - client account	383,243.54	
Cash at bank - office account	<u>429,307.30</u>	
Total Assets		17,069,500.05
 <u>Liabilities</u>		
Preferential creditors		unknown
Investor claims	(17,538,816.66)	
Known creditor claims	(8,000.00)	
		<u>(17,546,816.66)</u>
Estimated (deficiency) as regards investors and creditors		<u><u>(477,316.61)</u></u>

Notes / Basis of preparation

1. The above Statement of Estimated Financial Position has been prepared from the available records of the Companies.
2. It does not distinguish between trust and non-trust assets but rather provides an overview of the total value of assets and creditor/investor claims.
3. The cash at bank figures have been derived from bank statements received from Santander Bank.
4. To date we have only been notified of one unsecured creditor claim (other than investors).
5. It is not possible to estimate, with accuracy, the realisable value of the loan books at the present time. For the purpose of this Statement, book values have been used.
6. We have been advised by the directors that some of the Companies' former employees may have preferential claims in respect of accrued holiday and/or pay in lieu of notice. These are to be confirmed and quantified.

Collateral (UK) Limited
Summary of receipts and payments

Collateral UK Limited - in Administration
Summary of receipts and payments for the period 27 April 2018 to 21 June 2018

Receipts	Period	Total
	£	£
Client Account	429,307.30	429,307.30
Office Account	383,243.54	383,243.54
Receipt from Refresh Recovery	48,000.00	48,000.00
Redemption of Loans	212,174.76	212,174.76
Bank Interest	7.10	7.10
	<hr/> 1,072,732.70	<hr/> 1,072,732.70

Payments

No payments have yet been made

-

-

Balance in hand

1,072,732.70

BDO LLP

55 Baker Street

London

W1U 7EU

Shane Crooks

Joint Administrator

21 June 2018

Notes

- 1 Statement of affairs comparatives are not presently available as, to date, the directors have not been in a position to prepare such statements for the Companies.
- 2 All receipts have been included on the summary of receipts and payments for CUKL, notwithstanding that it is recognised that certain of these realisations will relate to recoveries of trust assets.
- 3 There have been no receipts and payments to date for CSL and CSTL.

**Collateral (UK) Limited
Collateral Security Trustee Limited
Collateral Sales Limited**

Joint Administrators' time costs

Collateral UK Limited - In Administration

Pre-Appointment Time

Summary of Time Charged and Rates Applicable for the Period From 14 March 2018 to 27 April 2018

Description	PARTNER		MANAGER		OTHER STAFF		GRAND TOTAL		AV RATE
	Hours	£	Hours	£	Hours	£	Hours	£	£
Pre Appointment Matters	16.42	9,850.00	7.33	2,038.08	4.42	266.33	28.17	12,154.41	431.52
	16.42	9,850.00	7.33	2,038.08	4.42	266.33			

Notes:

This schedule incorporates work that was carried out prior to and in preparation for the appointment of Shane Crooks & Mark Shaw as Joint Administrators on 27 April 2018. This work includes, but is not limited to; initial planning ahead of the appointment, discussions with the FCA and legal advisors, preparation of witness statements for and attendance at Court hearings in Manchester, preparation of statutory documentation in anticipation of the Administration appointment.

Net Total	28.17	12,154.41	431.52
Other Disbursements		1,108.00	
Billed		0.00	
Grand Total		<u>13,262.41</u>	

Collateral Sales Limited - In Administration

Pre-Appointment Time

Summary of Time Charged and Rates Applicable for the Period From 14 March 2018 to 27 April 2018

Description	PARTNER		MANAGER		OTHER STAFF		GRAND TOTAL		AV RATE
	Hours	£	Hours	£	Hours	£	Hours	£	£
Pre Appointment Matters	16.42	9,850.00	7.33	2,038.08	4.42	266.33	28.17	12,154.41	431.52
	16.42	9,850.00	7.33	2,038.08	4.42	266.33			

Notes:

This schedule incorporates work that was carried out prior to and in preparation for the appointment of Shane Crooks & Mark Shaw as Joint Administrators on 27 April 2018. This work includes, but is not limited to; initial planning ahead of the appointment, discussions with the FCA and legal advisors, preparation of witness statements for and attendance at Court hearings in Manchester, preparation of statutory documentation in anticipation of the Administration appointment.

Net Total	28.17	12,154.41	431.52
Other Disbursements		0.00	
Billed		0.00	
Grand Total		<u>12,154.41</u>	

Collateral Security Trustee Limited - In Administration

Pre-Appointment Time

Summary of Time Charged and Rates Applicable for the Period From 14 March 2018 to 27 April 2018

Description	PARTNER		MANAGER		OTHER STAFF		GRAND TOTAL		AV RATE
	Hours	£	Hours	£	Hours	£	Hours	£	£
Pre Appointment Matters	16.42	9,850.00	7.33	2,038.08	4.42	266.33	28.17	12,154.41	431.52
	16.42	9,850.00	7.33	2,038.08	4.42	266.33			

Notes:

This schedule incorporates work that was carried out prior to and in preparation for the appointment of Shane Crooks & Mark Shaw as Joint Administrators on 27 April 2018. This work includes, but is not limited to; initial planning ahead of the appointment, discussions with the FCA and legal advisors, preparation of witness statements for and attendance at Court hearings in Manchester, preparation of statutory documentation in anticipation of the Administration appointment.

Net Total	28.17	12,154.41	431.52
Other Disbursements		0.00	
Billed		0.00	
Grand Total		<u>12,154.41</u>	

Collateral UK Limited - In Administration

Post-Appointment Time

Summary of Time Charged and Rates Applicable for the Period From 27 April 2018 to 21 June 2018

Description	PARTNER		MANAGER		EXECUTIVE		OTHER STAFF		GRAND TOTAL		AV RATE	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£	£	
Steps on Appointment			0.10	25.92	26.79	5,290.84	3.55	233.91	30.44	5,550.67	182.34	
Planning and Strategy	0.33	200.00							0.33	200.00	600.00	
General Administration	1.33	800.00	8.07	2,686.20			1.88	153.71	11.28	3,639.91	322.59	
Employee Matters							0.90	122.67	0.90	122.67	136.30	
Reporting	1.58	950.00	1.50	499.50					3.08	1,449.50	470.11	
	3.25	1,950.00	9.67	3,211.62	26.79	5,290.84	6.33	510.29				
									Net Total	46.04	10,962.74	238.10
									Other Disbursements		1,346.81	
									Billed		0.00	
									Grand Total		<u>12,309.55</u>	

Collateral Sales Limited - In Administration

Post-Appointment Time

Summary of Time Charged and Rates Applicable for the Period From 27 April 2018 to 21 June 2018

Description	PARTNER		MANAGER		EXECUTIVE		OTHER STAFF		GRAND TOTAL		AV RATE	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£	£	
Steps on Appointment			0.10	25.92	26.79	5,290.84	3.55	233.91	30.44	5,550.67	182.34	
Planning and Strategy	0.33	200.00							0.33	200.00	600.00	
General Administration	1.33	800.00	8.07	2,686.20			1.88	153.71	11.28	3,639.91	322.59	
Employee Matters							0.90	122.67	0.90	122.67	136.30	
Reporting	1.58	950.00	1.50	499.50					3.08	1,449.50	470.11	
	3.25	1,950.00	9.67	3,211.62	26.79	5,290.84	6.33	510.29				
									Net Total	46.04	10,962.74	238.10
									Other Disbursements		0.00	
									Billed		0.00	
									Grand Total		<u>10,962.74</u>	

Collateral Security Trustee Limited - In Administration

Post-Appointment Time

Summary of Time Charged and Rates Applicable for the Period From 27 April 2018 to 21 June 2018

Description	PARTNER		MANAGER		EXECUTIVE		OTHER STAFF		GRAND TOTAL		AV RATE	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£	£	
Steps on Appointment			0.10	25.92	26.79	5,290.84	3.55	233.91	30.44	5,550.67	182.34	
Planning and Strategy	0.33	200.00							0.33	200.00	600.00	
General Administration	1.33	800.00	8.07	2,686.20			1.88	153.71	11.28	3,639.91	322.59	
Employee Matters							0.90	122.67	0.90	122.67	136.30	
Reporting	1.58	950.00	1.50	499.50					3.08	1,449.50	470.11	
	3.25	1,950.00	9.67	3,211.62	26.79	5,290.84	6.33	510.29				
									Net Total	46.04	10,962.74	238.10
									Other Disbursements		0.00	
									Billed		0.00	
									Grand Total		<u>10,962.74</u>	

Collateral UK Limited
 Collateral Sales Limited
 Collateral Security Trustee Limited - All in Administration

Joint Administrators' time spent dealing with trust asset matters, unallocatable to a specific Administration estate

Summary of Time Charged and Rates Applicable for the Period From 27 April 2018 to 21 June 2018

Description	PARTNER		MANAGER		EXECUTIVE		GRAND TOTAL		AV RATE	
	Hours	£	Hours	£	Hours	£	Hours	£	£	
Steps on Appointment							0.00	0.00	#DIV/0!	
General Administration, including liaising with lawyers	4.25	2,550.00	8.15	2,713.95			12.40	5,263.95	424.51	
Assets Realisation/Dealing, including dealing with loan book, chattel assets and IT/lending platform specific work	38.25	22,950.00	62.30	21,828.15	88.88	17,837.21	189.43	62,615.36	330.55	
Creditor Claims	1.50	900.00					1.50	900.00	600.00	
Reporting	1.25	750.00					1.25	750.00	600.00	
	45.25	27,150.00	70.45	24,542.10	88.88	17,837.21				
							Net Total	204.58	69,529.31	339.87
							Other Disbursements		0.00	
							Billed		0.00	
							Grand Total		<u>69,529.31</u>	

**Collateral (UK) Limited
Collateral Security Trustee Limited
Collateral Sales Limited**

Fee estimate

Joint Administrators' Fee estimate

We enclose in the table below our current estimate of the Joint Administrators' fees (on a time costs basis) for the duration of the Administrations, together with our anticipated expenses. Please note that the estimate includes the time costs for work that has been carried out in the Administrations to date. It is the intention of the Joint Administrators to seek approval of their remuneration, at the appropriate time, on a time costs basis. The time costs applicable to this assignment will be discounted from BDO LLP's standard charge-out rates, as agreed with the FCA prior to us consenting to act as Joint Administrators. Where applicable, all fees and disbursements will be subject to VAT at the prevailing rate.

The estimate has been prepared on the basis of the information available to us at 21 June 2018. Given the nature of the Companies affairs and the legal position of the investors, these are complex Administrations and there will likely be a number of issues and challenges that will require resolution. Additionally, there remain a number of uncertainties in relation to the nature of the work that will be required, for example, what work will be required to be undertaken in relation to the electronic data and Collateral platform.

This estimate therefore provides a summary of the work that we believe will be necessary based on the information currently available. The Joint Administrators will liaise with any appointed Creditors' Committee or, alternatively, the general body of creditors in relation to any expected changes to the estimate as the Administrations progress.

Fees Estimate as at 21 June 2018			
Summary Activity	Total Hours	Blended Rate £	Estimated Fee £
Steps on appointment	91.33	186.32	17,016.00
Planning and strategy, including liaising with lawyers in relation to legal issues	130.00	405.46	52,710.00
General administration and compliance issues	235.00	188.94	44,400.00
Asset realisation/dealing, including recovery of loans and dealing with data/platform issues	750.00	360.47	270,350.00
Employee Matters	17.00	247.35	4,025.00
Investor/creditor claims - adjudication and distribution	300.00	331.82	99,545.00
Reporting	175.00	257.43	45,050.00
TOTAL			<u>533,276.00</u>
Expenses Estimate			
Category 1 Disbursements			5,000 2.1
Category 2 Disbursements			nil 2.2
Agents' and valuers' costs			30,000 2.3
Solicitors' costs			125,000 2.4

In any work of this nature we may have recourse to engage specialists to assist us, for example in ensuring that we obtain best value for the assets and to obtain appropriate legal advice. The specialists we engage will invoice us, and that will be an expense of the Administrations. Such expenses are not subject to investor/creditor approval but may have an effect on the funds available for investors and creditors.

1. Joint Administrators' Fees

Fees (remuneration) may be sought on four different bases and a guide for creditors is attached at Appendix 12. The four bases are: (i) a time costs basis; (ii) a percentage of the assets realised; (iii) a fixed amount; or (iv) a combination of the first three bases. In this particular matter we will be seeking fees on a time cost basis. We currently estimate these at £533,276 plus VAT.

Where possible the Joint Administrators will delegate work to their staff; we will ensure that the work is conducted by suitably qualified and experienced members of staff at different hourly rates. I set out below the discounted hourly charge out rates that have been agreed with the FCA in relation to this matter (not all such grades of staff will be utilised in this assignment):

	London	Manchester
Partner	600	416
Director	462	324
Senior manager	392 - 428	275 - 300
Manager	295 - 333	206 - 235
Assistant manager	266	186
Senior executive	248	176
Executive	182 - 224	127 - 158
Trainee	92 - 165	66 - 115

These rates are confirmed in the document attached at Appendix 12 which sets out my firm's policy on time costs and expenses.

We set out below a more detailed analysis of the work that we estimate will be required in relation to the work streams identified in the summary table above.

Steps upon appointment

Work includes preparing and reviewing appointment and statutory documents, initial interviews and meetings with key stakeholders including the directors, Mr Craig and other third parties, taking initial steps to secure and gain control of assets, and establishing internal responsibilities and protocols in relation to the assignment.

Planning and strategy

Work includes reviewing the books and records available, understanding the current financial position, developing and implementing an appropriate administration strategy and liaising with key stakeholders and advisors in relation to the same. This work will provide benefit by contributing to the efficient management of the Administrations and producing the most cost effective output.

General administration

Work includes dealing with statutory and compliance matters such as insurance, VAT, and taxation, undertaking investigations in respect of the directors' conduct and preparing the necessary reports thereon, and investigations into the historic affairs and activities of the Companies. The work contemplated does not at this time include any forensic examination of

records and transactions, but it may involve engaging and liaising with solicitors or other agents in respect of the above issues.

Day to day management activities will include: managing and accounting for receipts and payments; dealing with banking arrangements and regular bank reconciliations; preparing summaries of receipts and payments; ensuring appropriate approval of all costs including the approval of remuneration and matching costs of specialists against their expense estimates; dealing with statutory, regulatory and licensing matters, managing any formal contractual matters such as leases and licences; dealing with press enquiries and PR related matters; and managing general administrative matters, basic enquiries and general meetings.

The majority of this work requires a range of insolvency knowledge and experience, balanced with good accounting and administrative skills, and is delegated largely to executives with suitable levels of experience, supervised by directors or managers.

Asset realisation and dealing

As the main asset is the loan book, this will be a key work stream.

Work will involve identifying, securing and realising assets; creating and implementing an appropriate disposal strategy in relation to the loan books and chattel assets; dealing and liaising with borrowers to obtain repayment of loans; and engaging, liaising and monitoring solicitors and other advisors to support realisation strategy, including taking enforcement action where appropriate.

This area of work requires a greater level of commercial experience and insolvency knowledge, together with decision making ability. This work stream will be led by a manager reporting directly to the Joint Administrators.

Employee Matters

Work includes meeting, corresponding with and assisting (as appropriate) employees in their submission of claims to the Redundancy Payments Service, and dealing with any residual claims against the Companies.

Investor/creditor claims

This is another key work stream, which will involve ascertaining, quantifying and adjudicating upon investor and creditor claims, so as to make distributions in respect of both trust and non-trust assets. The Companies' records indicate that there are 1,132 investors whose claims will need to be adjudicated. As set out in the attached report, the adjudication of investors' claims is a complex area, and investors' rights to trust assets may be impacted if the Joint Administrators are unable to obtain the data held on the Collateral platform. The Joint Administrators will be required to continue to take legal advice in relation to these issues.

No provision has been made for dealing with any appeal to the Court by any investor or creditor who disputes the Joint Administrators' decision in relation to his or her claim.

Reporting

Work involves preparing periodic progress reports to investors and creditors regarding the status of the Administrations and progress achieved, including preparation of summaries of receipts and payments, a suitable analysis of time costs, and a review of actual and accrued costs as against the fees and expense estimate. These are statutory requirements which will contribute to investors' and creditors' understanding of the work that has been undertaken in the Administrations.

This work stream also includes reporting to, and liaising with, any Creditors' Committee which may be constituted.

2. Expenses estimate

2.1 Category 1 disbursements

Our estimate in respect of this heading covers expenses where the Joint Administrators' firm has met a specific cost in respect of the estate by making payment 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, storage of original records of the insolvent estate. In each case the recharge will be reimbursement of a specific expense incurred.

2.2 Category 2 disbursements

We do not consider that any Category 2 disbursements will be incurred in the Administrations.

2.3 Agents' and valuers' costs

These expenses will be incurred in relation to the chattel assets, and include an estimate of the cost of valuing and, if necessary, disposing of the assets.

2.4 Solicitors' costs

This is an estimate of the solicitors' costs in assisting with the Administrations. As identified above, there will likely be a significant number of issues in respect of which legal advice will be required, including: the status of investors trust claims; analysis of loan and security documentation; enforcement action in relation to the loan book; and general ad-hoc advice and assistance.

**Collateral (UK) Limited
Collateral Security Trustee Limited
Collateral Sales Limited**

Notice of Deemed Consent

The Insolvency Act 1986 - NOTICE OF DEEMED CONSENT PROCEDURE

To Consider Approving the Joint Administrator's Proposals Dated 21 June 2018

Names of Companies Collateral (UK) Limited Collateral Security Trustee Limited Collateral Sales Limited	Company numbers 09314729 10390795 10390419
In the In the High Court of Justice, the Business and Property Courts in Manchester [full name of court]	Court case numbers 2170-2018, 2169-2018, 2168-2018

The Joint Administrators are Shane Crooks (Officeholder No: 15110) and Mark Shaw (officeholder No: 8893) both of BDO LLP, 55 Baker Street London, W1U 7EU who were appointed on 27 April 2018.

NOTICE IS GIVEN, pursuant to Paragraph 51 of Schedule B1 to the Insolvency Act 1986 that the following Joint Administrators' proposals will be dealt with by deemed consent by the Decision Date, being 5 July 2018.

The proposals are:

- A. They continue to manage the Companies' affairs, business and property and realise assets in accordance with (as appropriate) objectives 3(1)(b) and (c) of Sch B1 of the Act.
- B. They exit the Administrations by way of Creditors' Voluntary Liquidation, and that Shane Crooks & Mark Shaw will be the Joint Liquidators and will act jointly and severally.

For the avoidance of doubt: the other resolution contained within the Joint Administrators' report accompanying the proposals will be approved by postal resolution.

In order to object to the Joint Administrator's proposals an investor or creditor must deliver, to me at 55 Baker Street, London, W1U 7EU, within 5 business days of this report, a written notice stating that the investor or creditor objects to the resolution. The objection must be accompanied by a proof of debt (form attached) otherwise the investor's/creditor's objection will be disregarded. An investor or creditor with a 'small debt' £1,000 or less must still submit a proof of debt if submitting a notice of objection. The threshold is 10% in value of the investors/creditors who are entitled to vote.

It is the convenor's responsibility to aggregate the objections to see if the threshold is met. If the threshold is met the deemed consent procedure will terminate. It will then be necessary for the convenor to arrange for a meeting of creditors to decide on the resolutions put to creditors. If less than 10% in value of investors/creditors object, the investors/creditors are treated as having approved the above resolutions.

Appeals against decisions (Rule.15.35): Creditors may appeal to the court in respect of the convenor's decision. Any appeal must be made within 21 days of the Decision Date stated above.

Shane Crooks
Joint Administrator and Convenor of the decision process
Date: 21 June 2018

**Collateral (UK) Limited
Collateral Security Trustee Limited
Collateral Sales Limited**

Creditors request for a decision in respect of the Administrations

Rule
15.18
Insolvency
(England
and Wales)
Rules 2016

The Insolvency Act 1986

Creditors request for a decision in respect of the Administrations

Names of Companies

**Collateral (UK) Limited
Collateral Security Trustee Limited
Collateral Sales Limited**

Company numbers

**09314729
10390795
10390419**

In the
**In the High Court of Justice, the Business
and Property Courts in Manchester**
[full name of court]

Court case numbers

**2170-2018, 2169-
2018, 2168-2018**

Creditor's name & address

I (a) _____

purpose of decision process
Rule 15.18(3)

Request a decision procedure for the creditors of Collateral (UK) Limited, Collateral Security Trustee Limited and Collateral Sales Limited (registered office situated at: 55 Baker Street, London, W1U 7EU) for the purpose of:

Confirm creditor's claim
Rule 15.18(3)(a)

My claim in the Administrations is £_____ (A proof of debt form is attached/has already been delivered)* (delete as necessary)

Insert full name(s) and
address(es) of creditors
concurring with the
request (if any) and their
claims in the
administration if the
requesting creditor's claim
is below the required 10%
continue on reverse if
necessary
Rule 15.18(3)(a)(ii) & (b)

Continue overleaf if necessary

The creditors listed above concur with the above request, and I attach copies of their written confirmation of concurrence.

Signature of creditor or person authorised to act on his behalf

Dated

Name in BLOCK LETTERS

If signing on behalf of the creditor, confirm relation to creditor and address

**Collateral (UK) Limited
Collateral Security Trustee Limited
Collateral Sales Limited**

Proof of debt

Proof of Debt/Claim Form

**Collateral (UK) Limited - 09314729
 Collateral Sales Limited - 10390419
 Collateral Security Trustee Limited - 10390795
 (together “the Companies”) - All in Administration**

Debt as at the date of the appointment of the Joint Administrators: 27 April 2018

1	Name of creditor (If a company please also give company registration number and where registered).	
2	Address of creditor including email address for correspondence.	
3	Total amount of claim, including any Value Added Tax at the above date.	
4	If amount in 3 above includes outstanding un-capitalised interest please state amount.	£
5	Particulars of how and when debt incurred. (If you need more space append a continuation sheet to this form).	
6	Particulars of any security held, the value of the security, and the date it was given.	
7	Particulars of any reservation of title claimed in respect of goods supplied to which the claim relates.	
8	Provide details of any documents by reference to which the debt can be substantiated. (Note: There is no need to attach them now but the Joint Administrator may call for any document or evidence to substantiate the claim at his discretion as may the chairman or convener of any meeting).	
9	Signature of creditor or person authorised to act on his behalf _____	Dated _____
Name in BLOCK LETTERS _____		
Position with or in relation to creditor _____ Address of person signing (if different from 2 above)		

Deliver to the Joint Administrator, Shane Crooks, BDO LLP, 55 Baker Street, London W1U 7EU. Note: Investors should use this claim form for the purpose of registering their claims. It is not necessary to complete proof of debt forms for CSL and CSTL in addition.

**Collateral (UK) Limited
Collateral Security Trustee Limited
Collateral Sales Limited**

Notice of arranging a decision procedure for creditors by correspondence

Rule 15.8
Insolvency
(England and
Wales) Rules
2016

The Insolvency Act 1986 - NOTICE OF ARRANGING A DECISION PROCEDURE FOR CREDITORS BY CORRESPONDENCE

To consider whether a Creditors' Committee should be established if sufficient creditors are willing to be members of the committee

Names of Companies Collateral (UK) Ltd Collateral Security Trustee Limited Collateral Sales Limited	Company numbers 09314729 10390795 10390419
In the In the High Court of Justice, the Business and Property Courts in Manchester [full name of court]	Court case numbers 2170 of 2018, 2169 of 2018, 2168 of 2018

The Joint Administrators are Shane Crooks (Officeholder No: 15110) and Mark Shaw (officeholder No: 8893) both of BDO LLP, 55 Baker Street, London, W1U 7EU who were appointed on 27 April 2018.

NOTICE that the investors and creditors of the above named Companies are invited to make a decision as to whether to approve or reject the resolution below.

Decision Procedure: The investors and creditors are invited to indicate by correspondence whether they approve or reject the resolution. A Decision by Correspondence form is attached at Appendix 10 for recording your vote. The completed form, together with details of your claim, if not already provided, must be sent to the Joint Administrators, whose details are above and on the attached form. Your response must be delivered no later than 4 July 2018, being the business day before the Decision date of 5 July 2018.

Decision Date: 5 July 2018

Investors and creditors may within five business days of this notice require a physical meeting be held to consider the matter. This is explained in more detail overleaf.

RESOLUTION

- C. Creditors appoint a Creditors' Committee to assist the Joint Administrators in their conduct of the Administrations, including the consideration and approval of the Joint Administrators' fees (such a committee must comprise between 3 and 5 investors and/or creditors)

Date 21 June 2018

Shane Crooks
Joint Administrator and Convenor of the decision process

**Collateral (UK) Limited
Collateral Security Trustee Limited
Collateral Sales Limited**

Decision procedure for investors and creditors by correspondence

The Insolvency Act 1986 - NOTICE OF CONVENING A DECISION PROCEDURE FOR CREDITORS BY CORRESPONDENCE

To consider whether a Creditors' Committee should be established if sufficient creditors are willing to be members of the committee

Collateral (UK) Limited, Collateral Security Trustee Limited. Collateral Sales Limited - All in Administration
Registered Numbers: 09314729, 10390795, 10390419

RESOLUTION

(* Please indicate voting preference)

- C. Creditors appoint a Creditors' Committee to assist the Joint Administrators in their conduct of the Administrations, including the consideration and approval of the Joint Administrators' fees (such a committee must comprise between 3 and 5 investors and/or creditors)

*Approved/Rejected

Do you consent to be a member of the creditors' committee?

*Yes/No

Or, I nominate the following to act as a representative of the Creditors' Committee:

TO BE COMPLETED BY THE INVESTOR/CREDITOR WHEN RETURNING FORM

Name of Creditor

Signature of Creditor

(If signing on behalf of creditor, state capacity e.g. director/solicitor etc.)

NOTE: This form must be accompanied by a proof of the amount due to the creditor unless a proof of debt/claim form has already been delivered. Creditors whose debt is treated as a 'small debt' (£1,000 or less) must still deliver a proof for voting purposes otherwise their vote will be disregarded.

This form must be returned to Shane Crooks (Officeholder IP No: 15110) of BDO LLP, 55 Baker Street, London, W1U 7EU, by no later than 4 July 2018, being the business day before the Decision date of 5 July 2018.

The Joint Administrator may also be contacted on investorcollateral@bdo.co.uk.

Shane Crooks
Joint Administrator
21 June 2018

**Collateral (UK) Limited
Collateral Security Trustee Limited
Collateral Sales Limited**

Rules relating to investors' and creditors' voting rights

Rules relating to investors'/creditors' voting rights

Investor/Creditor Voting rights (R.15.28): Every investor/creditor who has this notice is entitled to vote in respect of the debt due to the investor/creditor. Where there is a physical meeting the investor/creditor must submit a proxy form (not relevant at this stage). Investors/creditors, including investors/creditors whose debt is treated as a 'small debt' (£1,000 or less) must still deliver a proof for voting purposes, if they have not already done so, should they wish to participate in the meeting.

Calculation of investor/creditors voting rights (R.15.31): In respect of these Administrations investors'/creditors' claims will be calculated as at the date the Companies entered Administration, being 27 April 2018. Claims that have an uncertain value will be valued at £1, or a higher value if the Chairman allows.

Requisite majority of investors/creditors for making a decision (15.34): An Administration decision is approved if a majority of investors/creditors, by value, vote in favour by the Decision Date.

Appeals against decisions (R.15.35): Decisions of the Joint Administrators in convening the Decision Procedure and dealing with voting are subject to appeal to the court by an investor/creditor. Any appeal must be made within 21 days of the Decision Date.

Physical Meeting: If creditors want to consider the resolutions at a physical meeting they must notify the Joint Administrator in writing at 55 Baker Street, London, W1U 7EU, within five business days of delivery of the notice. A meeting will be convened if sufficient investors/creditors notify the Administrators within the timeframe. Section 246ZE The Insolvency Act sets the "minimum number" of investors/creditors for requisitioning a meeting at any of the following:

- (a) 10% in value of the investors/creditors;
- (b) 10% in number of the investors/creditors;
- (c) 10 investors/creditors.

Relevant extracts from the Insolvency (England and Wales) Rules 2016

Creditors' voting rights

15.28.—(1) In an administration, an administrative receivership, a creditors' voluntary winding up, a winding up by the court and a bankruptcy, a creditor is entitled to vote in a decision procedure or to object to a decision proposed using the deemed consent procedure only if—

(a) the creditor has, subject to 15.29, delivered to the convener a proof of the debt claimed in accordance with paragraph (3), including any calculation for the purposes of rule 15.31 or 15.32, and

(b) the proof was received by the convener—

(i) not later than the decision date, or in the case of a meeting, 4pm on the business day before the meeting, or

(ii) in the case of a meeting, later than the time given in sub-paragraph (i) where the chair is content to accept the proof; and

(c) the proof has been admitted for the purposes of entitlement to vote.

(2) In the case of a meeting, a proxy-holder is not entitled to vote on behalf of a creditor unless the convener or chair has received the proxy intended to be used on behalf of that creditor.

(3) A debt is claimed in accordance with this paragraph if it is—

(a) claimed as due from the company or bankrupt to the person seeking to be entitled to vote; or

(b) in relation to a member State liquidator, claimed to be due to creditors in proceedings in relation to which that liquidator holds office.

(4) The convener or chair may call for any document or other evidence to be produced if the convener or chair thinks it necessary for the purpose of substantiating the whole or any part of a claim.

(5) In a decision relating to a proposed CVA or IVA every creditor, secured or unsecured, who has notice of the decision procedure is entitled to vote in respect of that creditor's debt.

(6) Where a decision is sought in an administration under sub-paragraph 3.52(3)(b) (pre administration costs), paragraph 18.18(4) (remuneration: procedure for initial determination in an administration) or paragraph 18.26(2) (first exception: administrator has made statement under paragraph 52(1)(b) of Schedule B1), creditors are entitled to participate to the extent stated in those paragraphs.

Calculation of voting rights

15.31.—(1) Votes are calculated according to the amount of each creditor's claim—

- (a) in an administration, as at the date on which the company entered administration, less—
 - (i) any payments that have been made to the creditor after that date in respect of the claim, and
 - (ii) any adjustment by way of set-off which has been made in accordance with rule 14.24 or would have been made if that rule were applied on the date on which the votes are counted;
 - (b) in an administrative receivership, as at the date of the appointment of the receiver, less any payments that have been made to the creditor after that date in respect of the claim;
 - (c) in a creditors' voluntary winding up, a winding up by the court or a bankruptcy, as set out in the creditor's proof to the extent that it has been admitted;
 - (d) in a proposed CVA—
 - (i) at the date the company went into liquidation where the company is being wound up,
 - (ii) at the date the company entered into administration (less any payments made to the creditor after that date in respect of the claim) where it is in administration,
 - (iii) at the beginning of the moratorium where a moratorium has been obtained (less any payments made to the creditor after that date in respect of the claim), or
 - (iv) where (i) to (iii) do not apply, at the decision date;
 - (e) in a proposed IVA—
 - (i) where the debtor is not an undischarged bankrupt—
 - (aa) at the date of the interim order, where there is an interim order in force,
 - (bb) otherwise, at the decision date,
 - (ii) where the debtor is an undischarged bankrupt, at the date of the bankruptcy order.
- (2) A creditor may vote in respect of a debt of an unliquidated or unascertained amount if the convener or chair decides to put upon it an estimated minimum value for the purpose of entitlement to vote and admits the claim for that purpose.
- (3) But in relation to a proposed CVA or IVA, a debt of an unliquidated or unascertained amount is to be valued at £1 for the purposes of voting unless the convener or chair or an appointed person decides to put a higher value on it.
- (4) Where a debt is wholly secured its value for voting purposes is nil.
- (5) Where a debt is partly secured its value for voting purposes is the value of the unsecured part.
- (6) However, the value of the debt for voting purposes is its full value without deduction of the value of the security in the following cases—
- (a) where the administrator has made a statement under paragraph 52(1)(b) of Schedule B1 and the administrator has been requested to seek a decision under paragraph 52(2); and
 - (b) where, in a proposed CVA, there is a decision on whether to extend or further extend a moratorium or to bring a moratorium to an end before the end of the period of any extension.
- (7) No vote may be cast in respect of a claim more than once on any resolution put to the meeting; and for this purpose (where relevant), the claim of a creditor and of any member State liquidator in relation to the same debt are a single claim.
- (8) A vote cast in a decision procedure which is not a meeting may not be changed.
- (9) Paragraph (7) does not prevent a creditor or member State liquidator from—
- (a) voting in respect of less than the full value of an entitlement to vote; or
 - (b) casting a vote one way in respect of part of the value of an entitlement and another way in respect of some or all of the balance of that value.

Requisite majorities

15.34.—(1) A decision is made by creditors when a majority (in value) of those voting have voted in favour of the proposed decision, except where this rule provides otherwise.

- (2) In the case of an administration, a decision is not made if those voting against it—
 - (a) include more than half in value of the creditors to whom notice of the decision procedure was delivered; and
 - (b) are not, to the best of the convener or chair's belief, persons connected with the company.
- (3) Each of the following decisions in a proposed CVA is made when three-quarters or more (in value) of those responding vote in favour of it—
 - (a) a decision approving a proposal or a modification;
 - (b) a decision extending or further extending a moratorium; or
 - (c) a decision bringing a moratorium to an end before the end of the period of any extension.
- (4) In a proposed CVA a decision is not made if more than half of the total value of the unconnected creditors vote against it.
- (5) For the purposes of paragraph (4)—
 - (a) a creditor is unconnected unless the convener or chair decides that the creditor is connected with the company;
 - (b) in deciding whether a creditor is connected reliance may be placed on the information provided by the company's statement of affairs or otherwise in accordance with these Rules; and
 - (c) the total value of the unconnected creditors is the total value of those unconnected creditors whose claims have been admitted for voting.

- (6) In a case relating to a proposed IVA—
 - (a) a decision approving a proposal or a modification is made when three-quarters or more (in value) of those responding vote in favour of it;
 - (b) a decision is not made if more than half of the total value of creditors who are not associates of the debtor vote against it.
- (7) For the purposes of paragraph (6)—
 - (a) a creditor is not an associate of the debtor unless the convener or chair decides that the creditor is an associate of the debtor;
 - (b) in deciding whether a creditor is an associate of the debtor, reliance may be placed on the information provided by the debtor's statement of affairs or otherwise in accordance with these Rules; and
 - (c) the total value of the creditors who are not associates of the debtor is the total value of the creditors who are not associates of the debtor whose claims have been admitted for voting.

Appeals against decisions under this Chapter

- 15.35.—(1) A decision of the convener or chair under this Chapter is subject to appeal to the court by a creditor, by a contributory, or by the bankrupt or debtor (as applicable).
- (2) In a proposed CVA, an appeal against a decision under this Chapter may also be made by a member of the company.
 - (3) If the decision is reversed or varied, or votes are declared invalid, the court may order another decision procedure to be initiated or make such order as it thinks just but, in a CVA or IVA, the court may only make an order if it considers that the circumstances which led to the appeal give rise to unfair prejudice or material irregularity.
 - (4) An appeal under this rule may not be made later than 21 days after the decision date.
 - (5) However, the previous paragraph does not apply in a proposed CVA or IVA, where an appeal may not be made after the end of the period of 28 days beginning with the day—
 - (a) in a proposed CVA, on which the first of the reports required by section 4(6) or paragraph 30(3) of Schedule A1 was filed with the court(a); or
 - (b) in a proposed IVA—
 - (i) where an interim order has not been obtained, on which the notice of the result of the consideration of the proposal required by section 259(1)(a) has been given, or
 - (ii) otherwise, on which the report required by section 259(1)(b)(b) is made to the court.
 - (6) The person who made the decision is not personally liable for costs incurred by any person in relation to an appeal under this rule unless the court makes an order to that effect.
 - (7) The court may not make an order under paragraph (6) if the person who made the decision in a winding up by the court or a bankruptcy is the official receiver or a person nominated by the official receiver.

Extract from the Insolvency Act 1986 (as amended)

Section 246ZE Decisions by creditors and contributories: general

- (1) This section applies where, for the purposes of this Group of Parts, a person ("P") seeks a decision about any matter from a company's creditors or contributories.
- (2) The decision may be made by any qualifying decision procedure P thinks fit, except that it may not be made by a creditors' meeting or (as the case may be) a contributories' meeting unless subsection (3) applies.
- (3) This subsection applies if at least the minimum number of creditors or (as the case may be) contributories make a request to P in writing that the decision be made by a creditors' meeting or (as the case may be) a contributories' meeting.
- (4) If subsection (3) applies P must summon a creditors' meeting or (as the case may be) a contributories' meeting.
- (5) Subsection (2) is subject to any provision of this Act, the rules or any other legislation, or any order of the court—
 - (a) requiring a decision to be made, or prohibiting a decision from being made, by a particular qualifying decision procedure (other than a creditors' meeting or a contributories' meeting);
 - (b) permitting or requiring a decision to be made by a creditors' meeting or a contributories' meeting.
- (6) Section 246ZF provides that in certain cases the deemed consent procedure may be used instead of a qualifying decision procedure.
- (7) For the purposes of subsection (3) the "minimum number" of creditors or contributories is any of the following—
 - (a) 10% in value of the creditors or contributories;
 - (b) 10% in number of the creditors or contributories;
 - (c) 10 creditors or contributories.
- (8) The references in subsection (7) to creditors are to creditors of any class, even where a decision is sought only from creditors of a particular class.
- (9) In this section references to a meeting are to a meeting where the creditors or (as the case may be) contributories are invited to be present together at the same place (whether or not it is possible to attend the meeting without being present at that place).
- (10) Except as provided by subsection (8), references in this section to creditors include creditors of a particular class.
- (11) In this Group of Parts "qualifying decision procedure" means a procedure prescribed or authorised under paragraph 8A of Schedule

**Collateral (UK) Limited
Collateral Security Trustee Limited
Collateral Sales Limited**

BDO LLP's current policy in respect of fees and disbursements & Creditors' Guide to Administrators' fees

**Collateral (UK) Limited
Collateral Sales Limited
Collateral Security Trustee Limited - In Administration**

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

The following charge out rates per hour of staff were agreed with the FCA prior to the Joint Administrators' appointment in relation to this matter. These rates are discounted from BDO's standard charge out rates.

Grade	London	Manchester
Partner	600	416
Director	462	324
Senior manager	392 - 428	275 - 300
Manager	295 - 333	206 - 235
Assistant manager	266	186
Senior executive	248	176
Executive	182 - 224	127 - 158
Trainee	92 - 165	66 - 115

This in no way implies that staff at all such grades will work on the case.

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.

Other Costs

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

Category 1 expenses

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.

Category 2 expenses

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. We do not anticipate that any such disbursements will be incurred in relation to this assignment.

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

BDO LLP
21 June 2018

A Creditors' Guide to Administrators' Fees (England & Wales)

1 Introduction

- 1.1 When a company goes into administration the costs of the proceedings are paid out of its assets. The creditors, who hope eventually to recover some of their debts out of the assets, therefore have a direct interest in the level of costs, and in particular the remuneration of the insolvency practitioner appointed to act as administrator. The insolvency legislation recognises this interest by providing mechanisms for creditors to determine the basis of the administrator's fees. This guide is intended to help creditors be aware of their rights under the legislation to approve and monitor fees, explains the basis on which fees are fixed and how creditors can seek information about expenses incurred by the administrator and challenge those they consider to be excessive.

2 The nature of administration

- 2.1 Administration is a procedure which places a company under the control of an insolvency practitioner and the protection of the court with the following objective:
- rescuing the company as a going concern, or
 - achieving a better result for the creditors as a whole than would be likely if the company were wound up without first being in administration, or, if the administrator thinks neither of these objectives is reasonably practicable
 - realising property in order to make a distribution to secured or preferential creditors.

3 The creditors' committee

- 3.1 The creditors have the right to appoint a committee with a minimum of 3 and a maximum of 5 members. One of the functions of the committee is to determine the basis of the administrator's remuneration. The committee is normally established by the creditors through a Qualifying Decision Procedure (Correspondence [written resolution]; electronic voting; Virtual meeting; and if requested by the creditors, a Physical meeting) which the administrator is required to convene within a maximum of 10 weeks from the beginning of the administration to consider his proposals. The administrator must call the first meeting of the committee within 6 weeks of its establishment, and subsequent meetings must be held either at specified dates agreed by the committee, or when a member of the committee asks for one, or when the administrator decides he needs to hold one. The committee has power to summon the administrator to attend before it and provide information about the exercise of his functions.

4 Fixing the administrator's remuneration

4.1 Basis

The basis for fixing the administrator's remuneration is set out in Rule 18.16 Insolvency (England and Wales) Rules 2016, which states that it shall be fixed:

- as a percentage of the value of the property which the administrator has to deal with,
- by reference to the time properly given by the administrator and his staff in attending to matters arising in the administration, or
- as a set amount.

Any combination of these bases may be used to fix the remuneration, and different bases may be used for different things done by the administrator. Where the remuneration is fixed as a percentage, different percentages may be used for different things done by the administrator.

4.2 Advance information where remuneration not based on time costs

Prior to the determination of the basis of remuneration, the administrator must give the creditors details of the work the administrator proposes to undertake, and the expenses he considers will be, or are likely to be, incurred. However, where the administrator proposes to take any part or all of his remuneration on a time cost basis, he must provide more detailed information in the form of a 'fees estimate', as explained below.

4.3 Fees estimates where remuneration to be based on time costs

Where the administrator proposes to take remuneration based on time costs, he must first provide the creditors with detailed information in the form of a 'fees estimate'. A fees estimate is a written estimate that specifies -

- details of the work the administrator and his staff propose to undertake;
- the hourly rate or rates the administrator and his staff propose to charge for each part of that work;

- the time the administrator anticipates each part of that work will take;
- whether the administrator anticipates it will be necessary to seek approval or further approval under the Rules; and
- the reasons it will be necessary to seek such approval.

In addition, the administrator must give the creditors details of the expenses he considers will be, or are likely to be, incurred.

The fees estimate and details of expenses may include remuneration anticipated to be charged and expenses anticipated to be incurred if the administrator becomes the liquidator where the administration moves into winding up.

4.4 Who fixes the remuneration

It is for the creditors' committee (if there is one) to determine on which bases, or combination of bases, the remuneration is to be fixed. Where it is fixed as a percentage, it is for the committee to determine the percentage or percentages to be applied, and where it is a set amount, to determine that amount. Rule 18.16 says that in arriving at its decision the committee shall have regard to the following matters:

- the complexity (or otherwise) of the case;
- any responsibility of an exceptional kind or degree which falls on the administrator;
- the effectiveness with which the administrator appears to be carrying out, or to have carried out, his duties;
- the value and nature of the property which the administrator has to deal with.

4.5 If there is no creditors' committee, or the committee does not make the requisite determination (and provided the circumstances described in paragraph 4.3 do not apply), the administrator's remuneration may be fixed by the creditors, via a decision procedure, having regard to the same matters as apply in the case of the committee. If the remuneration is not fixed in any of these ways, it will be fixed by the court on application by the administrator, but the administrator may not make such an application unless he has first tried to get his remuneration fixed by the committee or creditors as described above, and in any case not later than 18 months after his appointment.

4.6 There are special rules about creditors' resolutions in cases where the administrator has stated in his proposals that the company has insufficient property to enable a distribution to be made to unsecured creditors except out of the reserved fund which may have to be set aside out of floating charge assets.

In this case, if there is no creditors' committee, or the committee does not make the requisite determination, the remuneration may be fixed by the approval of -

- each secured creditor of the company; or
- if the administrator has made or intends to make a distribution to preferential creditors -
 - each secured creditor of the company; and
 - preferential creditors whose debts amount to more than 50% of the preferential debts of the company, disregarding debts of any creditor who does not respond to an invitation to give or withhold approval, having regard to the same matters as the committee would.

Note that there is no requirement to convene a decision procedure for creditors in such cases unless it is requisitioned by creditors whose debts amount to at least 10 per cent of the total debts of the company (Paragraph 52(2) (a) of Schedule B1 to the Insolvency Act 1986).

4.7 Creditors approval in respect of an Administrator's remuneration is obtained by Qualifying Decision Procedure (Correspondence [written resolution]; electronic voting; Virtual meeting; Physical meeting.).

5. Review of remuneration

5.1 Where there has been a material and substantial change in circumstances since the basis of the administrator's remuneration was fixed, the administrator may request that it be changed. The request must be made to the same body as initially approved the remuneration, and the same rules apply as to the original approval.

6. Approval of pre-administration costs

6.1 Sometimes the administrator may need to seek approval for the payment of costs in connection with preparatory work incurred before the company went into administration but which remain unpaid. Such costs may relate to work done either by the administrator or by another insolvency

practitioner. Disclosure of such costs must be included in the administrator's proposals and should follow the principles and standards set out in section 7.

- 6.2 Where there is a creditors' committee, it is for the committee to determine whether, and to what extent, such costs should be approved for payment. If there is no committee or the committee does not make the necessary determination, or if it does but the administrator, or other insolvency practitioner who has incurred pre administration costs, considers the amount agreed to be insufficient, approval may be given by convening a qualifying decision procedure for creditors. Where the circumstances described in paragraph 4.3 apply, the determination may be made by the same creditors as approve the administrator's remuneration.
- 6.3 The administrator must convene a meeting of the committee or a Qualifying Decision Procedure for the creditors for the purposes of approving the payment of pre-administration costs if requested to do so by another insolvency practitioner who has incurred such costs. If there is no determination under these provisions, or if there is but the administrator or other insolvency practitioner considers the amount agreed to be insufficient, the administrator may apply to the court for a determination.

7 What information should be provided by the administrator?

7.1 General principles

- 7.1.1 The administrator should provide those responsible for approving his remuneration with sufficient information to enable them to make an informed judgement about the reasonableness of the administrator's request. The information should be presented in a manner which is transparent, consistent throughout the life of the case and useful to creditors, while being proportionate to the circumstances of the case.
- 7.1.2 The administrator should disclose:
- payments, remuneration and expenses arising from the administration paid to the administrator or his or her associates;
 - any business or personal relationships with parties responsible for approving the administrator's remuneration or who provide services to the administrator in respect of the insolvency appointment where the relationship could give rise to a conflict of interest.
- The administrator should inform creditors of their rights under insolvency legislation, and should advise them how they may access suitable information setting out their rights within the first communication with them and in each subsequent report.
- 7.1.3 Where the administrator sub-contracts out work that could otherwise be carried out by the administrator or his or her staff, this should be drawn to the attention of creditors with an explanation of why it is being done.

7.2 Key issues

- 7.2.1 The key issues of concern to those with a financial interest in the level of payments from the insolvency estate will commonly be:
- the work the administrator anticipates will be done, and why that work is necessary;
 - the anticipated cost of that work, including any expenses expected to be incurred in connection with it;
 - whether it is anticipated that the work will provide a financial benefit to creditors, and if so what benefit (or if the work provided no direct financial benefit, but was required by statute);
 - the work actually done and why that work was necessary;
 - the actual costs of the work, including any expenses incurred in connection with it, as against any estimate provided;
 - whether the work has provided a financial benefit to creditors, and if so what benefit (or if the work provided no direct financial benefit, but was required by statute).
- When providing information about payments, fees and expenses, the administrator should do so in a way which facilitates clarity of understanding of these key issues. Narrative explanations should be provided to support any numerical information supplied. Where it is practical to do so, the administrator should provide an indication of the likely return to creditors when seeking approval for the basis of his remuneration.
- 7.2.2 When approval for a fixed amount or a percentage basis is sought, the administrator should explain why the basis requested is expected to produce a fair and reasonable reflection of the work that the administrator anticipates will be undertaken.

7.3 Fee estimates and subsequent reports

7.3.1 When providing a fee estimate, the administrator should supply that information in sufficient time to facilitate that body making an informed judgement about the reasonableness of the administrator's requests. The estimate should clearly describe what activities are anticipated to be conducted in respect of the estimated fee. When subsequently reporting to creditors, the actual hours and average rate (or rates) of the costs charged for each activity should be provided for comparison.

7.4 Disbursements

7.4.1 Costs met by and reimbursed to the administrator in connection with the administration will fall into two categories:

- Category 1 disbursements: These are payments to independent third parties where there is specific expenditure directly referable to the administration. Category 1 disbursements can be drawn without prior approval, although the administrator should be prepared to disclose information about them in the same way as any other expenses.
- Category 2 disbursements: These are costs that are directly referable to the administration but not to a payment to an independent third party. They may include shared or allocated costs that may be incurred by the administrator or their firm, and that can be allocated to the administration on a proper and reasonable basis.

When seeking approval, the administrator should explain, for each category of cost, the basis on which the charge is being made. If the administrator has obtained approval for the basis of Category 2 disbursements, that basis may continue to be used in a sequential appointment where further approval of the basis of remuneration is not required, or where the administrator is replaced.

7.4.2 The following are not permissible as disbursements:

- a charge calculated as a percentage of remuneration;
- an administration fee or charge additional to the administrator's remuneration;
- recovery of basic overhead costs such as office and equipment rental, depreciation and finance charges.

8. Exceeding the amount set out in the fees estimate

Remuneration must not exceed the fees estimate without approval by the body which fixed the original basis of the remuneration. The request for approval must specify -

- the reason why the administrator has exceeded, or is likely to exceed, the fees estimate;
- the additional work the administrator has undertaken or proposes to undertake;
- the hourly rate or rates the administrator proposes to charge for each part of that additional work;
- the time that additional work has taken or the administrator anticipates that work will take;
- whether the administrator anticipates that it will be necessary to seek further approval; and
- the reasons it will be necessary to seek further approval.

9 Progress reports and requests for further information

9.1 The administrator is required to send a progress report to creditors at 6-monthly intervals. The report must include:

- details of the basis fixed for the remuneration of the administrator (or if not fixed at the date of the report, the steps taken during the period of the report to fix it);
- if the basis has been fixed, the remuneration charged during the period of the report, irrespective of whether it was actually paid during that period (except where it is fixed as a set amount, in which case it may be shown as that amount
- without any apportionment for the period of the report);
- if the report is the first to be made after the basis has been fixed, the remuneration charged during the periods covered by the previous reports, together with a description of the work done during those periods, irrespective of whether payment was actually made during the period of the report;
- a statement of the expenses incurred by the administrator during the period of the report, irrespective of whether payment was actually made during that period;
- where appropriate, a statement -

- that the remuneration anticipated to be charged is likely to exceed the fees estimate or any approval given for remuneration exceeding the estimate;
- that expenses incurred or anticipated to be incurred are likely to exceed, or have exceeded, the details given to the creditors prior to the determination of the basis of remuneration; and
- the reason for that excess.

- the remuneration anticipated to be charged is likely to exceed the fees estimate or any approval given for remuneration exceeding the estimate;
- the expenses incurred or anticipated to be incurred are likely to exceed, or have exceeded, the details given to the creditors prior to the determination of the basis of remuneration; and
- the reasons for that excess;
- the date of approval of any pre-administration costs and the amount approved;
- a statement of the creditors' rights to request further information, as explained in paragraph 8.2, and their right to challenge the administrator's remuneration and expenses.

9.2 Within 21 days of receipt of a progress report a creditor may request the administrator to provide further information about the remuneration and expenses (other than pre administration costs) set out in the report. A request must be in writing, and may be made either by a secured creditor, or by an unsecured creditor with the concurrence of at least 5% in value of unsecured creditors (including himself) or the permission of the court.

9.3 The administrator must provide the requested information within 14 days, unless he considers that:

- the time and cost involved in preparing the information would be excessive, or
- disclosure would be prejudicial to the conduct of the administration or might be expected to lead to violence against any person, or
- the administrator is subject to an obligation of confidentiality in relation to the information requested, in which case he must give the reasons for not providing the information.

Any creditor may apply to the court within 21 days of the administrator's refusal to provide the requested information, or the expiry of the 14 days time limit for the provision of the information.

10. Provision of information - additional requirements

The administrator must provide certain information about time spent on a case, free of charge, upon request by any creditor, director or shareholder of the company. The information which must be provided is -

- the total number of hours spent on the case by the administrator or staff assigned to the case;
- for each grade of staff, the average hourly rate at which they are charged out;
- the number of hours spent by each grade of staff in the relevant period.

The period for which the information must be provided is the period from appointment to the end of the most recent period of six months reckoned from the date of the administrator's appointment, or where he has vacated office, the date that he vacated office.

The information must be provided within 28 days of receipt of the request by the administrator, and requests must be made within two years from vacation of office.

11 What if a creditor is dissatisfied?

11.1 If a creditor believes that the administrator's remuneration is too high, the basis is inappropriate, or the expenses incurred by the administrator are in all the circumstances excessive he may, provided certain conditions are met, apply to the court.

11.2 Application may be made to the court by any secured creditor, or by any unsecured creditor provided at least 10 per cent in value of unsecured creditors (including himself) agree, or he has the permission of the court. Any such application must be made within 8 weeks of the applicant receiving the administrator's progress report in which the charging of the remuneration or incurring of the expenses in question is first reported (see paragraph 8.1 above). If the court does not dismiss the application (which it may if it considers that insufficient cause is shown) the applicant must give the administrator a copy of the application and supporting evidence at least 14 days before the hearing.

11.3 If the court considers the application well founded, it may order that the remuneration be reduced, the basis be changed, or the expenses be disallowed or repaid. Unless the court orders otherwise, the costs of the application must be paid by the applicant and not as an expense of the administration.

12 What if the administrator is dissatisfied?

- 12.1 If the administrator considers that the remuneration fixed by the creditors' committee is insufficient or that the basis used to fix it is inappropriate he may request that the amount or rate be increased, or the basis changed, by resolution of the creditors. If he considers that the remuneration fixed by the committee or the creditors is insufficient or that the basis used to fix it is inappropriate, he may apply to the court for the amount or rate to be increased or the basis changed. If he decides to apply to the court he must give at least 14 days' notice to the members of the creditors' committee and the committee may nominate one or more of its members to appear or be represented on the application. If there is no committee, the administrator's notice of his application must be sent to such of the company's creditors as the court may direct, and they may nominate one or more of their number to appear or be represented. The court may order the costs to be paid as an expense of the administration.

13 Other matters relating to remuneration

- 13.1 Where there are joint administrators it is for them to agree between themselves how the remuneration payable should be apportioned. Any dispute arising between them may be referred to the court, the creditors' committee or convene a decision procedure meeting for creditors.
- 13.2 If the administrator is a solicitor and employs his own firm to act on behalf of the company, profit costs may not be paid unless authorised by the creditors' committee, the creditors or the court.
- 13.3 If a new administrator is appointed in place of another, any determination, resolution or court order which was in effect immediately before the replacement continues to have effect in relation to the remuneration of the new administrator until a further determination, resolution or court order is made.
- 13.4 Where the basis of the remuneration is a set amount, and the administrator ceases to act before the time has elapsed or the work has been completed for which the amount was set, application may be made for a determination of the amount that should be paid to the outgoing administrator. The application must be made to the same body as approved the remuneration. Where the outgoing administrator and the incoming administrator are from the same firm, they will usually agree the apportionment between them.

14. Effective date

This guide applies where a company enters administration on or after 1 October 2015 (Rev 03/2017).

Appendix

Suggested format for the provision of information

Professional guidance issued to insolvency practitioners sets out the following suggested format for the provision of information when seeking approval of remuneration. However, the level of disclosure suggested below may not be appropriate in all cases, and will be subject to considerations of proportionality. In larger or more complex cases the circumstances of each case may dictate the information provided and its format.

Narrative overview of the case

In all cases, reports on remuneration should provide a narrative overview of the case. Matters relevant to an overview are:

- the complexity of the case;
- any exceptional responsibility falling on the administrator;
- the administrator's effectiveness;
- the value and nature of the property in question.

The information provided will depend upon the basis or bases being sought or reported upon, and the stage at which it is being provided. An overview might include:

- an explanation of the nature, and the administrator's own initial assessment, of the assignment (including the anticipated return to creditors) and the outcome (if known);
- initial views on how the assignment was to be handled, including decisions on staffing or subcontracting and the appointment of advisers;
- any significant aspects of the case, particularly those that affect the remuneration and cost expended;
- the reasons for subsequent changes in strategy;
- the steps taken to establish the views of creditors, particularly in relation to agreeing the strategy for the assignment, budgeting, and fee drawing;
- any existing agreement about remuneration;
- details of how other professionals, including subcontractors, were chosen, how they were contracted to be paid, and what steps have been taken to review their fees;
- in a larger case, particularly if it involved trading, considerations about staffing and managing the assignment and how strategy was set and reviewed;
- details of work undertaken during the period;
- any additional value brought to the estate during the period, for which the administrator wishes to claim increased remuneration.

Time cost basis

Where any part of the remuneration is or is proposed to be calculated on a time costs basis, requests for and reports on remuneration should provide:

- An explanation of the administrator's time charging policy, clearly stating the units of time that have been used, the grades of staff and rates that have been charged to the assignment, and the policy for recovering the cost of support staff. There is an expectation that time will be recorded in units of not greater than 6 minutes.
- A description of work carried out, which might include:
 - □ details of work undertaken during the period, related to the table of time spent for the period;
 - □ an explanation of the grades of staff used to undertake the different tasks carried out and the reasons why it was appropriate for those grades to be used;
 - □ any comments on any figures in the summary of time spent accompanying the request the administrator wishes to make.
- Time spent and charge-out summaries, in an appropriate format. It is useful to provide time spent and charge-out value information in a tabular form for each of the time periods reported upon, with work classified (and sub-divided) in a way relevant to the circumstances of the case

The following areas of activity are suggested as a basis for the analysis of time spent:

- Administration and planning
- Investigations
- Realisation of assets
- Trading
- Creditors
- Any other case-specific matters

The following categories are suggested as a basis for analysis by grade of staff:

- Partner
- Manager
- Other senior professionals
- Assistants and support staff

The level of disclosure suggested above will not be appropriate in all cases, and considerations of proportionality will apply:

- where cumulative time costs are, and are expected to be, less than £10,000 the administrator should, as a minimum, state the number of hours and average rate per hour and explain any unusual features of the case;
- where cumulative time costs are, or are expected to be, between £10,000 and £50,000, a time and charge-out summary similar to that shown above will usually provide the appropriate level of detail (subject to the explanation of any unusual features);
- where cumulative time costs exceed, or are expected to exceed, £50,000, further and more detailed analysis or explanation will be warranted.