

TO ALL KNOWN CREDITORS AND SHAREHOLDERS

3 July 2018

Please ask for: Jamie Brown  
Email: arm.abs.sa@bdo.co.uk

Dear Sirs

**ARM Asset Backed Securities SA ('ARM')**  
**In compulsory liquidation ('the Liquidation') and subject to a company voluntary arrangement ('CVA')**  
**High Court of Justice, Chancery Division No. 006914 of 2013**

On 4 October 2013, ARM, a company incorporated under the laws of the Grand Duchy of Luxembourg, presented a petition to the English court for it to be placed in compulsory liquidation in England under the provisions of the EC Regulation on Insolvency as its centre of main interests was located in England.

That petition was adjourned and Mark Shaw and Malcolm Cohen of BDO LLP were instead appointed as provisional liquidators of ARM by the English court on 9 October 2013 (the 'Provisional Liquidation' and the 'Provisional Liquidators').

Following an application made during the Provisional Liquidation, Mark Shaw, Malcolm Cohen and I were appointed as Liquidators of ARM on 10 March 2017 by the Secretary of State for Business, Energy and Industrial Strategy. We have previously reported to creditors on the conduct of the Liquidation on 3 May 2018, and this report should be read in conjunction with the report available at <https://www.bdo.co.uk/en-gb/arm-asset-backed-securities-sa>. The Liquidation was a necessary pre-cursor to the CVA, as set out below.

The Liquidators therefore proposed a CVA on 5 April 2017, which was approved (a) at a meeting of creditors on 3 May 2017 and subsequently (b) by the members of ARM on 4 May 2017. The purpose of the CVA is to distribute ARM's assets to its creditors in line with the settlement agreement reached on 7 March 2017 relating to various matters.

I set out below my report on the effectiveness and progress of the CVA in accordance with Rule 2.41 of the Rules. This report covers the period from 4 May 2017 to 3 May 2018 ('the Period'), and should be read in conjunction with previous updates issued during the Provisional Liquidation, available at <https://www.bdo.co.uk/en-gb/arm-asset-backed-securities-sa>.

## **1. Professional information regarding the Supervisors**

The Supervisors are Sarah Rayment (officeholder no: 9162), Mark Shaw (officeholder no: 8893) and Malcolm Cohen (officeholder No: 6825) all of BDO LLP, 55 Baker Street, London, W1U 7EU. The Supervisors carry out their functions jointly and severally, meaning any thing can be done by any one or more of the Supervisors.

## **2. Receipts and payments**

I attach a statement showing my receipts and payments for the period since the date of the Supervisors' appointment to 3 May 2017, showing a balance in hand of £11,625,853.

The receipts shown are largely self-explanatory, although I comment specifically on the follow items:

## 2.1. Receipts

### 2.1.1. Pending Monies

During the Provisional Liquidation, c£18.5m of funds were held with third parties, namely: SLC Registrars, Squaremile Registrars and Jarvis Asset Management. These funds were the 'Pending Monies', which were frozen by the Financial Services Authority (now known as the Financial Conduct Authority, the 'FCA'). At the outset of the Liquidation, the Pending Monies were transferred (with sanction of the FCA) into the Liquidation bank accounts.

Following approval of the CVA, the Monies have been transferred into the CVA bank account to enable distribution to bondholders/creditors, subject to a retention in the Liquidation bank accounts in order to defray certain costs of the Liquidation. I set out below a breakdown of the Pending Monies received into the CVA bank account.

Payor	Currency Held	Amount (£)
SLC Registrars	GBP	9,622,826
SLC Registrars	USD	146,432
SLC Registrars	EUR	1,469,199
Square Mile Registrars	GBP	2,240,712
Square Mile Registrars	USD	285,948
Square Mile Registrars	EUR	3,399,638
Jarvis Asset Management	GBP	1,080,591
Total		18,245,347

### 2.1.2. Transfer of other cash from the Liquidation

In addition to the Pending Monies set out in 2.1.1 above, a further c£5.6m was transferred from the Liquidation bank account which arose from the deferred payments for the sale of the SLS policies which ARM held before the Provisional Liquidation, and which were sold to an Apollo affiliate. As outlined in the Liquidation report, we were required to hold these funds in the Insolvency Service Account ("ISA"). These funds, together with the Pending Monies, will be distributed to bondholders/creditors in accordance with the terms of the CVA. A further £4.5m in the CL estate was not required to be held in the ISA, and was transferred to the CVA account for the purpose of distributing as per the CVA proposals.

### 2.1.3. Bank interest

A sum of £5,083 was received in respect of bank interest during the Period.

## 2.2. Payments

### 2.2.1. Legal fees

Payments of £3,561 and £2,213 were made to Akin Gump LLP and Bonn & Schmitt respectively in respect of their fees incurred during the Period.

### 2.2.2. Storage costs

A total of £15 was paid in respect of storage costs incurred during the Period to Total Data Management.

### 2.2.3. Bank charges

A total of £154 was incurred and paid in respect of bank charges during the Period.

## 3. CVA progress

As set out above, the purpose of the Liquidation was to allow the Liquidators to propose a CVA, through which the terms of the settlement agreement relating to various issues could be put into effect and the assets of ARM could be distributed to bondholders/creditors.

### 3.1. First interim dividend

On 20 November 2017, the Supervisors declared the first interim dividend in the CVA of 11p in the £. This was paid on agreed claims totalling £182,268,070.

A catch-up interim dividend of 11p in the £ was subsequently declared on 5 June 2018 and paid on agreed claims totalling £12,965,242, to investors who had not received a payment in the first interim dividend due to their claims having not been reconciled.

Of the claims assigned to the Financial Services Compensation Scheme (the 'FSCS'), a small number had not been reconciled/adjudicated at the time of either the first interim or the catch-up interim dividend. These are claims that have not yet been agreed due to lack of evidence in support of the claim. Further steps will be taken to attempt to agree these claims to enable these investors to participate in future dividends.

At present there remains c.£22.3m of issued bonds in respect of which no claim has yet been made. The Supervisors have taken the decision to reserve sufficient funds to enable a 5p in the £ catch up dividend to be paid should a claim be made and agreed on any of these bonds. On receipt of sufficient future realisations these claimants would be fully caught up to the level of other, earlier claimants, being 11p in the £ currently. This does not prejudice individuals who have already made a claim in the CVA.

Should these reserved funds not be used in future the Supervisors will apply this balance to the wider distributable balance in hand at the necessary time.

### 3.2. Second interim dividend

It is the Supervisors' intention to declare a second interim dividend within the next 7 days. If you are unable to submit your claim in time for the second interim dividend payment, you will be entitled to claim in the next (and subsequent) dividends and to receive a catch-up dividend payment, subject to sufficient funds being available.

If any bondholders/creditors have not yet submitted claims, the Supervisors request that they submit their claims as soon as possible to allow the Supervisors accurately to calculate the annual dividends and to ensure that sufficient funds are ring fenced prior to future dividends being calculated and paid.. The documentation to do this is on the investor portal at <https://www.bdo.co.uk/en-qb/arm-asset-backed-securities-sa>.

### 3.3. Enhanced dividend

The Supervisors also declared the Enhanced Dividend (as set out in the CVA) on 20 November 2017. Initial notice of the intention to pay the Enhanced Dividend was sent to the 25 potentially eligible investors on 21 August 2017, with a deadline of 2 October 2017 being given for submitting claims. Following adjudication, 13 investors entitled to the Enhanced Dividend received payments totalling £496,574. Two investors' claims required

further review prior to payment. These investors have now received catch-up enhanced dividend payments totalling £85,634.

On finalisation of the Enhanced Dividend claims, the residual amount of £367,791 has been released into the general pool of assets available for the second interim dividend.

### 3.4. Total creditor claims

The summary for creditors dated 5 April 2017 estimated the total value of the bondholder/creditor pool to be £216,710,813 based on the gross claim calculation, that is including interest to the date of Liquidation. Despite our efforts to ensure that all known investors have received notices of intended dividends, via post and the ARM web-page, there remain a number of individuals with investments who have not claimed in the CVA or via the FSCS. Under the FSCS rules, there is no time limit for making a claim for compensation and, as referred to above, valid claimants will be able to participate in subsequent CVA dividends. Any bondholder who has not yet claimed compensation from the FSCS should seek their own independent financial and legal advice on their affairs.

### 4. Future of ARM

After all of ARM's assets have been distributed through CVA dividends, and the Liquidation has been concluded, the Supervisors will take steps to dissolve ARM in Luxembourg in accordance with the ruling of the Luxembourg District Court dated 26 June 2014.

### 5. Supervisors' remuneration

The Supervisors remuneration has been approved on the basis of time properly spent in dealing with issues in the CVA. To date, the Supervisors have drawn £182,536, as shown on the enclosed receipts and payments account.

I attach a schedule detailing the time costs incurred for the Period. This records time costs of £295,269, which represents 937 hours spent at an average charge out rate of £315 per hour.

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

### 6. Supervisors' disbursements

Where disbursements are recovered in respect of precise sums expended to third parties, there is no necessity for these costs to be authorised by bondholders/creditors. These are known as category 1 disbursements. During the Period, category 1 disbursements of £1,727 have been incurred in respect of travel and bonding costs. £200 has been drawn in respect of bonding costs.

Total category 1 disbursements of £1,527 have therefore not yet been drawn as detailed below.

	Cat. 1 (£)	Cat. 2 (£)	Drawn (£)	Total Outstanding (£)
Bonding	200	0	200	0
Travel Costs	1527	0	0	1527
<b>Total</b>	<b>1727</b>	<b>0</b>	<b>200</b>	<b>1527</b>

Some Supervisors recharge expenses, for example printing, photocopying and telephone costs, which cannot economically be recorded in respect of each specific item. Such expenses, which are apportioned to cases, would require the approval of the bondholders/creditors before they can be drawn, and these are known as category 2 disbursements.

The policy of BDO LLP in respect of this appointment is not to charge any category 2 disbursements, with the exception of mileage on the basis of the mileage scale approved by HMRC, being 45p per mile unless otherwise disclosed to the creditors. No category 2 disbursements have accrued during the Period.

## **7. Creditors' rights**

Creditors may access information setting out creditors' rights in respect of the approval of the Supervisors' remuneration in a CVA 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, 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 Supervisors are bound by the Insolvency Code of Ethics when carrying out all professional work relating to this appointment. A copy of the code is at: <http://www.icaew.com/en/members/regulations-standards-and-guidance/ethics/code-of-ethics-d>

If you require any further information, please contact me or my colleague Jamie Brown.

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



Sarah Rayment  
Joint Supervisor & Liquidator  
Authorised to act as an insolvency practitioner in the UK by the Insolvency Practitioners Association

**ARM Asset Backed Securities SA - Subject to a Creditors' Voluntary Arrangement**  
**Summary of receipts and payments 4 May 2017 to 2 July 2018**

	Reporting Period 4 May 2017 to 3 May 2018	Total
Receipts	£	£
Transfer from SLC Registrar Accounts	11,238,457.76	11,238,457.76
Transfer from SquareMile Capital Accounts	5,926,298.24	5,926,298.24
Transfer from Insolvency Service Account	5,641,870.72	5,641,870.72
FCIL Receivable	5,504,207.21	5,504,207.21
Transfer from Liquidation Accounts	4,472,087.66	4,472,087.66
Transfer from Jarvis Asset Management	1,080,590.52	1,080,590.52
Bank Interest	5,082.88	5,082.88
	<hr/> 33,868,594.99	<hr/> 33,868,594.99
<b>Payments</b>		
Supervisors' Fees	182,536.45	182,536.45
Supervisors' Disbursements	200.01	200.01
Legal Fees	5,700.57	5,700.57
Professional Fees	3,465.06	3,465.06
Storage Costs	15.00	15.00
Bank Charges	154.35	154.35
	<hr/> 192,071.44	<hr/> 192,071.44
<b>Dividends</b>		
First Interim Dividend of 11p in the £ declared on 20 November 2017	20,042,284.84	20,042,284.84
Catch Up First Interim Dividend of 11p in the £ declared on 5 June 2018		1,426,176.67
Enhanced Dividend declared 28 November 2017	496,574.40	496,574.40
Catch Up Enhanced Dividend declared 12 June 2018		85,634.33
Balance in hand		<hr/> 11,625,853.31
		<hr/> <hr/> 33,868,594.99

BDO LLP  
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Sarah Rayment  
Supervisor

PARTNER		MANAGER		ASSISTANT MANAGER		SENIOR ADMINISTRATOR		ADMINISTRATOR		OTHER STAFF		GRAND TOTAL									
Hours	Total	Hours	Total	Hours	Total	Hours	Total	Hours	Total	Hours	Total	Hours	Total								
	£		£		£		£		£		£		£								
		1.00	475.00									1.00	475.00								
		3.55	710.00									1.55	192.20	4.95	613.80	19.25	1,829.25	0.30	20.10	29.60	3,365.35
														6.00	1,338.00			6.00	1,338.00		
														4.75	850.25			4.75	850.25		
		7.40	5,174.00									5.00	2,180.00	0.35	40.60	59.50	7,849.50	72.25	15,244.10		
				0.10	11.60					0.10	11.60										
7.40	5,174.00	9.55	3,365.00	1.55	192.20	5.40	666.00	89.50	11,867.00	0.30	20.10	113.70	21,284.30								
		2.00	950.00									2.00	950.00								
		2.00	950.00									2.00	950.00								
		17.00	7,259.00									17.00	7,259.00								
		0.50	363.00									0.50	363.00								
		2.50	1,852.50									22.00	10,313.50	156.80	26,267.10						
		10.25	4,868.75					132.30	14,101.10			10.25	4,868.75								

**Detail of Time Charged and Rates Applicable for the Period From 04/05/2017 to 03/05/2018**

Description	PARTNER		MANAGER		ASSISTANT MANAGER		SENIOR ADMINISTRATOR		ADMINISTRATOR		OTHER STAFF		GRAND TOTAL	
	Hours	Total	Hours	Total	Hours	Total	Hours	Total	Hours	Total	Hours	Total	Hours	Total
		£		£		£		£		£		£		£
Other Matters			9.25	4,393.75									9.25	4,393.75
sub total - Creditor Claims	3.00	2,215.50	58.50	26,835.00					132.30	14,101.10			193.80	43,151.60
Reporting														
Statutory Reporting			0.75	356.25									0.75	356.25
Reporting to Appointor	1.00	741.00											1.00	741.00
Reporting to Creditors	5.50	4,075.50											5.50	4,075.50
Other Matters			2.75	1,306.25									2.75	1,306.25
sub total - Reporting	6.50	4,816.50	3.50	1,662.50									10.00	6,479.00
Distribution and Closure														
Distributions	2.50	1,845.00	389.00	175,565.75					226.25	45,993.75			617.75	223,404.50
sub total - Distribution and Closure	2.50	1,845.00	389.00	175,565.75					226.25	45,993.75			617.75	223,404.50
Net Total													295,269.40	
Secretarial Expense													0.00	
Other Disbursements													1,726.93	
Billed													-182,736.46	
Total													114,259.87	





## **ARM Asset Backed Securities SA - Company Voluntary Arrangement**

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

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

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

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

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

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

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

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

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

### **1) Other Costs**

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

### **2) Category 1**

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

### **3) Category 2**

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

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

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

BDO LLP  
3 July 2018