



**Wealthtek Limited Liability Partnership
In Investment Bank Special Administration**
(trading as WealthTek, Vertem Asset Management and Malloch Melville)

In the High Court of Justice No. CR-2023-001772

Joint Special Administrators' progress report
from 6 April 2023 to 5 October 2023



IDEAS | PEOPLE | TRUST



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GLOSSARY OF TERMS

Abbreviation or term	Meaning
'Act'	Insolvency Act 1986
'Authorities'	The Bank of England, the Treasury and the FCA, collectively
'Bar Date'	A deadline for Clients to submit their claims in respect of Client Money and/or Custody Assets
'CASS'	The FCA's Client Assets Sourcebook
'CASS 7'	Chapter 7 (client money rules) of CASS
'CASS 7A'	Chapter 7A (client money distribution and transfer) of CASS
'Client'	A party for whom the LLP held either Client Money and/or Custody Assets (i.e. Client Assets)
'Client Asset Reconciliation'	A reconciliation conducted by the JSAs to confirm the Client Assets held by the LLP on behalf of its Clients and the claims of Clients against those Client Assets
'Client Asset Statement'	The statement that each Client will receive from the JSAs (in advance of the Bar Date), detailing their entitlement to Client Assets, according to the LLP's records as at 6 April 2023
'Client Assets'	Client Money and Custody Assets, collectively
'Client Money'	Money that the LLP has received, held and/or treated as client money in accordance with the Client Money Rules
'Client Money Rules'	CASS 7 and CASS 7A
'Client Statement'	The statement each Client previously received from the JSAs together with notice of the Proposals and the Initial Meeting, detailing their entitlement to Client Assets, according to the LLP's records as at 6 April 2023
'Clients' and Creditors' Committee' or 'Committee'	The committee established to represent the interests of all Clients and Creditors and assist the JSAs in the making of certain decisions, representing the whole Client and Creditor body
'CMP'	The Client Money Pool, being the pool of Client Money held on trust by the LLP in accordance with the Client Money Rules, pooled in accordance with those rules for the purpose of distributing Client Money
'Court'	The High Court of Justice, Business and Property Courts of England & Wales
'Creditor'	Any party who is owed monies by the LLP, including Trade Creditors and Clients with a Client Money and/or Custody Asset shortfall and Secured, Preferential, Secondary Preferential and ordinary Unsecured Creditors

'Custody Assets'	Securities (including stocks, shares and other investments) held for and on behalf of the Clients by the LLP and or WT Nominees as at the date of the JSAs' appointment
'Designated Members'	The LLP's designated members, being Mr Dance and WealthTek Capital Limited
'Distribution Plan'	A distribution plan under Chapter 3 of the Rules which sets out how Client Assets will be returned to Clients and how the costs of the Special Administration will be allocated
'Estate'	The LLP's assets and liabilities generally, excluding Client Assets
'Estate Assets'	Assets belonging to the LLP that will be realised for the benefit of Creditors, subject to the deduction of applicable costs and expenses, but which are not Client Assets
'FCA'	Financial Conduct Authority
'FSCS'	Financial Services Compensation Scheme
'FSMA'	Financial Services and Markets Act 2000
'HMRC'	HM Revenue & Customs
'Initial Meeting'	Meeting of Clients and Creditors to consider and approve the JSAs' Proposals which was held at 14:00 hours on Wednesday 14 June 2023 at The Met Hotel, King Street, Leeds LS1 2HQ
'Intermediaries'	Individuals and/or corporate entities who have introduced Clients to the LLP
'Investment Bank'	An entity incorporated in the United Kingdom, which has permissions under FSMA to carry out certain regulated activities and holds Client Assets
'IPS'	The JSAs' electronic case management database known as Insolvency Practitioner System
'JIMs'	Shane Crooks, Mark Shaw and Emma Sayers, the former Joint Interim Managers appointed on 4 April 2023, until they were then appointed as JSAs on 6 April 2023
'JSAs' or 'we'	Shane Crooks, Mark Shaw and Emma Sayers
'Landlord'	Moffet Limited
'LSE'	London Stock Exchange
'Mr Dance'	Jonathan/John Edward Dance
'Ms O'Sullivan'	Catherine O'Sullivan
'Net Property'	Floating charge realisations after costs and payment of preferential and secondary preferential creditors in full

'NRF'	Norton Rose Fulbright LLP, the solicitors instructed to advise the JSAs in that capacity
'Objectives'	The three statutory objectives set out in regulation 10(1) of the Regulations, namely Objective One, Objective Two and Objective Three
'Objective One'	To ensure the return of client assets as soon as is reasonably practicable
'Objective Two'	To ensure timely engagement with market infrastructure bodies and the Authorities pursuant to regulation 13 of the Regulations
'Objective Three'	To either - <ul style="list-style-type: none"> (i) Rescue the Investment Bank as a going concern, or (ii) Wind it up in the best interest of the creditors
'Period'	6 April 2023 to 5 October 2023
'Platform'	The LLP's electronic database used by Clients and Intermediaries known as WIN and/or Portfolio, developed in conjunction with Contemi Solutions (London) Limited
'Portal'	BDO's online portal for Clients and Creditors, at brportal.bdo.co.uk
'Portfolio Account'	Each Client's online account, hosted on the Platform, which prior to Special Administration (and still presently) are accessible by the Client and the Intermediary
'Post-appointment Client Money'	Client Money received after the PPE, to be held separately from the CMP and distributed in accordance with the Client Money Rules
'PPE'	Primary pooling event as defined under CASS 7A, resulting in the formation of the CMP on the date the LLP entered Special Administration
'preferential creditors'	Claims for unpaid wages earned in the four months prior to the LLP entering Special Administration up to £800, holiday pay and unpaid pension contributions in certain circumstances. Where a decision is being sought from preferential creditors these will include Secondary Preferential Creditors
'Premises'	The property known as Cobalt 8, 14 Silver Fox Way, Cobalt Business Park, Newcastle Upon Tyne NE27 0QJ
'Prescribed Part'	Where a body corporate has granted a floating charge, under Section 176A of the Act a proportion of the net property available to a QFCH is set aside for the unsecured creditors of that body corporate
'QFCH'	The holder of a qualifying floating charge
'Proposals'	The JSAs' statement of proposals for achieving the purpose of the Special Administration, dated 30 May 2023
'Redundancy Payments Service' or 'RPS'	A government department that pays outstanding entitlements to employees (up to certain statutory limits) in the event their employer is insolvent
'Regulations'	Investment Bank Special Administration Regulations 2011

'Rules'	Investment Bank Special Administration (England and Wales) Rules 2011
'Secondary Preferential Creditors'	Where a body corporate enters into Special Administration on or after 1 December 2020, claims for unpaid VAT, PAYE deductions, Employee National Insurance Contributions (NICs) deductions, student loan repayment deductions and amounts withheld under the construction industry scheme
'Secured Creditors'	Creditors whose debt is secured, in accordance with Section 248 of the Act
'Special Administration'	Investment Bank Special Administration, an insolvency process under the Regulations - which the LLP entered on 6 April 2023
'Special Administration Order'	Order of the High Court made on 6 April 2023 with effect from 12:45 hours, placing the LLP into Special Administration and appointing the JSAs as special administrators
'the LLP'	WealthTek Limited Liability Partnership Trading As: WealthTek, Vertem Asset Management and Malloch Melville
'the Report'	This report, prepared and sent in accordance with Rules 122 and 123 of the Rules
'Trade Creditors'	Any party who is not a Client that is owed an amount by the LLP, including Preferential, Secondary Preferential and Unsecured Creditors
'Unsecured Creditors'	Creditors who are neither secured nor preferential
'WT Nominees'	WealthTek Nominees Limited

1. KEY INFORMATION

1.1. Background

The LLP is an FCA authorised and regulated wealth management firm. It provided discretionary management, advisory and execution only services to retail clients either directly or via Intermediaries.

The FCA made an application to Court to appoint the JSAs in order to protect the interests of the LLP's Clients and Creditors, following the FCA becoming aware of regulatory and operational issues relating to the LLP.

Prior to their appointment as JSAs, at the initial hearing of the FCA's application to place the LLP into Special Administration on 4 April 2023, Shane Crooks, Mark Shaw and Emma Sayers were appointed as JIMs by the Court. The Court adjourned the FCA's application until 6 April 2023.

Shane Crooks, Mark Shaw and Emma Sayers were subsequently appointed as JSAs of the LLP on 6 April 2023 by order of the Court following an application by the FCA.

The affairs, business and property of the LLP are being managed by the JSAs, who act as agents of the LLP and without personal liability.

Under the provisions of paragraph 100(2) of Schedule B1 to the Act (as amended), and as applied by Regulation 15 of the Regulations, the JSAs carry out their functions jointly and severally (meaning any action can be done by one or more of the JSAs).

1.2. Purpose of the Report

This is the six-month progress report for the period from 6 April 2023 to 5 October 2023. The Report contains a significant amount of information, in order to comply with the statutory requirements set out in the Rules.

The main purpose of the Report is to provide Clients and Creditors with an update on the progress of the Special Administration during the Period, including progress made by the JSAs in pursuing the Objectives of the Special Administration.

This introductory section seeks to provide a summary of the key matters that have been progressed during the Period, and which are outlined in further detail in the subsequent sections of the Report.

We would encourage the reader to review this Report in conjunction with all other reports and updates (in particular, the JSAs' Proposals) regarding the Special Administration. These are available on the brportal.bdo.co.uk portal or through the JSAs' website www.bdo.co.uk/en-gb/insights/advisory/business-restructuring/wealthtek-administration.

1.3. Summary of actions taken to date

On 4 April 2023, the FCA imposed requirements on the LLP to immediately cease all regulated activities for which it had Part 4A FSMA permissions. The LLP therefore stopped all regulated activities from that date.

Since their appointment, initially as JIMs and subsequently as JSAs, we have:

- Secured the Premises, and the LLP's assets located within them;
- Safeguarded the LLP's hard copy and electronic books and records;
- Taken control of all known Estate Assets and Client Assets;
- Carried out investigations and made enquiries of potential custodians and counterparties to identify Client Assets;

- Made enquiries of Mr Dance to determine if there are any additional Client Assets or custodians;
- Consulted with the employees and made necessary redundancies;
- Retained a number of employees to assist the JSAs with their investigations and the discharge of their duties;
- Engaged brokers to ensure all required insurance policies remain in place;
- Undertaken a Client Asset Reconciliation;
- Without waiving privilege, engaged legal counsel to advise on numerous issues in the Special Administration, including in particular the Client Asset shortfalls and the accuracy of the LLP's books and records (which is necessary in order to complete the Client Asset Reconciliation);
- Secured funding to pursue Objective One, and met ongoing reporting requirements to the funder;
- Appointed a new director (and removed the incumbent directors) in respect of WT Nominees;
- Carried out initial investigations and made enquiries of the LLP's professional advisers;
- Undertaken initial investigations in relation to the affairs of the LLP and the Client Asset shortfalls;
- Held an initial meeting of Clients and Creditors on 14 June 2023;
- Established a Clients' and Creditors' Committee and held the first Committee meeting on 6 September 2023;
- Negotiated a surrender of the lease of the Premises and partial return of the rent deposit;
- Issued updates to Clients and Creditors on key matters arising;
- Liaised with the FCA, the FSCS and the LSE (i.e. the Authorities) as required; and
- Issued all required statutory notifications and reports in accordance with the Regulations and the Rules.

Further details of the work undertaken by the JSAs since their appointment (and, in particular, during the Period) is provided in section 2.

1.4. Return of Client Assets

As previously outlined in the Proposals, and unlike in other Investment Bank Special Administrations that have occurred to date, in the case of the LLP there is a significant shortfall in the Client Assets held by the LLP. The existence of the shortfall has in turn highlighted a number of issues in relation to the books and records of the LLP, on which the JSAs would normally expect to rely for the purposes of completing the Client Asset Reconciliation and returning Client Assets. This affects the speed and manner in which Client Assets can be returned to Clients, ensuring that the rights of each Client are understood and respected.

The JSAs' investigations to date indicate that there is a Client Asset shortfall of £80.4m, which is made up of a Custody Asset shortfall of £70.7m and a Client Money shortfall of £9.7m. (Please note that the Custody Asset shortfall has reduced from £71.7m, as set out previously in the Proposals).

Where the JSAs have set a Bar Date for claims to Client Assets held by the LLP, they are required to return Client Assets under the terms of a Distribution Plan, which must be approved by both the Committee and the Court. The JSAs and their legal team are currently in the process of preparing the Distribution Plan; however (and without waiving any legal privilege), during the Period the JSAs have been required to obtain advice from leading counsel on a number of issues arising from their investigations (including, in particular, issues arising from the shortfall in Client Assets and the

books and records of the LLP) in order to determine how they impact on the Client Asset Reconciliation and how they should be dealt with in the Distribution Plan.

The JSAs are not yet in a position to confirm when the application seeking approval of the Distribution Plan will be filed at Court, although it is currently anticipated that the application will be made prior to the end of this calendar year. Clients will be provided with further updates on timing as our work progresses.

As part of this process, Clients can expect to receive a Client Asset Statement around the same time as the application is made to Court. This will set out how Clients' individual positions are affected by the Client Asset shortfalls that have been identified and will provide an indication of the return that individual Clients are expected to receive.

The Regulations and the Rules provide a mechanism for distributing Client Money and Custody Assets, involving the JSAs setting a deadline for Clients to submit their claims, known as a Bar Date, which will then allow the JSAs to adjudicate Clients' claims in respect of Client Money and Custody Assets (as applicable).

The benefit of a Bar Date is that, once it has passed, any subsequent distributions cannot then be disrupted by any Client who might later make a claim against the relevant Client Assets. This ensures a degree of fairness to Clients who submit claims timeously and minimises delays to such Clients.

On 14 September 2023, the FSCS confirmed it anticipates that, for eligible customers, it is likely to meet any losses suffered, up to certain limits (see below), in relation to the following:

- the costs of returning Client Money;
- the costs of transferring any Client Assets to a new broker (provided that the assets are covered by the FSCS's rules);
- shortfalls suffered on any Client Money claim; and
- shortfalls suffered on any Custody Asset claim.

For eligible Clients, therefore, the FSCS cover will compensate Clients in respect of losses arising from the Client Asset shortfalls, up to the maximum available cover of £85,000 per client.

The JSAs will continue to work closely with the FSCS and the Committee in relation to the preparation of the Distribution Plan.

1.5. Return to Creditors

The table below summarises the anticipated outcome for Creditors (as opposed to Clients), based on our current information.

Class of creditor	Current estimate	Previous estimate
Secured creditors	N/A	N/A
Preferential creditors	Nil	Uncertain
Secondary preferential creditors	Nil	Uncertain
Unsecured creditors ¹	Nil	Uncertain

1. As at the date of appointment, the LLP had no outstanding floating charge security. Therefore, the Prescribed Part will not apply in the Special Administration.

1.6. What Clients and Creditors need to do

The purpose of the report is to provide Clients and Creditors with an update only. Clients and Creditors do not need to take any further action at this time.

1.7. Clients' and Creditors' rights

An overview of the rights of Clients and Creditors is detailed at Appendix B.

If there are any matters relating to the affairs of the LLP and/or its Designated Members that you consider merit investigation, you should provide details to the JSAs using the contact details below.

1.8. Contact details

Contact: Callum Cree or Hannah Marnell
WealthTek Team, BDO LLP, 5 Temple Square, Temple Street, Liverpool, L2 5RH
Tel: +44 (0)113 521 4470 or +44 (0)151 351 4700
Email: WealthTekClients@bdo.co.uk or WealthTek@bdo.co.uk
Reference: 00426532

2. PROGRESS IN THE PERIOD

2.1. Overview

During the Period the JSAs have pursued their strategy to achieve the three statutory Objectives of the Special Administration under the Regulations. This has ultimately involved a significant amount of time investigating and reconciling the Client Assets position and dealing with the issues arising in respect of the same.

2.2. Objective One - Return of Client Assets

2.2.1. Securing all known Custody Assets and Client Money

As set out in the Proposals, as at the date of the JSAs' appointment, the Platform (i.e. the LLP's books and records) indicated that the LLP held Client Assets with a valuation of c£233m. This figure was derived from the combined total of all Client portfolios held by the LLP and included both Custody Assets and Client Money. It should be noted that the value of Custody Assets on the Platform would ordinarily fluctuate from time to time, as they remain subject to market changes and foreign exchange rates.

The JSAs' immediate priority was to establish the identity of all possible custodians of Custody Assets, and to secure Client Assets as soon as they were identified. This work has continued in the Period, to the extent that the JSAs consider that they have now identified all possible custodians and secured all Client Assets that remain held by the LLP.

The overall Client Asset shortfall now stands at £80.4m (a reduction on the £81.4m previously set out in the Proposals).

Further details of the Client Assets are set out below.

2.2.2. Custody Assets held at CACEIS

The LLP had a direct custodian arrangement with CACEIS (CACEIS has no agreement with the underlying Clients and did not generally know the identity of those underlying Clients).

On the appointment of the JIMs, the accounts held at CACEIS were immediately frozen and placed under the control of the JIMs, and subsequently the JSAs. As at 4 April 2023 (the date of the JIMs' appointment), CACEIS held Custody Assets valued at approximately £96.2m.

2.2.3. Unit trusts

At the time of the appointment of the JSAs, the Platform indicated that the value of Custody Assets held in unit trusts was £58.7m. The value (as at 6 April 2023) of the unit trusts identified is £41.9m, representing a confirmed shortfall of £16.8m.

The investments in the unit trusts are held in the name of WT Nominees. WT Nominees is a separate legal entity to the LLP, over which the JSAs have not been appointed. The LLP is, however, the sole shareholder of WT Nominees.

On 2 May 2023, the LLP, acting by the JSAs, passed a shareholder resolution to remove Mr Dance and Ms O'Sullivan as directors of WT Nominees, and appointed an independent director in their place.

2.2.4. Making enquires of potential custodians of Custody Assets

Given the significant Custody Assets shortfall, the JSAs have made enquiries of other potential custodians or counterparties who, from the information available to the JSAs, might hold Custody assets on behalf of the LLP. No further Custody Assets have been identified, however.

The JSAs have also continued correspondence with the legal representatives of Mr Dance, one of the Designated Members of the LLP. During the Period, we have received confirmation from them that their client is not aware of any additional custodians of Custody Assets.

2.2.5. The Client Asset Reconciliation

The Client Asset Reconciliation is required to reconcile the Client Assets held by the LLP on behalf of its Clients against the entitlements of Clients to those assets. The Client Asset Reconciliation will ultimately identify any shortfalls on each Client's individual portfolio.

Unlike in other Investment Bank Special Administrations that have occurred to date, in this particular case the Client Asset Reconciliation has identified that Clients face a significant shortfall in relation to the Client Assets. The shortfall in Custody Assets is unlikely to be borne equally by all Clients; not all Clients will be exposed to those Custody Assets that have a shortfall, so it is therefore likely that the shortfalls will represent a higher burden for some Clients than for others.

The JSAs' investigations indicate that the LLP has operated with a significant shortfall in Client Assets for a prolonged period of time. This has contributed to a number of issues with the accuracy of the LLP's books and records. During the Period the JSAs have therefore been required (without waiving privilege) to obtain advice from leading counsel on a number of issues arising from their investigations into the books and records, in order to determine how they impact on the Client Asset Reconciliation and Client entitlements.

2.2.6. Custody Assets shortfall

The updated shortfall in respect of the Custody Assets is set out in the table below:

Description	Note	Value £*
Total valuation of Custody Assets on the Platform as at 6 April 2023	1	215,038,794
Custody Assets confirmed to be held by custodians as at 6 April 2023:	2	138,808,015
Surplus assets confirmed to be held by custodians as at 6 April 2023	3	(2,940,435)
Custody Asset recorded on Platform but not actually held by LLP on behalf of client	4	8,509,004
Current Custody Asset shortfall	5	70,662,210

Notes:

1. This is the JSAs' estimated valuation of Custody Assets indicated as being held by the LLP (per the Platform) as at 6 April 2023. This figure was derived by taking the units held in each individual security by all Clients and applying the mid-price recorded on Bloomberg on 6 April 2023. There is a small proportion of Custody Assets which did not have a price available. The JSAs have used alternative methods to value these at this time, which inevitably involves a degree of judgment. There are minor differences between the values shown on the Platform as at 6 April 2023 and the values extracted from Bloomberg.
2. This is the confirmed Custody Assets held with custodians valued as at 6 April 2023.
3. The reconciliation has identified assets valued at £2.9m which are confirmed as being held with custodians, but the Platform records do not indicate that any Clients have a claim to these assets.
4. The JSAs are aware of one asset with a recorded value of £8.5m, which was included in a Client's portfolio. The JSAs' investigations have identified, however, that the LLP never

held the asset on behalf of the Client. It does not, therefore, form part of the Custody Assets.

- The JSAs have undertaken substantial investigations and do not anticipate identifying any additional Custody Assets that will materially affect the Custody Asset shortfall.

2.2.7. Client Money

The appointment of the JSAs at 12:45 hours on 6 April 2023 triggered a primary pooling event ('PPE'), whereby all Client Money held at that time by the LLP was pooled to form the CMP. Client Money is treated differently to Custody Assets in this regard, in accordance with the Client Money Rules.

The LLP held Client Money in accounts with CACEIS and Barclays Bank plc, which was immediately secured and brought under the control of the JIMs following their appointment.

The Client Money within the CMP can be summarised as follows (please note that this remains unchanged from the analysis previously provided in the Proposals):

Currency	Value in GBP*
GBP	2,408,073
USD	118,724
EUR	178,214
Other (AUD, CAD, HKD and NZD)	3,865
Total	2,708,876

* The GBP value of the CMP will vary as it remains subject to foreign exchange rates. The exchange rates were taken as at the close of business on 6 April 2023 for the purposes of the above valuation.

2.2.8. Client Money Reconciliation

The table below sets out the current shortfall on the Client Money reconciliation (again, this is unchanged from the analysis previously provided in the Proposals):

As at 6 April 2023:	Value £*
Client Money positions on the Platform	12,460,932
Client Money held with known custodians	2,708,876
Current Client Money shortfall	(9,752,056)

*The GBP value of the Client Money positions will vary as they remain subject to foreign exchange rates.

2.2.9. Reliance on books and records

The JSAs would usually seek to rely on the books and records of the LLP as a starting point for the Client Asset Reconciliation and the return of Client Assets. As noted above, however, the fact that the LLP appears to have been operating with a shortfall on Client Assets for a prolonged period of time raises a number of issues as to the reliance that the JSAs can place on the books and records of the LLP.

The JSAs need to ensure that any approach taken on the Client Asset Reconciliation (and the Distribution Plan) with regard to Custody Asset shortfalls and the reliance that can be placed on the books and records has a sound legal basis, and is defensible and fair to Clients, when taken as

a whole. Without waiving privilege, during the Period the JSAs have sought advice from leading counsel on numerous issues identified by the JSAs during the course of their work to date. The JSAs' approach to these issues will ultimately be set out in the application to Court for the approval of the Distribution Plan.

Given the significant number of transactions that have been undertaken by the LLP, the size of the Custody Asset shortfall and the number of issues that have been identified as a result, the process of obtaining appropriate advice from counsel during the Period has necessarily been iterative. As at the time of preparing this Report, advice in relation to a number of outstanding issues is close to being finalised.

2.2.10. Post-appointment money and corporate actions

Given the nature of the Custody Assets, cash receipts in relation to dividends and coupon payments have continued to be received by CACEIS following the appointment of the JSAs. These receipts are separately accounted for in accordance with CASS 7A and do not form part of the CMP.

As explained in the Proposals, the JSAs have established a system for recording and reconciling these receipts. To date, the JSAs have recorded 1,700 cash events across seven currencies; the total receipts on a currency basis are provided below.

Currency	Value £
CAD	5,603.61
EUR	181,184.20
USD	342,691.04
HKD	5,521.04
GBP	3,780,606.73
AUD	3,862.92
NZD	0.18
Total	4,319,469.72

The funds related to these post-appointment receipts will be distributed alongside and consistent with the distribution of the Custody Assets to which the receipts relate, and further details will be provided in the Distribution Plan. They are, as such, Client-specific in the same way as Custody Assets.

As previously reported, the LLP cannot undertake regulated activity and is therefore not in a position to make any elections on optional corporate actions, such as rights issues. The JSAs have, however, established a system to record and reconcile any mandatory corporate actions, such as dividends and stock splits. To date, the JSAs have recorded 80 stock events including mergers, rights issues, stock splits and spin offs. The treatment of these mandatory corporate actions will be set out in the Distribution Plan.

2.2.11. Physical share certificates

The LLP physically held approximately 1,660 physical share certificates, relating to shares predominantly held in UK listed companies. Based upon share prices as at the date of appointment, it is estimated that the value of the shares is in excess of £2m. (This is in addition to the Custody Assets described in the preceding sections).

The LLP obtained the shares from Clients (i.e. the physical share certificates are in the name of the underlying Clients), on the understanding that the share certificates would be dematerialised and sold, with the underlying Client receiving as Client Money an amount equal to the value of the shares. However, whilst a significant proportion of the Clients appear to have been accorded an

increased Client Money entitlement, the process of dematerialising and realising the physical share certificates was not in fact undertaken by the LLP.

The position in respect of the share certificates is dependent on the circumstances of each individual transaction. As a result, it has been necessary to carry out a detailed review of each of these historical transactions to establish the entitlements of Clients and the LLP respectively to the shares, and the validity of each of the purported share transfers.

The review has identified a number of different scenarios and outcomes arising from the historic transactions. The JSAs are taking legal advice on the consequence of each scenario, and the treatment of the share certificates in each instance will be dealt with in the Distribution Plan.

2.2.12. Funds flow analysis of the Client and LLP bank accounts

Without waiving privilege, the JSAs have undertaken a funds flow analysis of c75 bank accounts previously operated by the LLP with a view to obtaining a better understanding of the inflow and outflow of funds. This involved the review of c52,000 transactions covering a period of over 12 years. This work has assisted both the Client Asset Reconciliation and in developing the JSAs' understanding of how the Client Asset shortfalls have arisen.

Due to reasons of confidentiality and to avoid prejudicing any actions that the JSAs may identify against any third parties, the JSAs are unable to provide any further information in relation to the funds flow analysis at this time. This is normal market practice and in the best interests of Clients and Creditors.

2.2.13. Securing IT and data systems

As previously reported, the JSAs have consulted with key employees and retained the services of the LLP's Head of Systems and Infrastructure to safeguard and maintain the LLP's IT systems and data sources required to achieve Objective One.

Our internal Forensic Technology department has also taken a secure back-up of the LLP's servers, cloud storage and other electronic data storage devices.

The JSAs have reached agreements with certain essential system and software providers to enable the continuation of key services to the LLP. These services include the provision of remote access to each of the retained staff, following the Premises being vacated (the lease for the Premises was formally surrendered on 15 September 2023).

The JSAs have recently notified all Clients and Intermediaries that Clients' Portfolio Accounts will be taken offline on 8 November 2023. This will allow essential work to be undertaken on the system to enable Client positions to be updated to reflect actual Client holdings. As Clients will be aware from reviewing their Portfolio Accounts (and as detailed in the previously issued Client Statements), Client holdings on their Portfolio Accounts currently reflect the position as stated in the LLP's books and records as at the date of the JSAs' appointment; this does not reflect the Client Asset shortfalls that the JSAs have identified during the Client Asset Reconciliation, and the Portfolio Account does not therefore provide an accurate reflection of Clients' actual holdings or entitlements.

Whilst the Portfolio Accounts have been taken offline, all historic records continue to be safeguarded.

2.2.14. Maintaining essential operations

At the date of the JSAs' appointment, the LLP was operating from the Premises and had twenty-five employees.

Three employees continue to be retained to assist the JSAs in achieving Objective One.

2.2.15. Securing funding to pursue Objective One

As previously advised, the LLP had limited cash resources as at the date of the JSAs' appointment and, as it is no longer able to carry out its regulated business, it will not generate any income over the period of the Special Administration.

Certain essential costs are being incurred whilst the JSAs pursue the Objectives, in particular Objective One (being the return of Client Assets). These costs include operational costs (being the costs of retaining key staff, IT systems and (previously) the Premises, and the costs relating to the legal advice that the JSAs have obtained during the Special Administration.

Whilst the Costs incurred in pursuing Objective One will ultimately be recoverable from Client Assets (including under the terms of a Distribution Plan), it will take some time before a Distribution Plan will be approved (by the Clients' and Creditors' Committee and the Court) and implemented. It was therefore necessary for the JSAs to secure funding in order meet the critical costs incurred in pursuit of achieving Objective One during the period before the Distribution Plan can be implemented.

As set out in the Proposals, the JSAs considered various funding options, and approached a number of potential funders to ascertain the terms on which they would be prepared to provide funding. A £2m loan facility was ultimately obtained from HUK 126 Limited. A similar approach has been taken in other Special Administrations.

The JSAs have drawn down £550,002 on the loan facility to date. Monthly cashflow reports are prepared for the funder in accordance with the terms of the loan facility, and the JSAs only make drawdown requests when necessary to meet the ongoing costs of the Special Administration.

2.2.16. Preparation of the Distribution Plan

The JSAs and NRF are currently in the process of preparing the Distribution Plan which, amongst other matters, will set out the process for the return of Custody Assets to Clients.

The Distribution Plan is a complex document and, as set out in the preceding sections above, significant work has already been undertaken to determine the most appropriate and fair way to deal with the issues caused by the Client Asset shortfalls and the inaccuracies encountered to date in the LLP's books and records.

The JSAs are also required to identify one or more 'nominated brokers' to whom the Custody Assets can be transferred on implementation of the Distribution Plan. Whilst, ideally, the JSAs would identify one nominated broker to accept a transfer of all Clients' Custody Assets, this may not be achievable in practice, and a small number of nominated brokers may well be required to ensure that all Custody Assets and rights and liabilities under contracts entered into with Clients can be transferred. Given the issues that have arisen to date in the Special Administration, in particular as a result of the Client Asset shortfalls, it is not yet clear what appetite there will be amongst potential nominated brokers to take on this role. The JSAs are working with the Committee and key stakeholders in relation to this process.

The JSAs will also work closely with the FSCS, the Committee and the FCA in relation to the preparation and approval of the Distribution Plan.

Clients can expect to receive a Client Asset Statement around the same time as the application is made to Court in relation to the Distribution Plan. This will set out how Clients' individual positions are affected by the Client Asset shortfalls that have been identified and will provide an indication of the return that individual Clients are expected to receive.

2.2.17. Recoveries for the benefit of Clients

The JSAs continue to liaise with the FCA which, as previously reported, is conducting a regulatory and criminal investigation into the LLP and Mr Dance and includes potential regulatory breaches relating to Client Money and Custody Assets. As part of this process, the FCA has also obtained a worldwide order to freeze assets belonging to Mr Dance up to the value of £40m, in order to preserve assets which may potentially be available for distribution or confiscation upon the conclusion of any civil or criminal proceedings brought by the FCA.

The JSAs understand that any recoveries made by the FCA in proceedings resulting from its investigation will be for the benefit of those who have been adversely affected and/or suffered a loss as a result of contravention of the relevant regulatory requirements, i.e. the Clients of the LLP.

2.2.18. Liaising with the FSCS

The JSAs are in regular contact with the FSCS regarding the compensation arrangements that may be available for customers who are eligible under FSCS rules.

On 14 September 2023, the FSCS confirmed that it anticipates that, for eligible customers, it is likely to meet any losses suffered in relation to the following:

- the costs of returning Client Money;
- the costs of transferring any Custody Assets to a new broker (provided that the assets are covered by the FSCS's rules);
- shortfalls suffered on any Client Money claim; and
- shortfalls suffered on any Custody Asset claim.

2.2.19. Communications with Clients and Intermediaries

The JSAs have identified 1,470 current Client accounts. The JSAs have implemented a number of methods for communicating with Clients in a co-ordinated, timely and cost-effective manner. These include:

- Websites: the LLP operated three websites, being www.wealthtek.co.uk, www.vertemassetmanagement.com and www.mallochmelville.co.uk. Notices of the Special Administration were placed on each website, together with a link to the JSAs' public website (www.bdo.co.uk/en-gb/wealthtek-administration), which includes frequently asked questions and details of how to obtain further information.
- Post: following their appointment, the JSAs issued notices to all known Clients and Creditors, informing them of the Special Administration and its implications. The notices directed the Clients and Creditors to the Portal (see below) and supplied a telephone number and email address to contact if further information was required. Arrangements have also been made for those Clients who prefer to receive paper documents rather than the electronic updates to continue receiving relevant documents by post.
- Email: dedicated email addresses for Clients (WealthTekClients@bdo.co.uk) and Trade Creditors (WealthTek@bdo.co.uk) were created to enable Clients and Creditors to contact the JSAs. These email addresses are monitored by the JSAs daily (business days).
- The Portal: a dedicated online portal for all Clients and Creditors of the LLP was set up (www.brportal.bdo.co.uk) to host documentation relating to the Special Administration. This includes the initial notice to Clients and Creditors, the Proposals and this report.
- The Helpline: the JSAs set up a dedicated helpline to take calls from Clients and Creditors wishing to speak to the JSAs' team.
- Intermediaries: approximately 43% of the LLP's underlying Clients were introduced to the LLP through Intermediaries. The Intermediaries have remained the main point of contact for the underlying Clients. Accordingly, the JSAs opened a dialogue with the Intermediaries, who have also provided useful information to the JSAs to assist their investigations relating to the Client Assets.

The JSAs recently became aware that the website URL www.vertemassetmanagement.com had been re-activated following the expiration of the LLP's registration of the domain name. Please note that this website and/or the person or entity that has acquired the registration of the domain name has no connection with, or affiliation to, the LLP or the JSAs. The JSAs have been liaising with the FCA in relation to this matter.

2.3. Objective Two - Engagement with market infrastructure bodies and the Authorities

2.3.1. Financial Conduct Authority

The JSAs have maintained frequent contact with the FCA following their appointment and will continue to do so in relation to the progress of the Client Asset Reconciliation and Distribution Plan, regulatory compliance matters, statutory reporting requirements and the overall strategy of the Special Administration.

2.3.2. Financial Services Compensation Scheme

The JSAs have maintained regular contact with the FSCS and have been working closely with the FSCS in relation to the cover available to eligible Clients.

2.3.3. London Stock Exchange

The JSAs have liaised with the LSE and received notice of two unsettled trades at the date of the JSAs' appointment. The JSAs have liaised with the counterparty of both unsettled trades and the parties have mutually agreed to withdraw the trades. This has been reported to the LSE, which has confirmed that it will not be required to issue a default notice as a result of the unsettled trades.

There are ongoing communications with the LSE regarding its status as an unsecured creditor of the LLP in respect of unpaid fees.

2.4. Objective Three - rescue the Investment Bank as a going concern or wind it up in the interests of its creditors

Due to the Client Asset shortfall, the imposition by the FCA of requirements that prevent the LLP from carrying out regulated activity, the subsequent cessation of trade and the circumstances surrounding the JSAs' appointment, the JSAs did not consider it possible to rescue the LLP as a going concern. The JSAs have instead focussed on winding-up the LLP's affairs in the best interests of its Clients and Creditors.

The work undertaken by the JSAs to date includes:

- making redundant the employees that were not required and assisting employees with applying for their statutory entitlements;
- liaising with Trade Creditors and providing guidance on their own positions and the statutory process for making claims;
- issuing statutory notices of appointment as required by the Regulations and Rules;
- implementing relevant insurance policies;
- vacating the Premises;
- agreeing a formal surrender of the lease in relation the Premises; and
- securing and realising physical assets.

The remaining operations of the LLP will not be wound down until Objective One has been achieved.

2.5. Other matters

In addition to the above matters, we have dealt with all statutory matters required by legislation and administrative work incidental to our duties as JSAs in this Special Administration.

3. FINANCIAL POSITION

3.1. Receipts and Payments

The summaries of receipts and payments in relation to Objective One and the Estate are attached at Appendix C and detail the receipts and payments from the date of the JSAs' appointment to 5 October 2023.

Whilst the summaries of receipts and payments are largely self-explanatory, we comment further as regards certain more significant items below.

3.1.1. Estate Receipts

Cash at bank

As previously reported, a total of £66,443 was recovered from LLP bank accounts held with Barclays Bank plc and CACEIS and paid into a new bank account opened by the JSAs for the purpose of the Special Administration. All Client Money held in the client bank accounts maintained by these banks has also been secured, but these balances are not reflected on the summary of Estate receipts and payments as Client Money belongs to Clients rather than the LLP.

Trade debtors

Trade debtors of £34,500 have been realised to date. Small further sums may be recoverable, but these are not material.

Rent deposit

As previously reported, following the deduction of certain outstanding fees and charges, the net balance of £20,770 was recovered from a rent deposit held by the landlord of the LLP's former premises in Jesmond, Newcastle.

A further rent deposit was held by the Landlord of the LLP's Premises at the date of the JSAs' appointment. On 15 September 2023, the JSAs entered into a formal surrender of the lease to the Premises; after deduction of a further quarter's rent, a net balance of £31,151 was recovered following the deduction of outstanding arrears and charges by the Landlord.

3.1.2. Estate payments

Since the last summary of Estate receipts and payments was prepared and issued with the Proposals, the payment of £441, in relation to "Storage Costs - Books & Records Agents' Fees", has been re-allocated to the Objective One receipts and payments account, as they relate to costs associated with achieving Objective One.

Agents' fees and expenses

Sanderson Weatherall were instructed to undertake a desktop valuation of the lease in relation the Premises. The cost for this advice was £750 (plus VAT). A valuation of the office furniture and equipment was also undertaken and provided to the JSAs, at a cost of £4,500 (plus VAT). This cost was incurred in the Period but has not yet been paid.

3.1.3. Objective One Receipts

As stated at section 2.2.15, funding totalling £550,002 has been drawn down on the Objective One loan facility to date.

3.1.4. Objective One Payments

Net wages totalling £75,289 have been paid in the Period, along with the associated PAYE/NIC and Pension scheme contributions, of £39,026 and £2,148, respectively.

Fees in relation to the Platform totalling £140,489 (plus VAT) have been paid in the Period. The Platform is the LLP's proprietary IT system and has been maintained by the JSAs to assist with the Client Asset Reconciliation and Distribution Plan. The fees paid in the Period relate to the six-monthly subscription of £129,489 (plus VAT), for the period of April to September 2023, which includes on-going support, as well as other one-off costs in relation to work required to be carried out in order for the JSAs to achieve Objective One.

These services have been supplied by Contemi Solutions (London) Limited and their work has included support in extracting data from the Platform to enable the JSAs to issue the Client Statements which issued previously.

Further information in relation to further payments made is detailed in Appendix E.

3.1.5. Estate Assets

Office Furniture and Equipment

As previously reported, the JSAs instructed agents to provide a valuation of the office furniture and equipment at the Premises. Whilst the agents ascribed a realisable value to these assets of £15,000 - £18,000 ex situ (i.e. off-site), it was not in their view economically viable to remove the bulkier items for sale. Upon the advice of the JSAs' agents, therefore, the office furniture and equipment was included within the surrender agreement entered into with the landlord of the premise of 15 September 2023, on the basis that this provided the best return available in the circumstances.

Software

The Platform had a book value of £238,478 and reflected the development costs associated with the Platform that were capitalised in the LLP's accounts. The Platform has no realisable value.

Debtors

A notional sum of £114,175 is due to the LLP, representing fees and commissions arising from investment management activities in March 2023 which, in normal circumstances, would have been deducted from Client Assets in April 2023. The JSAs do not presently consider it appropriate to deduct these charges and therefore no realisable value has been attributed to this asset.

Prepayments

The JSAs identified a number of prepayments where the associated invoices had been paid. These were for services, such as software licensing fees, which continued to be provided beyond the date of the Special Administration. As such, these prepayments did not ultimately result in any refunds.

VAT Refund

VAT refunds totalling £12,003 are due to the LLP in relation to the VAT returns submitted and to be submitted for the quarters ended December 2022 and March 2023 respectively. However, since the sum of £26,364 is due to HMRC in respect of unpaid PAYE and NIC relating to March 2023, we have assumed that HMRC will apply set-off, and that there will be no realisable value for the estate from this source. The JSAs are currently awaiting information from HMRC in this regard.

3.2. Estate Liabilities

3.2.1. Secured creditors

There were no outstanding charges granted by the LLP at the date of the appointment of the JSAs and, accordingly, there are no secured creditors in the Special Administration.

3.2.2. Preferential creditors

As previously reported, preferential creditors are represented by claims for unpaid wages earned in the four months prior the Special Administration of up to £800, and holiday pay and unpaid pension contributions in certain circumstances. ERA Solutions Limited has been retained to assist with the claims of the LLP's former employees.

Subsequent to the appointment of the JSAs, 22 of the LLP's employees were made redundant, resulting in the following estimated preferential claims:

Preferential claims	£
Former employees - arrears of wages and accrued holiday pay	5,324
Redundancy Payments Service - arrears of wages and accrued holiday pay	16,653
Total preferential claims	21,977

In addition, the employer and employee pension scheme deductions for March 2023 in the sum of £5,043 were not paid to the scheme and are expected to result in an additional preferential claim.

As detailed in the return to creditors section of the Report, it is estimated that there will be no distribution to preferential creditors.

3.2.3. Secondary preferential creditors

Where an LLP enters Special Administration on or after 1 December 2020, claims for unpaid VAT, PAYE deductions, Employee National Insurance Contributions (NICs) deductions, student loan repayment deductions and amounts withheld under the construction industry scheme represent Secondary Preferential Creditors.

Deductions in respect of PAYE and NIC for the month of March 2023, in the sum of £26,364, were not paid to HMRC. These are expected to result in a secondary preferential claim although, as set out above, the claim may be mitigated by set-off of VAT refunds totalling £12,003.

As detailed in the return to creditors section of the Report, it is estimated that there will be no distribution to Secondary Preferential Creditors.

Prescribed Part

At the date of appointment, the LLP had no outstanding floating charge security and therefore the Prescribed Part will not apply in the Special Administration.

3.2.4. Unsecured creditors

Unsecured Creditor claims are broadly split between:

- (i) Client shortfall claims, which may arise from any shortfall of Client Money or Custody Assets; and
- (ii) Unsecured creditors, which include the claims of Trade Creditors, and employees' non preferential claims (to include the subrogated claim of the Redundancy Payments Service).

Based on the information presently available, the unsecured creditors' claims (i.e. category (ii) above) may total £7,832,961. To date, the JSAs have received claims from unsecured creditors totalling £641,719.

At the current time, however, the JSAs are unable to provide an estimate of the total value of the claims of the LLP's unsecured creditors. The Client shortfall claims (i.e. category (i) above), in particular, will not be quantified until such time as the Client Asset claims have been formally agreed with Clients.

Whilst the FSCS has confirmed it anticipates that compensation will be available for eligible customers, thereby reducing Client shortfall claims, it will, however, have a subrogated unsecured claim in respect of any compensated Clients.

4. INVESTIGATIONS

The JSAs have a duty to investigate the affairs of the LLP and the conduct of the Designated Members.

The JSAs must submit a confidential statutory report to the Department for Business and Trade regarding the conduct of all Designated Members (and any de facto or shadow Designated Members) during the three years before the Special Administration. The JSAs have complied with their duties in this regard.

The JSAs are undertaking other specific enquiries and investigations in relation to the LLP and its affairs. Due to reasons of confidentiality and to avoid prejudicing any actions that the JSAs may identify against any third parties, the JSAs are unable to provide any further information in relation to those enquiries at this time. This is normal market practice and in the best interests of Clients and Creditors. The JSAs will, however, continue to liaise with the Committee in relation to these ongoing investigations.

Should any Clients or Creditors have any information relating to the affairs of the LLP and/or its Designated Members that might assist the JSAs with their investigations, they are requested to provide that information to the JSAs as soon as possible.

5. REMUNERATION AND EXPENSES OF THE SPECIAL ADMINISTRATION

5.1. Pre-Special Administration costs

The Proposals detailed unpaid pre-Special Administration costs and expenses totalling £193,973.29. Approval for these costs to be drawn by the JSAs is to be sought from the Committee in due course.

5.2. JSAs' remuneration

5.2.1. Bases of Special Administration remuneration

Pursuant to Rule 196 of the Rules, the basis of the JSAs' remuneration may be fixed:

- (i) as a percentage of the value of the property with which the JSAs have to deal; or
- (ii) by reference to the time properly given by the insolvency practitioners (as Special Administrators) and their staff in attending to matters arising in the Special Administration; or
- (iii) as a set amount; or
- (iv) as a combination of any one or more of the bases set out above.

5.2.2. JSAs' time costs

Whilst the basis of the JSAs remuneration has yet to be fixed, the table below sets out the time costs incurred by the JSAs and their team in the Special Administration from the date of their appointment to 5 October 2023:

Type of cost	Hours	Time costs £	Av. Rate £
Objective One Costs	3,206.44	1,284,275.72	400.53
Objective Two and Three Costs	880.62	312,275.88	354.61
Total	4,087.06	1,596,551.60	390.64

A detailed report of the time incurred by the JSAs and a narrative of the work undertaken during the period is attached at Appendix D.

5.2.3. JSAs' expenses

The JSAs have incurred expenses totalling £855,740 (plus VAT) up to 5 October 2023, £563,294 (plus VAT) of which relates to legal fees and expenses (excluding pre-appointment costs). The expenses are apportioned as follows:

Type of Expense	Expenses Incurred
Objective One Expenses	803,527.56
Objective Two and Three Expenses	52,213.01
Total	855,740.57

A schedule of the expenses incurred by the JSAs can be found at Appendix E.

5.3. Approval of pre-Special Administration costs, JSAs' remuneration and category 2 expenses

The costs incurred in respect of the pursuit of Objective One will be applied against and paid out of Client Assets. Details regarding how these costs will be met will be included in the Distribution Plan.

The costs incurred in pursuit of Objectives Two and Three will be applied against, and paid out of, Estate Assets. As the Committee has been established in this matter, it will be a role of the Committee to approve these costs.

6. DURATION OF AND EXIT FROM THE SPECIAL ADMINISTRATION

6.1. Duration of the Special Administration

A Special Administration under the Regulations is different to an ordinary administration under the Act as it does not automatically come to an end after 12 months.

The Special Administration will continue until the JSAs consider that the Objectives have been met and, at that point, the JSAs will conclude the Special Administration by:

- (i) putting forward proposals for a Voluntary Arrangement with a view to rescuing the LLP as a going concern; or
- (ii) making an application to Court and seeking any order necessary (which could include seeking an order to place the LLP into liquidation); or
- (iii) filing a notice with the Court and Registrar of Companies for the LLP's dissolution.

At the current time, the JSAs remain unable to provide an indication of the likely timeframe for achieving the Objectives, and therefore the likely duration of the Special Administration. Clients and Creditors will receive updates on the JSAs' progress in achieving the Objectives as the Special Administration progresses.

The JSAs are also unable to confirm the appropriate exit route from the Special Administration. However, as the prospect of a rescue of the LLP as a going concern is considered, at best, remote, it is unlikely that the exit will be via a Voluntary Arrangement. Further information on the likely exit route will be provided to Clients and Creditors as the Special Administration progresses.

6.2. JSAs' discharge from liability

It is proposed that the JSAs be discharged from liability on application to the Court.

APPENDIX A

STATUTORY INFORMATION

Information

Name	WealthTek Limited Liability Partnership
Trading name(s)	WealthTek, Vertem Asset Management and Malloch Melville
LLP registration number	OC355200
Registered office	C/O BDO LLP, 5 Temple Square, Temple Street, Liverpool L2 5RH
Designated members	John Edward Dance WealthTek Capital Limited
Date of appointment	6 April 2023
Court name and reference	High Court of Justice, Business and Property Courts of England and Wales court reference CR-2023-001772
Appointor	The High Court of Justice, Business and Property Courts of England & Wales, on application by the FCA
JSAs	Shane Crooks, Mark Shaw and Emma Sayers Under the provisions of paragraph 100(2) of Schedule B1 to the Act (as amended) and as applied by regulation 15 of the Regulations, the JSAs carry out their functions jointly and severally meaning any action can be done by one Special Administrator or by all of them.
JSAs' address	BDO LLP, 55 Baker Street, London W1U 7EU
Data Control and GDPR	Shane Crooks, Mark Shaw and Emma Sayers are authorised to act as Insolvency Practitioners in the UK by the Institute of Chartered Accountants in England and Wales. The Joint Special Administrators are Data Controllers as defined by the General Data Protection Regulations. BDO LLP will act as Data Processor on the instruction of the Data Controllers. Personal data will be kept secure and processed only for matters relating to the Special Administration of Wealthtek Limited Liability Partnership. Please see the privacy statement at https://www.bdo.co.uk/en-gb/privacy-notice/insolvencies

APPENDIX B

CLIENTS' AND CREDITORS' RIGHTS

Within 21 days of receipt of the report: (1) a Secured Creditor; (2) an Unsecured Creditor with the concurrence of at least 5% in value (including the creditor in question) of the Unsecured Creditors; or (3) a Client with the concurrence of Clients claiming for at least 5% in value of the Client Assets (including the Client in question); or (4) any Unsecured Creditor with the permission of the court, may request in writing that the JSAs provide further information about their remuneration or expenses which are itemised in the Report.

Within 14 days of receipt of the request, the JSAs must provide all of the information asked for, unless they considers that:

- the time or cost in preparing the information would be excessive; or
- disclosure of the information would be prejudicial to the conduct of the Special Administration or might reasonably be expected to lead to violence against any person; or
- the JSAs are subject to confidentiality obligations in respect of the information.

The JSAs must give reasons for not providing all of the requested information.

The following persons: (1) any Secured Creditor; (2) any Unsecured Creditor with either the concurrence of at least 10% in value of the Unsecured Creditors or the permission of the court; (3) any Client with the concurrence of Clients representing at least 10% of the total claims in respect of Client Assets held by the LLP or with the permission of the court; or (4) the FCA, may, within eight weeks of receipt of the Report, make an application to court that the basis fixed for the JSAs' remuneration, the remuneration charged, or the expenses incurred by the JSAs, as set out in the Report, are excessive (or, in the case of the basis fixed, inappropriate).

Copies of BDO LLP's charging and expenses policy, 'A Creditors' Guide to Administrators' Fees' and information on the rights, duties and functions of a creditors' committee are available at <https://www.bdo.co.uk/en-gb/insights/advisory/business-restructuring/creditors-guides>.

Please note this guidance relates to insolvency processes under the Insolvency Act 1986, rather than the Regulations, but the contents remain relevant for these purposes.

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 us but are not satisfied with our response, then you should visit <https://www.gov.uk/complain-about-insolvency-practitioner> where you will find further information on how you may pursue the complaint.

The JSAs are bound by the Insolvency Code of Ethics when carrying out all professional work relating to this Special Administration. A copy of the code can be found at <https://www.icaew.com/technical/ethics/icaew-code-of-ethics/icaew-code-of-ethics>.

APPENDIX C

RECEIPTS AND PAYMENTS ACCOUNTS

Wealthtek Limited Liability Partnership
Trading As: WealthTek, Vertem Asset Management and Malloch Melville
(In Special Administration)

Joint Special Administrators' Objective One Receipts & Payments Account

	From 06/04/2023
	To 05/10/2023
	£
OBJECTIVE ONE RECEIPTS	
Repayable Loan Facility	550,001.64
Interest Gross	773.56
	550,775.20
OBJECTIVE ONE PAYMENTS	
Wages	75,288.50
PAYE/NIC	39,026.32
Pension Contributions	2,148.22
Membership Fees	251.00
Re-direction of mail	1,171.00
Consultancy Fees - IT Platform	140,489.36
Books & Records Collection & Storage	1,188.85
Agents' Fees - Payroll	1,212.05
Agents' Fees - Employment Consultants	440.00
Travel & Accommodation	428.72
Appointment Fee - WealthTek Nominees Ltd	5,000.00
Statutory Advertising	95.00
Initial Meeting Room Hire	2,445.84
Printing & Postage	1,760.00
Website/Hosting Fees	485.00
Non-recoverable VAT	30,639.79
	302,069.65
BALANCE IN HAND	248,705.55

Wealthtek Limited Liability Partnership
Trading As: WealthTek, Vertem Asset Management and Malloch Melville
(In Special Administration)

Joint Special Administrators' Estate Receipts & Payments Account

Estimated to realise £		From 06/04/2023 To 05/10/2023 £
	ASSET REALISATIONS	
36,947.00	Book debts	34,500.00
65,724.00	Cash at Bank	66,443.42
20,770.00	Refund of Rent Deposit	51,921.39
	Interest Gross	989.91
		<u>153,854.72</u>
	COST OF REALISATIONS	
	Agents' Fees - Employment Consultants	1,595.00
	Agents' Fees & Expenses - Property	750.00
	Data Protection Fee	40.00
	Statutory Advertising	95.00
	Non-recoverable VAT	488.00
		<u>(2,968.00)</u>
<hr/>	BALANCE IN HAND	<u><u>150,886.72</u></u>

APPENDIX D

SPECIAL ADMINISTRATION REMUNERATION AND EXPENSES

JSAs' Time Costs

Time costs of £1,596,551 have been incurred during the Period and a breakdown is detailed below, together with details of the work undertaken.

Activity	Partner	Director	Senior Manager	Manager	Senior Executive	Executive	Total hours	Time costs £	Av. Rate £
Objective 1									
Client Assets									
Steps on appointment	0.63	19.93	56.53	3.93	-	28.15	109.15	33,932.67	310.90
Planning and strategy	10.50	47.88	26.85	31.46	-	23.69	140.37	55,533.95	395.63
General administration	-	1.20	4.78	13.99	0.10	13.55	33.61	8,670.04	257.96
Taxation	-	1.75	-	0.95	-	-	2.70	1,220.77	452.14
Assets	-	0.75	-	4.70	-	4.58	10.03	2,383.26	237.73
Investigations									
Communications with clients	18.75	48.75	99.50	185.75	-	171.65	524.40	154,525.70	294.67
Securing Client Assets	3.50	-	0.40	-	-	4.50	8.40	3,299.31	392.78
Reconciliation of Client Assets	48.75	118.15	364.56	64.15	27.25	89.75	712.61	296,526.93	416.11
Liaising with lawyers and regulatory bodies	57.00	20.43	11.35	8.95	-	-	97.73	57,727.78	590.72
Funding	12.25	16.20	18.65	10.85	-	-	57.95	28,849.28	497.83
Other investigations	65.25	190.75	513.33	219.68	-	153.90	1,142.90	483,721.54	423.24
Preparation for and distributing client assets	-	12.75	21.20	9.50	-	-	43.45	21,113.96	485.94
Total investigations	205.50	407.03	1,028.99	498.88	27.25	419.80	2,587.44	1,045,764.49	404.17
Statutory reporting and decisions	18.00	60.20	60.00	52.05	-	24.95	215.20	86,516.29	402.03
Employees and pensions	-	22.33	3.73	2.30	-	-	28.35	14,402.66	508.03
Trading	0.50	12.00	0.40	0.10	-	-	13.00	7,027.79	540.60
Clients' and Creditors' Committee	9.60	23.60	0.56	28.44	-	4.40	66.60	28,823.82	432.79
Total Objective 1	244.73	596.66	1,181.82	636.79	27.35	519.11	3,206.44	1,284,275.72	400.53
Objective 2									
Engagement with Regulatory Bodies									
Financial Conduct Authority	11.25	49.85	10.25	16.60	-	20.75	108.70	48,067.64	442.20
Financial Services Compensation Scheme	2.75	19.70	1.35	14.85	-	-	38.65	17,608.15	455.58
London Stock Exchange	1.25	2.00	-	-	-	-	3.25	1,885.80	580.25
Total Objective 2	15.25	71.55	11.60	31.45	-	20.75	150.60	67,561.59	448.62
Objective 3									
Estate									
Steps on appointment	0.63	19.48	23.13	5.53	-	30.71	79.46	24,346.32	306.42
Planning and strategy	2.25	17.97	12.16	16.24	-	9.12	57.73	21,616.23	374.44
General administration	2.15	10.00	7.88	14.22	28.80	93.55	156.59	24,509.58	156.52
Assets	0.25	32.55	12.95	4.65	-	2.58	52.98	25,842.85	487.83
Investigations	1.25	5.38	29.67	7.78	-	19.70	63.77	14,935.57	234.23
Statutory reporting and decisions	18.00	60.20	59.10	52.05	-	24.95	214.30	86,111.20	401.83
Employees and pensions	-	28.83	1.28	2.40	-	2.25	34.75	16,979.11	488.61
Creditors	-	0.60	3.20	8.65	-	8.15	20.60	4,522.21	219.52
Post appointment taxation	1.00	11.50	0.10	0.35	-	0.30	13.25	7,530.53	568.34
Trading	3.75	16.00	-	0.20	-	-	19.95	11,114.74	557.13
Clients' and Creditors' Committee	2.40	5.90	0.14	7.11	-	1.10	16.65	7,205.95	432.79
Total Objective 3	31.68	208.40	149.59	119.17	28.80	192.40	730.02	244,714.30	335.22
Grand total	291.65	876.60	1,343.00	787.40	56.15	732.25	4,087.06	1,596,551.60	390.64

The current charge out rates per hour of staff within the firm who may be involved in working on this assignment are set out below. It was agreed with the FCA prior to the JSAs' appointment that the charge out rates applying to this assignment would be at a 30% discount to the JSAs' standard charge out rates at any point in time. The JSAs' discounted rates from 1 July 2023 are as follows:

Grade	Discounted Rate £
Partner	483 - 846
Director	540 - 657
Senior Manager	169 - 547
Manager	123 - 400
Senior Executive	60 - 279
Executive	46 - 239

Summary of the work undertaken by the JSAs to 5 October 2023

Objective 1: Client Assets

Steps on appointment

- Providing initial notification to all Clients with Custody Assets and/or Client Money
- Information gathering to assist understanding of Client Assets position
- Information gathering to identify Clients and Intermediaries
- Collection of the LLP's books and records and making storage arrangements
- Securing and imaging LLP and Client records
- Taking steps to identify and secure Client Money
- Initial meetings/discussions with employees
- Attending the Premises
- Preparing website notices and FAQs

Planning and strategy

- Preparing a communications strategy
- Formulating, monitoring and reviewing the return of Client Asset strategy, including internal and external meetings
- Internal strategy and planning meetings to review progress on obtaining unit trust confirmations
- Regular internal strategy and planning meetings to ensure information is centralised and investigations progressed efficiently

General administration

- Preparation of correspondence to Designated Members requesting information regarding Client Assets
- Administrative tasks in relation to the processing of unit trust confirmations received in the post
- Administrative tasks in relation to hard copy letters received from Clients
- Setting up and ongoing maintenance and reconciliation of a bank account dedicated to Objective One receipts and payments
- Dealing with receipts and payments into and out of the Objective One bank account
- Updating website notices

Assets

- Contacting custodians to secure Client Assets
 - Ongoing correspondence with Barclays and CACEIS
 - Obtaining information from identified custodians
 - Making enquires of the LLP's employees regarding Client Asset positions
 - Securing share certificates held at Premises
-

Investigations

Communications with Clients

- Telephone conversations with Clients
- Extensive email correspondence with Clients
- Liaising with Clients suffering from severe financial hardship
- Updating frequently asked questions on review of call and email summaries of interactions with Clients to efficiently disperse information to the wider Client community
- Preparing and maintaining communications logs
- Updating website notices and publishing updates and notices to the JSAs' portal

Securing Client Assets

- Protecting and safeguarding Client Assets
- Arranging collection and secured storage of physical share certificates held by the LLP
- Arranging the appointment of a new director (and removal of the incumbent directors) in respect of WT Nominees

Reconciliation of Client Assets

- Undertaking work on Client Asset Reconciliation
- Investigations with potential custodians
- Review of LLP records to inform lines of enquiry
- Interviews with current and former employees to inform lines of enquiry
- Obtaining records from known custodians
- Obtaining access to custodian portals
- Obtaining unit trust confirmations
- Engaging and negotiating with the Platform developers
- Reviewing and scanning physical share certificates held by the LLP and making enquiries in relation to the same
- Undertaking a legal analysis of the physical share certificates and considering potential outcomes
- Internal discussions and preparing for post-appointment Client Money reconciliation
- Reviewing and accounting for post-appointment receipts

Liaising with lawyers and regulatory bodies

- Liaising with NRF on issues arising
 - Liaising with NRF regarding funding options (as set out further below)
 - Liaising with NRF regarding the drafting of the Distribution Plan
 - Obtaining legal advice on the approach to be taken with respect to relying on the LLP's books and records
 - Liaising with the FCA regarding the JSAs' ongoing investigations
 - Liaising with FSCS regarding assessment of cover which may be available, and particular Client enquiries
-

Funding

- Considering funding options available
- Approaching eleven potential funders to ascertain the terms on which they would be prepared to provide funding
- Considering the terms of the potential funding providers
- Securing a £2m loan facility from HUK 126 Limited
- Preparing cost reconciliations and cash flow forecasts
- Meeting ongoing reporting requirements to the funder including the provision of monthly cash flow forecasts

Other investigations

- Undertaking work on a funds flow analysis
- Reviewing and making enquiries into transaction reports
- Reviewing the LLP's bank statements, tracing funds and making enquiries in relation to transactions of interest
- Investigating dividends received by Clients following sales of shares
- Communication and meetings with Intermediaries
- Investigations into dissipated assets and asset shortfalls
- Investigations into the ownership and validity of physical share certificates

Preparation for and distributing Client Assets

- Considering the practicalities of transferring Client Assets to a new broker
- Considering potential nominated brokers
- Considering the potential costs of distributing Client Assets
- Planning for the preparation of the Distribution Plan

Statutory reporting and decisions

- Preparing the JSAs' Proposals and preparing for the Initial Meeting of Creditors and Clients

Employees and pensions

- Negotiation and formalisation of employee retention arrangements
- Making enquiries and seeking the assistance of the retained employees

Trading

- Preparing and updating trading cash flow forecasts
 - Meetings and correspondence with LLP personnel to gain an understanding of the financial and operational structure of the LLP
 - Liaising with software providers regarding the provision of continued services
-

Clients' and Creditors' Committee

- Establishing the Committee
- Preparing and entering into confidentiality agreements with the Committee members
- Preparing for and convening the first meeting of the Committee
- Drafting and issuing the minutes of the first meeting of the Committee
- Ongoing correspondence with Committee members

Objective 2: Engagement with Regulatory Bodies

- Liaising with the FCA, including regular calls to discuss the progress of the Special Administration and dealing with ad hoc queries and issues
- Liaising with the FSCS
- Correspondence with LSE regarding outstanding trades

Objective 3: Estate

Steps on appointment

- Client take-on procedures
- Case set-up
- Initial statutory notifications and advertisements in accordance with the Rules and Regulations
- Providing initial notification of appointment to all requisite stakeholders in accordance with statute and relevant timescales
- Initial correspondence with the LLP's Designated Members including requests for information and the Statement of Affairs
- Information gathering
- Collection of the LLP's books and records and making storage arrangements
- Initial meetings/discussions with employees
- Attending the Premises
- Updating website notices

Planning and strategy

- Formulating, monitoring and reviewing the Special Administration strategy, including internal and external meetings
- Planning staff resource and briefing on the Special Administration strategy
- Internal strategy and planning meetings to review progress
- Preparation and review of strategy documents including estimated outcome statements

General administration

- Setting up and ongoing maintenance and reconciliation of the Special Administration bank account and other cashiering functions
 - Arranging redirection of the LLP's mail
-

- Dealing with queries from various stakeholders
- Dealing with press enquiries and PR matters
- Dealing with website domains
- Internal file reviews

Assets

- Arranging and monitoring of insurance of the LLP's assets
- Engagement letters with various agents and advisors assisting with the process
- Liaising with banks to freeze existing corporate and Client accounts and setting up new accounts for Special Administration funds
- Arranging the transfer of cash at bank to an account under the control of the JSAs
- Collating and reviewing information regarding the LLP's assets, to include management accounts and fixed asset register
- Identifying and securing the LLP's assets, including establishing ownership of assets at the Premises
- Making enquires of the LLP's employees
- Engaging and meeting with Sanderson Weatherall LLP as agents to value and realise the LLP's chattel and property assets
- Reviewing debtor ledger and other accounts receivable and formulating a debt collection strategy
- Liaison with the landlord regarding continued occupation of the Premises and associated costs

Investigations

- Issuing questionnaires to Designated Members to assess reasons for the Special Administration
- Writing to the LLP's bankers and obtaining copies of all bank statements for the three years preceding the Special Administration
- Reviewing the pre-Special Administration bank statements
- Liaising with third parties concerning the LLP's affairs

Statutory reporting and decisions

- Preparing the JSAs' Proposals and preparing for a meeting of Creditors and Clients
- Assessing and calculating votes received in relation to the establishment of the Committee
- Preparing for the drafting of this Report

Employees and pensions

- Meeting and corresponding with employees
 - Liaising with ERA Solutions Limited regarding employee matters and collation of information
 - Dealing with the LLP's pension scheme
 - Negotiation and formalisation of employee retention
 - Liaising with payroll advisors in respect of payroll arrangements and accounting for associated deductions
-

Creditors

- Notification of appointment to Creditors
- Collating Creditor details and outstanding balances from the LLP's accounts
- Processing of Creditors' Claim Forms and entering onto IPS
- Dealing with Creditor enquiries
- Correspondence and telephone calls with Creditors
- Noting employee claims
- Liaising with the LSE regarding its status as an Unsecured Creditor of the LLP in respect of unpaid fees

Post appointment taxation

- Collating information from the LLP's records regarding its tax affairs
- Preparation of Employer's Payslip to account for PAYE/NIC

Trading

- Liaising with the landlord of the LLP's former trading premises regarding the return of the rent deposit
- Corresponding with insurers regarding open cover insurance
- Dealing with the collection of staff laptops and other equipment
- Dealing with the re-direction of the LLP's mail
- Discussions with employees regarding the LLP's IT systems
- Negotiating a surrender of the lease of the Premises and partial return of rent deposit

Clients' and Creditors' Committee

- Establishing the Committee
 - Formally constituting the Committee by filing a notice of establishment at Companies House
 - Preparing and entering into confidentiality agreements with the Committee members
 - Preparing for and convening the first meeting of the Committee
 - Drafting and issuing the minutes of the first meeting of the Committee
-

APPENDIX E

JSAs' EXPENSES

Category 1 expenses are expenses relating directly to the case by an independent third party. In addition to professional fees and expenses, other expenses may include items such as bonding, advertising, insurance, external printing costs, couriers, travel, land registry searches, fees in respect of swearing legal documents and storage of the LLP's records.

Printing and postage of circulars may be sub-contracted to external printers who have the capacity to deal with large circulars to a volume of creditors in a timely manner.

Client/Creditor approval is not required to pay these expenses which will be charged to the case at cost.

The JSAs' expenses incurred and paid are detailed below.

Objective One Expenses	Total Incurred (£)	Incurred 06/04/2023 to 05/10/2023 (£)	Total Paid (£)
Category 1			
Agents' Fees - Payroll ¹	1,212.05	1,212.05	1,212.05
Agents' Fees - Employment Consultants ²	440.00	440.00	440.00
Appointment Fee - WealthTek Nominees Limited ³	5,000.00	5,000.00	5,000.00
Books & Records Collection & Storage ⁴	1,188.85	1,188.85	1,188.85
Consultancy Fees - IT Platform	140,489.36	140,489.36	140,489.36
Initial Meeting Room Hire	2,445.84	2,445.84	2,445.84
IT Equipment	547.55	547.55	-
Legal Fees and Expenses ⁵	518,401.05	518,401.05	-
Membership Fees	251.00	251.00	251.00
PAYE/NIC	45,227.59	45,227.59	39,026.32
Pension Contributions	2,148.22	2,148.22	2,148.22
Printing & Postage ⁶	1,760.00	1,760.00	1,760.00
Re-direction of Mail	1,171.00	1,171.00	1,171.00
Statutory Advertising	95.00	95.00	95.00
Subsistence	249.43	249.43	-
Travel & Accommodation	6,837.18	6,837.18	428.72
Wages	75,288.50	75,288.50	75,288.50
Website/hosting Fees ⁷	485.00	485.00	485.00
Category 2			
Mileage	289.94	289.94	-
Total	803,527.56	803,527.56	271,429.86

1. Nagler Simmons has been instructed to assist with all payroll matter. Nagler Simmons was selected due to its relevant knowledge and expertise.
2. ERA Solutions Limited has been instructed to assist with all employee matters, including liaising with employees and calculating employee claims. ERA Solutions Limited was selected due to its relevant knowledge and expertise.

3. The JSAs instructed Pike Restructuring Limited in relation to the appointment of the replacement director of WT Nominees. The costs incurred and paid in the Period were £5,000 (plus VAT).
4. D.Collard Limited (t/a Quicksilver) has been instructed to collect and store the LLP's hard copy records. D.Collard Limited was selected due to its relevant knowledge and expertise.
5. NRF was instructed to advise the JSAs on the various matters arising in the Special Administration. NRF were selected due to their relevant knowledge and expertise.
6. Black & Callow Limited has been instructed to assist in relation to the printing and posting of the initial notices and Proposals. Black & Callow Limited was selected due to its relevant knowledge and expertise.
7. Creative Edge Design Limited (T/A Vitamin Cornwall) and Sour Mash Media Group have been instructed to renew the hosting of the www.wealthtek.co.uk domain, the cost of which was £135 (plus VAT). In addition, Sour Mash Media Group were instructed to renew the hosting of the www.mallochmelville.co.uk domain, the cost of which was £350 (plus VAT). Both were selected due to their relevant knowledge and expertise.

The other expenses shown are self-explanatory.

Estate Expenses	Total Incurred (£)	Incurred 06/04/2023 to 05/10/2023 (£)	Total Paid (£)
Category 1			
Agents' Fees & Expenses - Employment Consultants	1,595.00	1,595.00	1,595.00
Agents' Fees & Expenses - Property ¹	5,250.00	5,250.00	750.00
Data Protection Fee	40.00	40.00	40.00
Land Registry Fees	15.00	15.00	-
Legal Fees and Expenses	44,893.00	44,893.00	-
Project Fee (KYC)	125.00	125.00	-
Specific Penalty Bond	200.01	200.01	-
Statutory Advertising	95.00	95.00	95.00
Total	52,213.01	52,213.01	2,480.00

1. Sanderson Weatherall LLP has been instructed to provide an inventory and valuation of the LLP's chattel assets and provide advice in respect of, and oversee, an appropriate disposal strategy. Sanderson Weatherall LLP has also been instructed to provide a valuation on the lease to the Premises, and to provide advice regarding the disposal strategy. Sanderson Weatherall LLP was selected due to its knowledge and expertise.

The other expenses shown are self-explanatory.

APPENDIX F

CREDITOR CLAIM FORM

PROOF OF DEBT FORM

Wealthtek Limited Liability Partnership ('the Limited Liability Partnership') trading as: WealthTek, Vertem Asset Management and Malloch Melville - In Special Administration

Company registration number: OC355200

Date the Limited Liability Partnership entered Special Administration: 6 April 2023

Name of Creditor <i>(If a company please also give company registration number and where registered)</i>	
Address of Creditor <i>including email address for correspondence</i>	
Total amount of claim, including any Value Added Tax and outstanding uncapitalised interest as at the date the Limited Liability Partnership entered Special Administration. <i>Note: Any trade or other discounts (except discount for immediate or early settlement) which would have been available to the Limited Liability Partnership but for the insolvency proceedings should be deducted from the above claim where relevant. Where any payment is made in relation to the claim or set-off applied after date of Special Administration, this should be deducted.</i>	£
If amount in 3 above includes outstanding uncapitalised interest please state amount.	£
Particulars of how and when debt incurred <i>(If you need more space append a continuation sheet to this form).</i>	
Particulars of any security held, the value of the security, and the date it was given.	
Particulars of any reservation of title claimed in respect of goods supplied to which the claim relates.	
Details of attached documents by reference to which the debt can be substantiated.	
Signature of creditor or person authorised to act on his behalf	
Name (BLOCK CAPITALS)	
Dated	
Position with or in relation to creditor	
Address of person signing <i>(if different from 2 above)</i>	

Please complete and return this form to Hannah Marnell, Business Restructuring, BDO LLP, 5 Temple Square, Temple Street, Liverpool, L2 5RH or by email to BRCMTLondonandSouthEast@bdo.co.uk.

