

Our Ref WGS/OGH/ALH/D00112/PF7

TO THE CREDITORS

13 May 2010

Dear Sirs

Grant Thornton UK LLP
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London EC2P 2YU

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**Defined Returns Limited - In Administration (the Company or DRL)
High Court of Justice, Chancery Division, Companies Court
Ref 19594 of 2009**

1 INTRODUCTION

- 1.1. Following the appointment of Martin Ellis and I as joint administrators of the Company by the Directors on 14 October 2009, I now report on the progress of the administration to date.
- 1.2. I enclose Form 2.24B together with an account of my receipts and payments for the period ended 13 April 2010 in accordance with Rule 2.47 of the Insolvency Rules 1986.
- 1.3. In accordance with paragraph 100 (2) of Schedule B1 to the Insolvency Act 1986 the functions of the administrators are to be exercised by any or all of them.

2 STATUTORY INFORMATION

- 2.1. The Company's statutory details are as follows:

Defined Returns Limited

registered number	04991156
date of incorporation	10 December 2003
registered office	30 FINSBURY SQUARE, LONDON, EC2P 2YU
Former trading address	39 Alma Road, St Albans, AL1 3AT

Directors

Paul Bispham
John Waller

- 2.5. The administration constitutes "main proceedings" under the EC Regulation on Insolvency Proceedings.

3 SALE OF BUSINESS ASSETS

Sale of Structured Product Book

- 3.1. As detailed in my proposals of 7 December 2010 I have been involved in negotiations with a number of parties in regard to the sale of the Structured Product book.
- 3.2. I can now confirm that on 3 February 2010 an agreement was reached to sell the majority of the structured product book to Meteor Capital Group Limited (Meteor), for a total consideration of £100,000. This sale excluded any products for which Lehman Brothers were acting as counter-party.
- 3.3. In general the non-Lehman Brothers structured product book was managed by DRL's sister company NDF Administration Limited (NDF) (also in administration). However, there were also four non-Lehman Brothers structured plans managed by the Company. This compares to in excess of 20,000 non-Lehman Brothers plans which were managed by NDF.
- 3.4. Given the above the consideration in respect of the structured product books of NDF and DRL is payable to NDF exclusively.
- 3.5. The transfer of plan administration, for the live structured products, to Meteor took place on 5 March 2010. This has safeguarded the plans against the possibility of early liquidation and ensured that they are fully administered up to contractual maturity.
- 3.6. Completion will take place shortly once the transfer to Meteor of certain residual books and records is finalised.

4 ASSETS AND LIABILITIES

Assets

- 4.1. **Cash at bank on appointment**
The Company had cash at bank of c.£157,000 at the date of my appointment (excluding client account monies).
- 4.2. **Book debts**
The Company books and records indicated book debts amounting to c.£10k at the date of my appointment. It is unlikely that these debts will be recoverable given potential related party set-offs.
- 4.3. **Client Account Monies**
I am currently obtaining legal advice in regards to the non-responder funds held in the Company's client accounts. I will be taking further steps to trace these non-responders to enable distribution of their outstanding funds. I encourage anyone who believes they have

matured funds which they have not yet reclaimed to contact me. If, following significant efforts, claimants cannot be found I will likely make investigations as to what further steps can be taken, including the possibility that these funds could be made available to the general body of creditors. In addition further investigation will be taking place to ascertain if the client account holds any trapped company funds.

4.4. Possible claims in the insolvency of the Lehman Entities

I have submitted a contingent claim in the insolvency of Lehman Brothers Inc and I am currently preparing contingent claims in the insolvencies of other European Lehman Entities.

These claims would only crystallise in the event that the Financial Services Compensation Scheme (FSCS) determines that some claims against the Company in respect of the mis-selling of structured products backed by Lehman Entities are valid. The extent to which the FSCS pays any compensation to the investor and takes an assignment of the debt, subsequently making a corresponding claim in the insolvency of the Company, may give rise to a contingent claim for the Company against the respective Lehman Entities.

However, I will liaise with the FSCS to determine whether such a claim is ultimately pursued by the Company or the FSCS.

Liabilities

4.5. There are no charges over the Company's assets. Therefore, after discharging the administration expenses any further realisations will be available for distribution to the unsecured creditors.

4.6. It is too early to predict the timing or value of any dividend, which will be heavily dependant on both the ultimate value of claims submitted by the FSCS and the FSCS's stance as regards making a claim in the Lehman Brothers insolvencies.

4.7. Preferential Creditors

All of the Company's work was carried out by the employees of NDF Administration Limited (in administration). As such, the Company had no employees and, as a result, there are no preferential creditors.

4.8. Unsecured Creditors

Unsecured liabilities are estimated to total £39,929 and consist of c.8 creditors. This does not include the potential contingent liabilities arising from the Lehman Entities backed structured products.

4.9. Contingent Creditors

There are significant contingent creditors arising as a result of the failure of Lehman Entities. These contingent claims amount to a theoretical maximum of c.£23 million in unsecured claims.

I understand that the FSCS have compensated some investors who had claimed that their investment had been mis-sold. However, I am yet to receive a claim from the FSCS in this respect.

5 CONDUCT OF THE ADMINISTRATION

Primary Pooling Event

- 5.1. As detailed in previous correspondence the Company's bank accounts were frozen whilst I complied with certain Financial Services Authority (FSA) rules governing client monies. This task was completed by the end of October 2009 and no deficiencies or omissions were noted.

Investor Communications

- 5.2. Immediately following my appointment I prepared and distributed an initial letter to c.40,000 individuals (across the two companies, DRL and NDF) who had made an investment in a product offered by the Company. I also set up a dedicated helpline and website to provide information to investors.
- 5.3. Following the receipt of FSA directions allowing me to trade the Company as normal, I have written a more specific letter to investors outlining how my appointment has affected them and what action, if any, they should take.
- 5.4. Due to the inherent costs involved in mail outs to the current level of investors I do not propose to distribute any further reports before my next 6 monthly report.
- 5.5. I will, where appropriate, include on the creditor website updates for any significant change of circumstances.

Receipts & Payments

- 5.6. My receipts and payments account covering the period 14 October 2009 to 13 April 2010 is attached (Appendix A).

6 LEHMAN BROTHERS BACKED FINANCIAL PRODUCTS

- 6.1. As you are aware the majority of the Company's financial products were backed by Lehman Brothers. Furthermore, as I have stated in previous correspondence, a number of investors have made claims to the FSCS that the Company's literature was deficient in relation to its representations as to the effect of counter-party failure.
- 6.2. In its assessment of claims to date I understand that the FSCS has drawn a distinction between products which are considered "Capital Secure" and products where the invested capital was "at risk".
- 6.3. I am aware that the FSCS have contacted those with "Capital Secure" plans directly to invite plan holders to make a claim.
- 6.4. In relation to Capital at Risk plans the FSCS are still considering whether to invite claims. However, the FSCS will investigate any claims submitted unilaterally on a case-by-case basis.
- 6.5. For the avoidance of doubt I have no role in adjudicating upon claims submitted to the FSCS. I am currently taking advice as to whether to allow claims from Lehman backed

investors to be submitted to the insolvency of the Company, notwithstanding any actions taken by the FSCS.

7 ADMINISTRATORS' REMUNERATION AND DISBURSEMENTS

- 7.1. Background information regarding the fees of administrators can be found at <http://www.insolvency-practitioners.org.uk> (navigate via 'Regulation and Guidance' to 'Creditors Guides to Fees'). Alternatively I will supply this information by post on request.
- 7.2. In accordance with my proposals dated 7 December 2009 the administrators' remuneration is calculated according to the time properly given by the administrators and their staff in attending to matters arising in the administration.
- 7.3. The administrator will charge out of pocket expenses at cost. Mileage is charged at standard rates which comply with HM Revenue and Customs limits or AA recommended rates. VAT is added to disbursement charges as necessary.
- 7.4. Payments of the administrator's remuneration and disbursements are to be met from funds held in the administration in priority to the claims of creditors, and, after approval of the basis, the administrator may draw sums on account.
- 7.5. In accordance with Statement of Insolvency Practice (SIP 9), I attach as Appendix B a summary of my time costs to 13 April 2010 by grade of staff and type of work. This shows total time costs of £29,325.55, representing 136.03 hours at an average of £215.58 per hour, against which I have drawn fees of £15,000 on account. Details of any matters which have had a significant impact on the time costs are included in the appendix, together with details of any disbursements charged during the period under review.

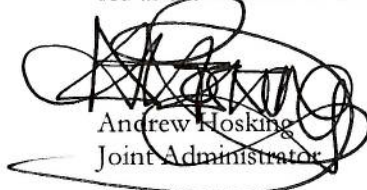
8 INITIAL MEETING OF CREDITORS BY CORRESPONDENCE

As you are aware the business of a meeting of the creditors, pursuant to paragraph 51 (1) of Schedule B1 to the Insolvency Act 1986, was duly conducted by correspondence in accordance with paragraph 58 of Schedule B1 to the Insolvency Act 1986.

The statement of proposals as circulated to creditors on 7 December 2009 was approved without modifications.

Should you have any further queries please contact the Defined Returns Limited helpline on 0844 770 2203.

Yours faithfully
for and on behalf of Defined Returns Limited


Andrew Hosking
Joint Administrator

The affairs, business and property of NDF Administration Limited are being managed by Andrew Hosking and Martin Ellis, appointed as joint administrators on 14 October 2009.

The Insolvency Act 1986

Administrator's progress report

Name of Company DEFINED RETURNS LIMITED	Company number 04991156
In the High Court of Justice, Chancery Division, Companies Court <small>[full name of court]</small>	Court case number 19594 of 2009

(a) Insert full name(s) and address(es) of administrator(s)

+We (a) ANDREW HOSKING AND MARTIN ELLIS OF GRANT THORNTON UK LLP, 30 FINSBURY SQUARE LONDON, EC2P 2YU

administrator(s) of the above company attach a progress report for the period

(b) Insert dates

from	to
(b) 14 October 2009	(b) 13 April 2010

Signed  Joint / Administrator(s)

Dated, **13 May 2010**

Contact Details:

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record

GRANT THORNTON UK LLP	
30 FINSBURY SQUARE, LONDON	
EC2P 2YU	Tel
DX Number	DX Exchange

Companies House receipt date barcode

When you have completed and signed this form please send it to the Registrar of Companies at:

Companies House, Crown Way, Cardiff, CF14 3UZ

DX 33050 Cardiff

Defined Returns Limited - In Administration**Receipts & Payments - 14 October 2009 to 13 April 2010**

Receipts	Total (£)
Cash at Bank	157,004
Bank/ISA InterestGross	52
	157,055
Payments	
Advertising	70
Postages	63
Legal Fees	10,585
Administrators Fees	15,000
Administrators Expenses	576
Vat Paid	4,324
	30,618
Floating Current Account Balance at 13 April 2010	126,437

Defined Returns Limited - In Administration SIP 9 TIME COST ANALYSIS

14 October 2009 to 13 April 2010

Appendix B

	Manager		Executive		Administrator		Total	
	Hrs	£	Hrs	£	Hrs	£	Hrs	£
Administration, Planning and Investor Correspondence	8.20	2,790.00	3.90	1,072.50	63.31	11,040.00	75.41	14,911.50
Creditors	0.30	135.00	1.55	426.25	15.45	2,238.00	17.30	2,799.25
Investigations	0.25	82.50	0.00	0.00	2.70	463.00	2.95	545.50
Realisation of Assets	3.60	1,188.00	22.30	6,132.50	4.85	719.00	30.75	8,039.50
Trading	7.97	2,630.05	1.25	343.75	0.40	56.00	9.62	3,029.80
Total	20.32	6,825.55	29.00	7,975.00	86.71	14,525.00	136.03	29,325.55

Total fees billed to date: £ 15,000

- Administration & Planning** Includes; case planning; statutory obligations (e.g statutory returns); maintenance of cash and estate records; general correspondence; investor correspondence and liaising with HM Revenue & Customs, the Financial Services Authority and the Financial Services Compensation Scheme.
- Creditors** Includes; correspondence with preferential and unsecured creditors; dealing with ROT claims; pensions and employees.
- Investigations and Reports on Directors** Includes; Statutory duty of investigation into company's affairs under Statement of Insolvency Practice (SIP2); investigating the directors conduct, and reconciliation of client accounts, in compliance with FSA regulations.
- Realisation of Assets** Includes; dealing with the sale of the business and the assets of the Company; dealing with Solicitors.
- Trading** Includes; working with OPAL on the daily trading of the plans, and dealing with investor queries in relation to ongoing products.