



Our Ref WGS/OGH/ALH/N00112/PF7

## TO THE CREDITORS

13 May 2010

Dear Sirs

Grant Thornton UK LLP  
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**NDF Administration Limited - In Administration (the Company)**  
**High Court of Justice, Chancery Division, Companies Court**  
**Ref 19593 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:

#### NDF Administration Limited

Registered number	01955637
Date of incorporation	7 November 1985
Registered office	30 Finsbury Square London EC2P 2YU
Former trading address	25 Grosvenor Road St Albans AL1 3AW

**Directors**  
Paul Bispham  
John Waller

**Shareholding**  
nil  
1.8%

#### Chartered Accountants

Member firm within Grant Thornton International Ltd  
Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No. OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP  
A list of members is available from our registered office.

**Company Secretary**  
Versec Secretaries Limited

**Shareholding**  
nil

- 2.2. 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 both the ISA Mortgage and Structured Product books.
- 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.
- 3.3. The transfer of plan administration, for the majority of 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.
- 3.4. Completion will take place shortly once the transfer to Meteor of certain residual books and records is finalised.
- 3.5. This sale did not include any products backed by Lehman Brothers entities.

#### **Sale of Pure Insurance Products**

- 3.6. The Pure Insurance Products (PIP) were sold to Synergy Financial Products Limited (SFP) on 19 January 2010 for a nominal sum of £1. SFP are a related entity to the Company.
- 3.7. The Company received no income from these products, passing on any premiums earned in full to SFP who were contracted to administer the plans on behalf of the Company. This book of products was, therefore, of no value to any party other than SFP. The sale agreement has ensured that the plans are able to continue to be administered and has ensured against them having to be wound up early.

### **4 ASSETS AND LIABILITIES**

#### **Assets**

- 4.1. Cash at bank on appointment  
The Company had cash at bank of c.£1.54 million 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.£40k at the date of

my appointment. It is unlikely that these debts will be recoverable given potential related party set-offs.

I also understand that the Company may be owed c.£100k by Prudential plc in relation to historical overpayments. I will be investigating the potential of recovering this debt in due course. However, I would also highlight the potential that this debt may be subject to material 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. ISA Mortgage book

I am also inviting offers for the Company's book of ISA mortgage products. However, unlike the structured product book, these products provide a regular monthly contribution in excess of the associated administration costs. Therefore, the Company is able to act as plan manager for the products under my direction for the time being.

Ultimate realisations from a sale of the Company's ISA mortgage book are hard to quantify. Due to the overall run-off of the book the value deteriorates over time. However, the administration of the book is profitable and will for the foreseeable future make a positive contribution to the administration realisations whilst a sale is considered.

#### 4.5. 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**

- 4.6. There are no charges over the Company's assets. Therefore, after a distribution to preferential creditors (employees) and the discharging of administration expenses, I anticipate that there will remain sufficient net asset realisations to enable a dividend to unsecured creditors.

- 4.7. It is too early to predict the timing or value of any dividend, which will be heavily dependant on the ultimate value of claims submitted by the FSCS.
- 4.8. **Preferential Creditors**  
There are currently two employees of the Company. Six employees have been made redundant to date as a result of my appointment and the subsequent cessation of new business. I estimate preferential claims to be in the region of £3,000.
- 4.9. **Unsecured Creditors**  
Unsecured liabilities are estimated to total £50,520.46 and consist of c.25 creditors. This does not include the potential contingent liabilities arising from the Lehman Entities backed structured products.
- 4.10. **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.£36 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. Once client money accounts were unfrozen there was a significant backlog of processes required for effecting plan administration including maturities, surrenders, information changes.
- 5.2. Furthermore, due to the above delays, Outsourced Professional Administration Limited (who administered the plans on behalf of the Company) had to re-write certain processes within their system in order to effect payment, causing further delays.
- 5.3. For reasons of fairness to all investors, it was decided that plan maturities and surrenders should be dealt with in date order. This process was completed in early February 2010.

### **Administration of the Product Books**

- 5.4. As mentioned above the Company's Mortgage book provides a regular monthly contribution sufficient to cover the costs of providing scheme administration. Therefore, although I am seeking an alternative plan manager for the long-term, the Company is capable of acting as plan manager under my supervision for the time being.
- 5.5. I have been in discussions with the FSA to ensure that the Company retains the relevant permissions to manage these plans.

### **Structured products due to launch following my appointment**

- 5.6. At the date of my appointment the Company was offering five structured product investments, these were as follows:
- i. Defined Income Plan August 2009, due to commence on 16 October 2009
  - ii. Skyline, Royal Deposit, Navigator and Autopilot, all joint branded with Royal Bank of Scotland plc (RBS) and due to commence on 2 November 2009 (together the RBS Plans)
- 5.7. Unfortunately due to time constraints and the PPE I had no option but to cancel the Defined Income Plan August 2009. I have now returned all funds to investors in regard to this plan.
- 5.8. Given that there was more time available prior to the commencement of the RBS Plans I entered into discussions with RBS, the FSA and OPAL in order to investigate the possibility that these plans could proceed to investment. I can confirm that these plans did continue to investment.

### **Investor Communications**

- 5.9. Immediately following my appointment I prepared and distributed an initial letter to c.40,000 individuals 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.
- 5.10. 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.
- 5.11. 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.
- 5.12. I will, where appropriate, include on the creditor website updates for any significant change of circumstances.

### **Receipts & Payments**

- 5.13. 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 a number 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 relation to 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 ISA Status of Lehman Backed Plans Receiving Compensation**

- 7.1. I am aware that in a number of cases where the FSCS has made a compensation payment to those with Lehman backed products, the investors are now looking to obtain re-instatement certificates to maintain the ISA status of their funds, (if applicable)
- 7.2. I am currently in discussions with HM Revenue & Customs in this regard and will provide an update on the investor website (<http://www.ndfa.creditorhelpline.co.uk>) when I can confirm the action that needs to be taken.

## **8 ADMINISTRATORS' REMUNERATION AND DISBURSEMENTS**

- 8.1. 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.
- 8.2. 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.
- 8.3. 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.
- 8.4. 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.
- 8.5. 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 £591,126.49, representing 2,577.18 hours at an average of £229.37 per hour, against which I have drawn fees of £400,000 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.

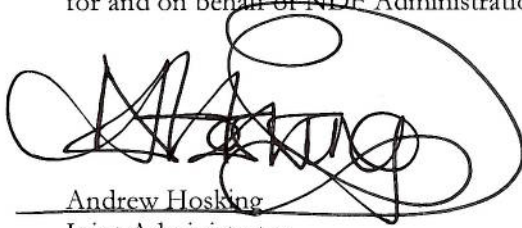
## 9 INITIAL MEETING OF CREDITORS BY CORRESPONDENCE

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 NDF Helpline on 0844 770 2203.

Yours faithfully  
for and on behalf of NDF Administration Limited

A handwritten signature in black ink, appearing to read 'Andrew Hosking', is written over a horizontal line. The signature is stylized and somewhat illegible due to the cursive nature of the handwriting.

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 <b>NDF ADMINISTRATION LIMITED</b>	Company number <b>01955637</b>
In the <b>High Court of Justice, Chancery Division, Companies Court</b> <small>[full name of court]</small>	Court case number <b>19593 of 2009</b>

(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) <b>14 October 2009</b>	(b) <b>13 April 2010</b>

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

<b>GRANT THORNTON UK LLP</b>	
<b>30 FINSBURY SQUARE, LONDON</b>	
<b>EC2P 2YU</b>	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



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

<b>Receipts</b>	<b>Total (£)</b>
ISA Mortgage & Structured Product Commissions	290,234
RBS Income from Structured Products	70,081
Sale Consideration - Synergy	1
Book Debts	299
Cash at Bank	1,543,726
Cash in Osborne Clarke client a/c at appointment	45,656
Interest	53,709
	<b>2,003,706</b>
 <b>Payments</b>	
Home Protection Commissions	24,442
Broker Fees and Product Administration costs	239,781
Rent	2,800
Investor Helpline and Website costs	269,454
Carriage	130
Insurance	285
Bank Charges	28,218
Client Monies Account Adjustment	28,550
Interest Payable	6,554
Property Expenses	750
HSBC Direct Debit Claw Back Deposit (repayable)	25,000
Client account deposits to cover bank charges	2,687
Stationery	9,602
Postages	54,394
PAYE/NI	86,115
Net Wages	116,270
Pension Contributions	11,880
PR Fees	10,050
Legal Fees	119,186
Sale of Business Costs	15,000
Administrators Fees	400,000
Administrators Expenses	4,552
Misc Float Payments	20
Vat Paid	172,061
	<b>1,627,781</b>
 <b>Floating Current Account Balance at 13 April 2010</b>	<b>375,925</b>

# NDF Administration Limited - In Administration SIP 9 TIME COST ANALYSIS

## Appendix B

14 October 2009 to 13 April 2010

	Partner		Manager		Executive		Administrator		Total		
	Hrs	£	Hrs	£	Hrs	£	Hrs	£	Hrs	£ Avg. Hrly Rate	
Administration, Planning and Investor Correspondence	70.70	36,057.00	208.70	67,077.50	371.45	92,065.25	914.09	159,109.15	1,564.94	346,926.57	221.69
Creditors	0.00	0.00	43.20	13,773.25	36.25	9,164.25	127.15	18,724.75	206.60	41,662.25	201.66
Investigations	0.00	0.00	0.75	247.50	53.50	13,852.10	85.60	12,342.33	139.85	1,286.50	9.20
Realisation of Assets	0.25	102.50	142.75	49,120.00	96.20	24,907.90	47.99	6,860.94	287.19	113,529.10	395.31
Trading	0.00	0.00	173.45	53,378.82	38.35	9,896.25	166.80	24,447.00	378.60	87,722.07	231.70
<b>Total</b>	<b>70.95</b>	<b>36,159.50</b>	<b>568.85</b>	<b>183,597.07</b>	<b>595.75</b>	<b>149,885.75</b>	<b>1,341.63</b>	<b>221,484.17</b>	<b>2,577.18</b>	<b>591,126.49</b>	<b>229.37</b>

Total fees billed to date: £ 400,000

- 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, working on RBS products, and dealing with investor queries in relation to ongoing products.