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55 Baker Street
London W1U 7EU

TO ALL KNOWN INVESTORS AND CREDITORS 26 November 2018

Email: investorcollateral@bdo.co.uk

Dear Sir(s)

Collateral (UK) Limited
Collateral Sales Limited
Collateral Security Trustee Limited – All in Administration

The following abbreviations are used from time to time throughout this report:

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

It is now six months since my appointment as Joint Administrator of the Companies. In accordance with Rule 18.6 of the Insolvency (England and Wales) Rules 2016 ("the Rules"), I am now reporting on the progress made in implementing the approved proposals and achieving the statutory purpose of the administrations for the period from 27 April 2018 to 26 October 2018 ("the Period").

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

1 Statutory information and background

The Joint Administrators are Shane Crooks (officeholder number: 15110) and Mark Shaw (officeholder number: 8893), both of BDO LLP, 55 Baker Street, London, W1U 7EU. We were appointed by the Manchester Business and Property Courts of the High Court ("the Court") on 27 April 2018.

Under the provisions of paragraph 100(2) of Schedule B1 to the Insolvency Act 1986, the Joint Administrators carry out their functions jointly and severally, meaning that any action can be done by one Joint Administrator or by both of them.

As detailed in the Joint Administrators' proposals dated 21 June 2018 ("the Proposals"), the directors attempted to place the Companies into administration on 28 February 2018. Mr Gordon Craig of Refresh Recovery Limited was purportedly appointed as administrator of 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 consent of the UK Financial Conduct Authority (the "FCA"). In the case of the Companies, the FCA's consent was neither sought nor provided in relation to the attempted appointment of Mr Craig.

Consequently, on 15 March 2018, the FCA made an application to the Court seeking (i) a declaration that the purported appointment of Mr Craig was invalid; and (ii) an order appointing me and Mark Shaw as Joint Administrators. On 27 April 2018, the Court made an order in those terms.

The administration proceedings are dealt with in the Court and the court case number is 2170 of 2018.

The Companies' registered office is now situated at 55 Baker Street, London, W1U 7EU and the registered numbers are 09314729, 10390419 and 10390795 for CUKL, CSL and CSTL respectively.

The Proposals contain a more detailed account of the background to the Companies, the reasons for their failure, and the steps taken by the Joint Administrators following their appointment, together with an initial analysis of the legal position of investors and the assets held by the Companies. However, investors and creditors are reminded that 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.

2 Receipts and payments

I enclose, for your information, a summary of the receipts and payments for the Period. For the purpose of this report, all receipts and payments have been consolidated and included on the summary of receipts and payments for CUKL, notwithstanding the fact that certain receipts and payments may relate to the realisation of assets held on trust by the Companies for investors (as set out in greater detail in Section 6 of the Proposals, and Section 7 below).

Most of the receipts and payments are self-explanatory, but I would specifically note two items: (i) during the Period, further receipts of c£139k have been realised from loan redemptions and the payment of interest by certain borrowers and (ii) the sum of £48,000 that has been received from Refresh Recovery. The latter represents the repayment of the pre-appointment fees previously paid by the Companies to Refresh Recovery, as required by the Court order appointing the Joint Administrators.

3 Professional costs in the administrations

I set out below a summary of the professional fees and other expenses which have been paid in the Period, the fees and expenses which have accrued but not yet paid and, where possible, an estimate of the future costs that are anticipated. The fees of the Joint Administrators are dealt with separately in section 9 below.

Professional fees and expenses	Accrued £	Paid £	Anticipated £
Osborne & Partners – public relations consultancy	£2,250	£2,250	No further costs anticipated at this time.
Stevens & Bolton LLP - solicitors	£65,967	Nil	Not possible to estimate at this time.
GVA & Gordon Brothers - agents and valuers' costs	£26,500	Nil	Not possible to estimate at this time.

During the Period, fees of £2,250 plus VAT were paid to Osborne & Partners who provided public relations advice in relation to the press and media enquiries received following the Joint Administrators' appointment. As press interest in the administrations has substantially reduced

over the Period, we do not presently envisage that any further material costs will be incurred in the future in relation to these services.

Stevens & Bolton LLP ("S&B") were engaged to provide legal advice in relation to the Joint Administrators' prospective appointment and to attend the Court hearings in Manchester. Costs of £8,159.61 plus VAT remain outstanding in relation to these pre-appointment fees and disbursements. S&B have also been engaged to provide legal advice to the Joint Administrators during the administrations, and fees of £65,967.37 plus VAT have accrued but not been paid in the Period. S&B's anticipated future costs cannot presently be estimated with any degree of accuracy as they will be dependent, to a very significant extent, on the amount of legal advice and assistance required to collect the outstanding loan books, and the nature of any specific advice required to deal with issues arising from the fact that the assets may be held on trust by the Companies.

GVA has been engaged to provide real estate advice to the Joint Administrators, and Gordon Brothers have been engaged to provide assistance in relation to the collection and valuation of chattel assets. Fees and costs accrued, but not paid, to date total £22,000 plus VAT and £4,500 plus VAT respectively. As with S&B, the quantum of the agents' anticipated future fees will depend on the amount of advice and assistance required in relation to the collection of the outstanding loan books, and in particular whether it will be necessary for the Companies to enforce their rights of security over the property assets.

4 Progress and future of the administrations

The events leading to the appointment of the Joint Administrators were outlined in the Proposals. The Joint Administrators continue to progress the administrations with a view to achieving the second and third statutory purpose of the administrations. For reference, (i) the second statutory purpose is to achieve 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), and (ii) the third statutory purpose is to realise property in order to make a distribution to one or more secured or preferential creditors. As stated in the Proposals, there are no secured creditors but there are preferential claims against CUKL and, accordingly, this objective is likely to be achieved. In this regard this objective overlaps, and is consistent, with the second statutory purpose of the administrations.

Our work during the Period has focussed on securing the assets held by the Companies, winding down the loan book and attempting to recover the books and records of the Companies, in particular the data that was previously stored on the Companies' electronic platform. I summarise below the further work that has been undertaken since the issue of the Proposals.

Electronic data and online platform

The Proposals highlighted the importance of the electronic data of the Companies, the difficulties experienced in obtaining and accessing the electronic information and the focus that was being placed by the Joint Administrators on recovering that information.

The Joint Administrators have been advised by the directors that the Companies' electronic data would include sufficient detail to enable the preparation of an analysis of each investor's investments into specific loans or tranches of loans. Obtaining this analysis is key, given the nature of the investors' 'trust' claims and the fact that, on the basis of the initial legal analysis, each investor may expect a different outcome depending on their own investment portfolio across the Collateral platform.

After identifying relevant third party IT service providers, we located the servers previously used by the Companies. Those servers have been secured, and the Joint Administrators have obtained a copy of the data held on the servers. It is clear that we have secured a significant volume of data, which includes numerous spreadsheets, databases and other documents. The files and documents are, however, not presently in a user-friendly format that is capable of allowing

efficient or effective recovery and manipulation; attempting to retrieve specific information from such a volume of files would be neither cost nor time effective.

Accordingly, the Joint Administrators have been taking steps to restore a 'front-end' interface that will allow the retrieval and manipulation of the data (with the objective of obtaining the detailed analysis of individual investor's investments so as to facilitate the distribution of the loan repayment proceeds). Various alternative solutions have been considered, including attempting to restore the original Collateral interface or creating a bespoke database that will allow the interrogation of the data. It has been necessary to consider the cost implications of each solution identified, together with the likelihood of success for each option. At the present time, we continue our efforts to engage with the Companies' previous IT consultant, together with BDO's own IT specialists, to create a front-end interface so that the information sought can be extracted. We will continue to liaise with the Committee in respect of this issue and will provide an update to all investors and creditors once such information becomes available.

The loan book

As reported in the Proposals, the Companies effectively operated two loan books. Given the issues with the Companies' records, all financial amounts stated in this report are based on the best information we have available at the time of writing, and may be subject to change. Recovery of the loan books remains a major work stream in the administrations, and the Joint Administrators will continue to liaise closely with the Creditors' Committee ("the Committee") in respect of the recovery strategy.

The first loan book contains loans secured by a first charge over property assets and, based on the information that was provided to the Joint Administrators, includes loans with an aggregate value of c£14.8m secured over assets with a book value in excess of £22m. There are 17 borrowers on the property loan book, some with multiple loans or loan tranches.

The second loan book relates to sale agency agreements and deeds of assignment that the Companies entered into with third parties, described as "chattel loans". The relevant chattels were usually precious stones and jewellery, and the "chattel loans" include agreements with an aggregate value of c£1.67m, secured over assets with a book value in excess of £2.4m.

All loans have now become due (or assignment agreements expired), with the last loans becoming due in November 2018. As set out in greater detail in the Proposals, following the commencement of the administrations we obtained details of the loan books from Mr Craig and third parties previously engaged by the Companies. This enabled us to calculate all amounts due, together with any applicable interest under the loan agreements, and we then contacted all borrowers seeking settlement of the outstanding amounts. As set out in the Proposals, it quickly became apparent that many of the borrowers would need to refinance the loans by obtaining new loans from other peer-to-peer lenders or alternative lenders. The challenges caused by this, coupled with the inability of the Companies to extend the loans as a result of the administrations, have impacted on many of the borrowers' ability to repay the loans on a timely basis.

In respect of the property loan book, we have engaged in discussions with a number of borrowers in relation to the outstanding amounts due. To date, two loans have been settled in full, together with applicable interest, as set out on the attached summary of receipts and payments. A number of further borrowers, who have advised that they are in the process of refinancing, have made payments on account of outstanding interest due.

Other property loan borrowers have sought to make offers in settlement of the outstanding amounts due. In order to be able to consider whether such offers represent the best possible outcome for investors and creditors, the Joint Administrators have instructed GVA to provide real estate advice in relation to the relevant properties over which loans are secured. In many cases, further information has been requested from the borrowers to enable GVA to confirm their advice. The Joint Administrators have also discussed a protocol with the Committee for dealing with any such offers of settlement.

Certain property loan borrowers have, to date, not engaged with the Joint Administrators. The Joint Administrators have sent formal notices both to these borrowers, and to certain other borrowers whose offers of settlement have been rejected, advising that all rights available under the security provided in respect of the loans are reserved, and that the Joint Administrators will take the most appropriate steps available to secure repayment of the outstanding loans. This may involve the appointment of receivers over, or otherwise taking possession of, the properties secured against the loan.

In relation to the chattel loan book, the relevant borrowers have all elected to return the assets secured by the sales agency agreements rather than make an offer of settlement. We have therefore instructed agents to facilitate the collection of the relevant chattels and to provide valuations of the assets. With the exception of two borrowers with whom a dialogue is ongoing, our agents have now collected all assets secured by the sales agency agreements.

Once the final valuations of these chattel assets have been received, we will liaise with our agents to ensure that the assets are realised in an effective and value-efficient manner. As part of this, our agents will dispose of the various chattel assets that have already been secured in the Companies' safe deposit box (as detailed in the Proposals).

Due to commercial considerations, and to protect the interests of investors, creditors and the Companies, we do not provide further details of the negotiations and enforcement action being taken in relation to each loan in this report. I can confirm, however, that the Joint Administrators are liaising closely with the Committee throughout this process as well as taking legal advice as and when appropriate.

The Companies' bank accounts

As noted in the Proposals, the Joint Administrators took steps to secure the Companies' bank accounts immediately upon their appointment, and balances of £383,243.54 and £429,307.30 were held in the CUKL office and client accounts respectively. As previously reported, there is a discrepancy between the balance held in the client account and the balance according to the very limited accounting information currently available to the Joint Administrators. This discrepancy, and the investors' and creditors' rights in relation to the bank accounts, are still being investigated. These investigations will likely be assisted once the Joint Administrators have access to the electronic data mentioned above.

Communication with stakeholders

Investors and creditors will recall that the Joint Administrators have set up a dedicated website that provides information to 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 appropriate updates to stakeholders on the progress of the administrations. Frequently asked questions ("FAQs") have been uploaded to the website address 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.

The Joint Administrators continue to hold periodic calls with the FCA to keep it updated of the progress in the administrations.

Creditors' Committee

Following the circulation of the Proposals on 21 June 2018, investors and creditors resolved that a Creditors' Committee be formed (ie, the Committee).

A Creditors' Committee must comprise between three and five members. As the nominations received by the Joint Administrators substantially exceeded the maximum number of members, the Joint Administrators reverted to the general body of investors and creditors to determine the membership of the Committee by what is known as a "decision procedure by correspondence". Following this, five investors were elected to serve as members the Committee, and notice of the Committee's establishment was sent to all investors and creditors on 22 August 2018.

The purpose of the Committee is to represent the interests of investors and creditors as a whole, rather than just the interests of its individual members. The role of the Committee is to assist the Joint Administrators in discharging their functions and obligations, and includes liaising with the Joint Administrators in relation to matters of strategy, determining the basis and level of the Joint Administrators' fees, and generally acting as a sounding board for the Joint Administrators to obtain views on matters pertaining to the administrations.

The Joint Administrators met with the Committee on 26 September 2018 and provided a detailed update on the progress of the administrations. Due to the detailed, commercially sensitive and confidential information that was provided to members of the Committee, the Joint Administrators had asked Committee members to sign a non-disclosure agreement in advance of the constitution of the Committee. This is a common approach in such circumstances. A second meeting of the Committee has now been scheduled for the second week of December 2018. The Joint Administrators will continue to liaise closely with the Committee going forward as appropriate to the issues which arise.

5 Investigations

The Joint Administrators will 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' respective 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. The Joint Administrators submitted their report to the Secretary of State within three months of their appointments, in accordance with their statutory obligations.

Whilst the focus of the Administrations to date has been on dealing with the loan books and restoring the Companies' electronic data, the Joint Administrators continue in parallel their investigations into the affairs of the Companies and the reasons for their failure.

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.

6 Extension of administrations

The administration order as made by the Court for the Companies is due automatically to expire on 27 April 2019, unless extended by approval of the investors/creditors or the Court.

The Joint Administrators previously proposed that they exit the administrations by way of Creditors' Voluntary Liquidation, and that Shane Crooks & Mark Shaw will be the Joint Liquidators, acting jointly and severally. This proposal was deemed to be approved by investors and creditors on 5 July 2018.

Based on current information, the Joint Administrators do not consider that it will be necessary to extend the administrations and, therefore, envisage being appointed Joint Liquidators of the Companies on or before 27 April 2019.

7 Prospects for investors and creditors

Secured creditors

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

Preferential creditors

Certain amounts due to former employees in respect of arrears of wages and accrued holiday pay at the date of the administrations will be classed as preferential claims.

The directors have advised the Joint Administrators that staff were paid up to 28 February 2018. The Joint Administrators wrote to the former employees to establish whether there were any amounts due to them in respect of accrued holiday or notice pay. To date, former employees of CUKL have claimed c£6.2k in respect of accrued holiday and payment in lieu of notice. The Government's Redundancy Payments Service has paid c£5.9k of that amount and the balance will be a direct claim against CUKL, ultimately to be dealt in the liquidation when it takes place. Approximately £1.2k of the amounts claimed by former employees will be a preferential claim in the administration of CUKL.

Claims of unsecured creditors and investors

As outlined in greater detail in the Proposals, the Joint Administrators' preliminary view, having sought legal advice on this point, is that any client monies and assets may be held on trust for investors pursuant to the FCA Client Assets Sourcebook ("CASS") Rules. This analysis may be supported by the 'Terms & Conditions' documents that the Joint Administrators have seen, which implied that the assets were 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.

For investors to pursue trust claims against these assets, 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 previously reported, the information recovered from Mr Craig does not contain a detailed analysis of each investor's investment(s) and, as outlined above, this is currently the focus of our work in relation to the electronic data recovered from the Companies' servers. Obtaining such an analysis may provide the level of detailed information that is required 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.

Additionally, the initial view is that investors can also 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. As a consequence, in addition to their 'trust' claims, investors may have a claim as unsecured creditors against the Companies in respect of any shortfall arising from their trust claims.

The practical implication of the above analysis is that the Joint Administrators will not be able to estimate the level of investor or creditor claims until such time as the relevant trust assets have been determined and realised, and the level of any shortfall claims identified.

In addition to the claims of investors, to date the Joint Administrators have received two claims from unsecured creditors totalling c£708,000, which we are in the process of reviewing. Where appropriate, the Joint Administrators have asked for additional information or documentation to substantiate claims.

Prescribed part

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

Estimated outcomes for investors and creditors

At the present time, and for the reasons set out in further detail in this report and in the Proposals, it is not possible to estimate the likely returns either to investors and creditors. This will depend, to a very significant extent, on the quality of the loan books and the amount of effort required to obtain settlement (including potentially taking legal action against borrowers in default), together with the extent to which the Companies' records can be recreated to provide the necessary analysis of each investor's exposure to specific loans to determine the nature and quantum of any trust claims.

However, as noted in the Proposals, the estimated aggregated claims of investors and creditors exceed the book value of the assets held by the Companies (including assets which may be held on trust). Therefore, even before taking account of any potential asset write-downs and the costs of the administrations, it appears very likely that not all investors and creditors will recover their entire exposure to the Companies and the Collateral lending platform (albeit it is possible that some investors could recover their investment in full, and others may not, depending on the recoveries from the specific loans that they have invested into).

We will provide further updates to investors and creditors in due course, mindful of the sensitive nature of the information as regards the likely realisations from the loan book. In the meantime, the Joint Administrators will continue to liaise closely with the Committee on this issue.

8 Pre-administration costs

As previously reported, BDO LLP incurred certain costs in preparing and planning for the administration appointments. 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.

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 2018 and 27 April 2018, liaising with the FCA and legal advisors, and preparing and planning the Joint Administrators' indicative strategy in respect of the proposed appointments.

The table below summarises the time spent prior to the Joint Administrators' formal appointments, which has been split equally between the Companies for administrative ease (further details in respect of these fees can be found in the Proposals):

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

No payments have yet been drawn in relation to pre-appointment fees and the Joint Administrators are liaising with the Committee in relation to approval of these fees, including as to the appropriate allocation between each of the Companies.

9 Joint Administrators' remuneration

The Joint Administrators are obliged to fix their remuneration in accordance with Rule 18.16. This permits remuneration to be fixed either as (i) a percentage of the assets realised and distributed; (ii) by reference to the time the Joint Administrators and their staff have spent attending to matters in the administrations; or (iii) as a set amount. Remuneration may be fixed on one or a combination of any of these bases.

As previously reported in the Proposals, the issue of the Joint Administrators' remuneration is complicated by the nature of the Companies' assets and the fact that the Joint Administrators consider they may well be dealing with both 'trust' assets and 'company' assets. As set out in greater detail in the Proposals, the Joint Administrators have therefore established an internal time recording protocol to split time charged to this assignment between specific or general trust assets and non-trust, or company, assets. In relation to non-trust assets, such time is also split between the Companies.

Schedules summarising the time that has been spent in dealing with each of the administrations in the Period are attached to this report. As set out in the Proposals, the charge out rates for all BDO partners and staff working on the administrations have been discounted to the rates agreed with the FCA prior to the Joint Administrators' appointment. The analysis splits the time spent dealing with assets potentially subject to trusts from that spent dealing with what may be the Companies' own assets, or other issues. Due to the inter-linked nature of the Companies' affairs, and pending certainty over the Companies' financial positions, you will note that the 'non-trust' costs have at this stage been allocated evenly across the Companies.

We will keep under review the appropriate allocation of costs across the Companies as further information/analysis comes to light.

You will note that total time costs for the period total £349,314.30 as per the detailed breakdown provided in the schedules at the end of this report. The Joint Administrators' are liaising with the Committee in relation to the approval of these fees.

Also attached to this report is the original Fee Estimate (as included in the Proposals), annotated with a column showing the time costs accrued in respect of each activity to date. For guidance, I also enclose 'A Creditors' Guide to Administrators fees', together with a document that outlines the policy of BDO LLP in respect of fees and disbursements.

10 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. Category 1 disbursements of c£3,227 have accrued in the Period and are summarised in the table below. To date, no disbursements have been drawn:

	CUKL £	CSTL £	CSL £
Bonding	200.00	200.00	200.00
Staff travel & accommodation	2,344.37		
Statutory advertising	52.67	52.66	52.66
Staff expense	124.99		
Total	**2,722.03**	**252.66**	**252.66**

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

11 Creditor rights and enquiries

Investors and creditors with the concurrence of at least 5% in value of the claims of investors and unsecured creditors may within 21 days of this report request in writing further information regarding the remuneration and expenses set out in this report. In accordance with Rule 18.9(3) of the Rules, within 14 days of a request we will provide further information or explain why further information is not being provided. Investors and creditors may access information setting out creditors' rights in respect of the approval of an administrator's remuneration at https://www.r3.org.uk/what-we-do/publications/professional/fees.

Investors and creditors with the concurrence of at least 10% in value of the claims of investors and creditors may apply to the Court if they consider that the remuneration of the Joint Administrators, or the basis fixed for the remuneration of the Joint Administrators or expenses charged by the Joint Administrators are excessive (Rule 18.34 of the Rules). Such an application must be made within 8 weeks of receiving this report.

The texts of Rules 18.9 and 18.34 are set out at the end of this report.

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

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

The Insolvency Service has established a central gateway for considering complaints in respect of insolvency practitioners. In the event that you make a complaint to me but are not satisfied with 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.

If you require any further information in relation to this report, please contact investorcollateral@bdo.co.uk.

Yours faithfully
For and on behalf of
The Companies

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

Enclosures:

Receipts & Payments Accounts
Detailed Time Costs for the Period & Administrations
Pre-Appointment Time Costs Summary
Fee Estimate to Accrued Time Comparison
BDO LLP in respect of Fees & Disbursement.
Statement of Creditors' Rights in respect of Fees and Disbursements

Collateral UK Limited - in Administration

Summary of receipts and payments for the period 27 April 2018 to 26 October 2018

	27 April 2018 to 21 June 2018	Period since Joint Administrators' Proposals - 22 June 2018 to 26 October 2018	Total
Receipts	£	£	£
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	210,000.00	105,000.00	315,000.00
Interest on Loans	2,175.00	33,556.50	35,731.50
Bank Interest	7.10	173.13	180.23
	1,072,732.94	138,729.63	1,211,462.57
Payments			
Professional Fees	-	2,250.00	2,250.00
Insurance	-	2,642.04	2,642.04
Bank Charges	-	9.00	9.00
Input VAT		450.00	450.00
	-	5,351.04	5,351.04
Balance in hand			1,206,111.53
			1,211,462.57

BDO LLP
55 Baker Street
London
W1U 7EU

Shane Crooks
Joint Administrator
26 November 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 and payments have been consolidated and included on the summary of receipts and payments for CUKL, notwithstanding that is is recognised that certain of these receipts and payments will relate to the realisation of trust assets.

Collateral UK Limited - All in Administration

Joint Administrators' time spent dealing with non-trust matters

Summary of Time Charged and Rates Applicable for the Period From 27 April 2018 to 26 October 2018

Description	PARTNER		MANAGER		EXECUTIVE		OTHER STAFF		GRAND TOTAL		AV RATE
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£	£
Steps on Appointment including initial preparation of statutory documentation and establishing control.			1.35	394.92	18.32	3,626.48	3.55	233.91	23.22	4,255.31	183.29
General Administration, including investigations, liasing with lawyers and the FCA, cashiering, planning and strategy.	4.25	2,550.00	12.65	4,129.57	10.74	2,156.81	4.85	377.37	32.49	9,213.75	283.57
Employee Matters			0.25	41.75	0.33	67.00	2.77	237.90	3.35	346.65	103.48
Creditor & Investor Claims and Queries	0.50	300.00	1.83	585.83	10.04	2,016.11	7.07	442.83	19.44	3,344.78	172.04
Reporting, including preparation of the Joint Administrators' Proposals, maintenance of dedicated webpage and FAQ's.	8.33	2,356.88	8.63	2,560.00	13.33	2,680.00			30.30	7,596.88	250.72
Establishment of, and reporting to, the Creditors' Committee	8.50	5,100.00	8.78	2,926.85	31.29	6,289.63			48.58	14,316.48	294.73
	21.58	10,306.88	33.50	10,638.92	84.06	16,836.03	18.23	1,292.02			

Net Total	157.38	39,073.84	248.28
Other Disbursements		2,722.03	
Billed		0.00	
Grand Total		41,795.87	

Collateral Sales Limited - All in Administration

Joint Administrators' time spent dealing with non-trust matters

Summary of Time Charged and Rates Applicable for the Period From 27 April 2018 to 26 October 2018

Description	PARTNER		MANAGER		EXECUTIVE		OTHER STAFF		GRAND TOTAL		AV RATE
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£	£
Steps on Appointment including initial preparation of statutory documentation and establishing control.			1.35	394.92	18.32	3,626.48	3.55	233.91	23.22	4,255.31	183.29
General Administration, including investigations, liasing with lawyers and the FCA, cashiering, planning and strategy.	4.25	2,550.00	12.65	4,129.57	10.74	2,156.81	4.85	377.37	32.49	9,213.75	283.57
Employee Matters			0.25	41.75	0.33	67.00	2.77	237.90	3.35	346.65	103.48
Creditor & Investor Claims and Queries	0.50	300.00	1.83	585.83	10.04	2,016.11	7.07	442.83	19.44	3,344.78	172.04
Reporting, including preparation of the Joint Administrators' Proposals, maintenance of dedicated webpage and FAQ's.	8.33	2,356.88	8.63	2,560.00	13.33	2,680.00			30.30	7,596.88	250.72
Establishment of, and reporting to, the Creditors' Committee	8.50	5,100.00	8.78	2,926.85	31.29	6,289.63			48.58	14,316.48	294.73
	21.58	10,306.88	33.50	10,638.92	84.06	16,836.03	18.23	1,292.02			

Net Total	157.38	39,073.84	248.28
Other Disbursements		252.66	
		.	
Billed		0.00	
Grand Total		39,326.50	

Collateral Security Trustee Limited - All in Administration

Joint Administrators' time spent dealing with non-trust matters

Summary of Time Charged and Rates Applicable for the Period From 27 April 2018 to 26 October 2018

Description	PARTNER		MANAGER		EXECUTIVE		OTHER STAFF		GRAND TOTAL		AV RATE
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£	£
Steps on Appointment including initial preparation of statutory documentation and establishing control.			1.35	394.92	18.32	3,626.48	3.55	233.91	23.22	4,255.31	183.29
General Administration, including investigations, liasing with lawyers and the FCA, cashiering, planning and strategy.	4.25	2,550.00	12.65	4,129.57	10.74	2,156.81	4.85	377.37	32.49	9,213.75	283.57
Employee Matters			0.25	41.75	0.33	67.00	2.77	237.90	3.35	346.65	103.48
Creditor & Investor Claims and Queries	0.50	300.00	1.83	585.83	10.04	2,016.11	7.07	442.83	19.44	3,344.78	172.04
Reporting, including preparation of the Joint Administrators' Proposals, maintenance of dedicated webpage and FAQ's.	8.33	2,356.88	8.63	2,560.00	13.33	2,680.00			30.30	7,596.88	250.72
Establishment of, and reporting to, the Creditors' Committee	8.50	5,100.00	8.78	2,926.85	31.29	6,289.63			48.58	14,316.48	294.73
	21.58	10,306.88	33.50	10,638.92	84.06	16,836.03	18.23	1,292.02			

Net Total	157.38	39,073.84	248.28
Other Disbursements		252.66	
Billed		0.00	
Grand Total		39,326.50	

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

Joint Administrators' time spent dealing with trust asset matters

Summary of Time Charged and Rates Applicable for the Period From 27 April 2018 to 26 October 2018

Description	PARTNER		DIRECTOR		MANAGER		EXECUTIVE		GRAND TOTAL		AV RATE
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£	£
IT platform specific work	10.75	6,450.00	63.75	20,081.25	38.28	15,194.08	84.04	16,899.99	196.81	58,625.32	297.87
General administration, including liasing with lawyers, meetings and correspondence with Mr Craig and the Directors	35.75	22,050.00			38.98	13,131.68	40.13	8,053.09	114.85	43,234.76	376.45
Assets Realisation/Dealing (i.e dealing with realisation of loan books)	40.25	24,150.00	5.00	2,367.00	107.50	35,782.70	45.05	9,055.05	197.80	71,354.75	360.74
Time attributed to specific trust assets.	29.00	18,000.00			116.15	38,677.95	11.75	2,200.00	156.90	58,877.95	375.26
	115.75	70,650.00	68.75	22,448.25	300.90	102,786.40	180.96	36,208.13			

Net Total	666.36	232,092.78	348.30
Other Disbursements		0.00	
Billed		0.00	
Grand Total		232,092.78	

Collateral (UK) Limited
Collateral Sales Limited
Collateral Security Trustee Limited – All in Administration

Fees Estimate to Accrued Time Comparison

Below is the original Fees Estimate as attached to the Joint Administrators' Proposals, annotated with a column showing the time costs accrued to date in respect of each activity.

Given the interdependence between the Companies' affairs, the Fees Estimate has been produced on a consolidated basis.

Fees Estimate as at 21 June 2018 compared to accrued time to 26 October 2018

Joint Administrator's Fees	Total Hours	Blended Rate £	Estimated Fee £	Accrued Time £
Summary Activity				
A. Pre Appointment Matters	84.51	431.47	36,463.23	36,463.23
TOTAL			**36,463.23**	**36,463.23**
B. Steps on Appointment	91.33	186.32	17,016.00	12,765.90
C. Planning and Strategy	130.00	405.46	52,710.00	
D. General Administration	235.00	188.94	44,400.00	70,876.01[1]
E. Assets Realisation/Dealing	750.00	360.47	270,350.00	188,858.02
G. Employee Matters	17.00	247.35	4,025.00	1,039.95
H. Creditor Claims	300.00	331.82	99,545.00	10,034.34
I. Reporting[2]	175.00	257.43	45,050.00	65,740.08
TOTAL			**533,276.00**	**349,314.30**
Expenses Estimate				
Category 1 Disbursements			5,000	3,227
Category 2 Disbursements			Nil	Nil
Agent's and Valuers' Costs			30,000	28,750
Solicitors' Costs			125,000	65,967

The fees that have accrued to date are currently within the level of the Fee Estimate.

Notes:
1. Includes time spent on planning and Strategy.
2. Includes time spent liaising with and reporting to the Committee.

Detail of work undertaken

This note should be read in conjunction with the main body of the report, which details the key work streams during the Period. Please also note the detailed time analyses, also attached to the report, which provide further detail of the time charged by each fee earner on each work stream.

As analysed in this report, our work during the Period has focussed on securing assets, winding down the loan book and attempting to recover the books and records of the Companies, in particular the data that was previously stored on the Companies' electronic platform.

It has been necessary for the Joint Administrators to liaise closely with their agents and legal advisors in relation to issues arising from the wind down of the loan book and the legal position of investors and creditors and their claims to the assets held by the Companies. The Joint Administrators consider that significant further advice will likely be required given the nature of the issues that are being dealt with in the administrations.

During the Period, the Joint Administrators have also spent significant time dealing with the election and constitution of the Committee and liaising with the same. The Joint Administrators will continue to liaise closely as appropriate with the Committee as the administrations progress.

As set out in the report, the Joint Administrators will liaise with the Committee in relation to all aspects pertaining to their remuneration.

Collateral (UK) Limited
Collateral Sales Limited
Collateral Security Trustee Limited – All 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 by between 10% and 20%, depending on grade.

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
26 November 2018

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

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

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

(a) a secured creditor;

(b) an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors (including the creditor in question);

(c) members of the Companies in a members' voluntary winding up with at least 5% of the total voting rights of all the members having the right to vote at general meetings of the Companies;

(d) any unsecured creditor with the permission of the court; or

(e) any member of the Companies in a members' voluntary winding up with the permission of the court.

(2) A request, or an application to the court for permission, by such a person or persons must be made or filed with the court (as applicable) within 21 days of receipt of the report by the person, or by the last of them in the case of an application by more than one member or creditor.

(3) The office-holder must, within 14 days of receipt of such a request respond to the person or persons who requested the information by—

(a) providing all of the information requested;

(b) providing some of the information requested; or

(c) declining to provide the information requested.

(4) The office-holder may respond by providing only some of the information requested or decline to provide the information if—

(a) the time or cost of preparation of the information would be excessive; or

(b) disclosure of the information would be prejudicial to the conduct of the proceedings;

(c) disclosure of the information might reasonably be expected to lead to violence against any person; or

(d) the office-holder is subject to an obligation of confidentiality in relation to the information.

(5) An office-holder who does not provide all the information or declines to provide the information must inform the person or persons who requested the information of the reasons for so doing.

(6) A creditor, and a member of the Companies in a members' voluntary winding up, who need not be the same as the creditor or members who requested the information, may apply to the court within 21 days of—

(a) the office-holder giving reasons for not providing all of the information requested; or

(b) the expiry of the 14 days within which an office-holder must respond to a request.

(7) The court may make such order as it thinks just on an application under paragraph (6).

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

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

(a) the remuneration charged by the office-holder is in all the circumstances excessive;

(b) the basis fixed for the office-holder's remuneration under rules 18.16, 18.18, 18.19, 18.20 and 18.21 (as applicable) is inappropriate; or

(c) the expenses incurred by the office-holder are in all the circumstances excessive.

(2) The following may make such an application for one or more of the orders set out in rule 18.36 or 18.37 as applicable—

(a) a secured creditor,

(b) an unsecured creditor with either—

(i) the concurrence of at least 10% in value of the unsecured creditors (including that creditor), or

(ii) the permission of the court, or

(c) in a members' voluntary winding up—

(i) members of the Companies with at least 10% of the total voting rights of all the members having the right to vote at general meetings of the Companies, or

(ii) a member of the Companies with the permission of the court.

(3) The application by a creditor or member must be made no later than eight weeks after receipt by the applicant of the progress report under rule 18.3, or final report or account under rule 18.14 which first reports the charging of the remuneration or the incurring of the expenses in question ("the relevant report").

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

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

(2) Where the court has given permission, it must fix a venue for the application to be heard.

(3) The applicant must, at least 14 days before the hearing, deliver to the office-holder a notice stating the venue and accompanied by a copy of the application and of any evidence on which the applicant intends to rely.

(4) If the court considers the application to be well-founded, it must make one or more of the following orders—

(a) an order reducing the amount of remuneration which the office-holder is entitled to charge;

(b) an order reducing any fixed rate or amount;

(c) an order changing the basis of remuneration;

(d) an order that some or all of the remuneration or expenses in question is not to be treated as expenses of the administration, winding up or bankruptcy;

(e) an order for the payment of the amount of the excess of remuneration or expenses or such part of the excess as the court may specify by —

(i) the administrator or liquidator or the administrator's or liquidator's personal representative to the Companies, or

(ii) the trustee or the trustee's personal representative to such person as the court may specify as property comprised in the bankrupt's estate;

(f) any other order that it thinks just.

(5) An order under paragraph (4)(b) or (c) may only be made in respect of periods after the period covered by the relevant report.

(6) Unless the court orders otherwise the costs of the application must be paid by the applicant, and are not payable as an expense of the administration, winding up or bankruptcy.

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

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

(2) Unless the application is dismissed, the court must fix a venue for it to be heard.

(3) The applicant must, at least 14 days before any hearing, deliver to the office-holder a notice stating the venue with a copy of the application and of any evidence on which the applicant intends to rely.

(4) If the court considers the application to be well-founded, it must make one or more of the following orders—

(a) an order reducing the amount of remuneration which the office-holder is entitled to charge;

(b) an order reducing any fixed rate or amount;

(c) an order changing the basis of remuneration;

(d) an order that some or all of the remuneration or expenses in question be treated as not being expenses of the administration or winding up or bankruptcy;

(e) an order for the payment of the amount of the excess of remuneration or expenses or such part of the excess as the court may specify by —

(i) the administrator or liquidator or the administrator's or liquidator's personal representative to the Companies, or

(ii) the trustee or the trustee's personal representative to such person as the court may specify as property comprised in the bankrupt's estate;

(f) any other order that it thinks just.

(5) An order under paragraph (4)(b) or (c) may only be made in respect of periods after the period covered by the relevant report.

(6) Unless the court orders otherwise the costs of the application must be paid by the applicant, and are not payable as an expense of the administration or as winding up or bankruptcy.