



**London Capital & Finance plc
(in administration)
Creditors' Meeting**

24 April 2019



Agenda

1. Introduction
2. Presentation by the administrators
3. Questions from creditors
4. Election of members of creditors' committee
5. Conclusion of meeting

House keeping

- Mobile phones
- Health & safety - fire exits
- Toilets
- Opportunity for questions later in the course of the meeting

Confidentiality

The administrators are involved in a number of lines of enquiry with the objective of returning funds to the Bondholders and it would not be appropriate in this meeting to divulge all of the administrators' lines of enquiry. However, when a creditors' committee is appointed to represent the interests of the creditors as a whole the administrators will be able to share such confidential information with the members of that committee.

Accordingly, the Bondholders must be aware that the administrators will not be in a position to divulge everything they know with regard to a number of sensitive matters.



Introductions

Administrators

Finbarr O'Connell --- Overall strategy

Adam Stephens --- FCA/SFO/HMRC/FSCS/regulated matters

Colin Hardman --- Cash tracing and recovering monies from Borrowers and sub-Borrowers

Henry Shinnars --- Independent Oil & Gas PLC

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Mike Stubbs --- Overall strategy

Guy Wilkes --- FCA/SFO/regulated matters

Objectives of this creditors' meeting

- To receive a report from the administrators
- Opportunity to ask questions of the administrators and their advisors
- Election of creditors' committee



The Company Directors of LCF

Michael Andrew ‘Andy’ Thomson ---- Managing director

Floris Jakobus ‘Kobus’ Huisamen ---- Compliance director

Kevin Maddison ---- IT director

Katherine Ruth Simpson ---- HR director

Andy Thomson was asked to attend today’s meeting but declined

Administrators' proposals

The administrators' proposals were dated 25 March 2019

The basic proposal is for the administrators to pursue the cash that the Bondholders invested in LCF and to maximise the return to the Bondholders

Under the Insolvency Rules these proposals were approved by the deemed consent of the creditors on 10th April 2019



Overview - getting money back



How much will the Bondholders get back from LCF?

The administrators have reported that they can see how a return of 20% of the Bondholders' investment into LCF is possible and likely and it is hoped that following further investigations this amount can be improved on.

Following yesterday's Independent Oil & Gas plc share placing, the administrators have revised this figure to 20-25%

However, it is not possible at this stage of the administration to indicate what potential uplift over and above a 20-25% return is likely.

How will Bondholders receive their dividend? (1/2)

The legal mechanism would normally be through the Security Trustee, Global Security Trustees Limited

However, there are such major concerns with regard to the position of the Security Trustee that the administrators are exploring the following options as regards the Security Trustee

- That control of Global Security Trustees Limited is passed to an independent trustee, or
- That the benefit of the security to transferred to the administrators so they can pay the Bondholders directly



How will Bondholders receive their dividend? (2/2)

Bondholders are adamant that

- No fees are paid to the Security trustee, and
- The Security trustee's actions, as fiduciary for the Bondholders, are investigated to the fullest extent

What are the best assets available to the administrators and hence to the Bondholders?

The Bondholders will be aware that LCF is owed circa £124 million from London Oil and Gas Limited (LOG).

LOG is in turn owed substantial funds by Independent Oil & Gas PLC and by Atlantic Petroleum and it is these investments by LOG which give the best potential return to the Bondholders and these potential returns substantially underpin the estimated 20-25% return to the Bondholders.

What about the quality of the rest of the Borrowers and sub-Borrowers?

Unfortunately, the rest of the Borrowers and sub-Borrowers are not independent and have not proven to the administrators that they have the trading strength or the asset backing that would give the administrators comfort with regard to potential substantial realisations from them.



Borrower overview - London Oil & Gas Ltd

London Oil & Gas Limited ('LOG')

LOG owes LCF c£124m

LOG went into administration on 18 March 2019.

Administrators of LOG

- Finbarr O'Connell -- Overall strategy
- Adam Stephens -- Communications and liaison with FCA/SFO
- Lane Bednash from CMB Partners -- conflict administrator and recovering monies from Borrowers of LOG
- Colin Hardman --- Cash tracing and liaison with CMB re overall recoveries from Borrowers

Lawyers to the Administrators of LOG

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LOG - Investment into Independent Oil & Gas plc (‘IOG’)



IOG is an AIM listed company and totally independent from LOG / LCF

IOG is a development and production-focused company operating in North Sea gas fields

It currently has 6 discovered gas fields and 2 high potential appraisal assets and a recommissioned pipeline to transport the gas to market. IOG's portfolio has an estimated net present value of £688m

Full information can be found on IOG's website:

<https://www.independentoilandgas.com>



Investment

Between December 2015 and today LOG has lent IOG £34.625M to fund the business at 9% pa.

In addition LOG holds warrants and loan conversion rights to acquire circa 238m shares in IOG at prices ranging from 8p to 32.2p (the average is 12.76p)

If all shares had been exercised LOG would own over 60% of IOG

The outstanding balance in February 2019 was c£38.6m including interest accrued

Security

LOG hold a full suite of security over the assets of IOG

The value of the security is in excess of the outstanding debt with an acceptable margin confirmed via the appointment of an independent specialist who had full access to the company and their data room



Offer from RockRose Energy plc for the IOG Debt

It has been reported that RockRose made numerous offers to the administrators for the debt and equity instruments in IOG the last of which was for £52.5m + with a deferred element on first Gas (est 3 years)

After a full and comprehensive review and after seeking independent advice this offer was declined as the administrators anticipate a significantly higher return in the short term from the equity LOG can acquire in IOG





Recent Events (1/2)

Following LCF going into administration, IOG needed to seek funding from elsewhere

Yesterday they raised c.£18.7m from a placing of new shares with institutions and from an over subscribed open offer to existing shareholders

This will fund IOG's business plan for 2019





Recent Events (2/2)

As part of this, LOG deferred all capital repayment obligations due in 2019 for 12 months and in return received an extension of a similar period for exercising the warrants and converting loans

LOG also converted 50% of the interest on one loan (c.£1.6m) to 20.5m shares (6.2% of IOG). At yesterday's close the share price was 12.4p, valuing this holding at £2.5m

The borrowing now outstanding has reduced to c.£37m and LOG can now acquire 42.2% of IOG





Going Forward (1/2)

IOG are currently progressing the sale of 50% of their Portfolio in order to secure development funding for their project. The industry jargon for this arrangement is a “Farm in” and is normal business practice for smaller operators.

We anticipate this will complete before the end of the summer





Going Forward (2/2)

Whilst further negotiations are required we expect that this arrangement will include the full repayment of the LOG exposure via cash and shares

Estimates of the value of the cash and shares LOG will receive is significantly in excess of the offer from RockRose. This has been confirmed by independent Consultants instructed by the Administrators.





Borrower overview



Other borrowers (1/2)

Summary of indebtedness of borrowers (gross) and actual cash received by them (net)

	Gross	Net
	<u>£m</u>	<u>£m</u>
London Group LLP & associated entities		
London Oil & Gas Limited (in administration)	124.0	
LPE Support Limited	18.5	
Cape Verde Support Limited	7.3	
CV Resorts Limited	4.8	
Total	<u>154.6</u>	116.3
Prime Resort Development Limited & associated entities		
Waterside Villages Limited	15.7	
Waterside Support Limited	5.0	
Costa Support Limited	6.6	
Costa Property Holdings Limited	20.9	
Colina Support Limited	5.7	
Colina Property Holdings	16.2	
Total	<u>70.1</u>	54.9



Other borrowers (2/2)

Summary of indebtedness of borrowers (gross) and actual cash received by them (net)

	Gross	Net
	<u>£m</u>	<u>£m</u>
Spencer Golding & associated entities		
FS Equestrian Services Limited/Spencer Golding t/a Home Farm	12.3	
London Financial Group Limited	<u>0.8</u>	
Total	13.1	9.3
Surge - commission payments		60.9
Total	<u>237.8</u>	



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Legal Landscape

1. Introduction.
2. Landscape.
3. Team and machine. Forensic.
4. Investigation. Follow the money.
5. Sources of recovery.
6. Priorities. Balance.
7. Risk Analysis. Cost - benefit analysis.
8. Timing.
9. Teamwork.
10. Conclusions.



Other sources of recovery

Other routes to recovery

- Cash tracing
- Insurance
- Surge
- Other parties

Other matters to highlight

Security Trustee - Global Security Trustees Limited

The FCA

The auditors

Directors' statement of affairs



The Financial Services Compensation Scheme

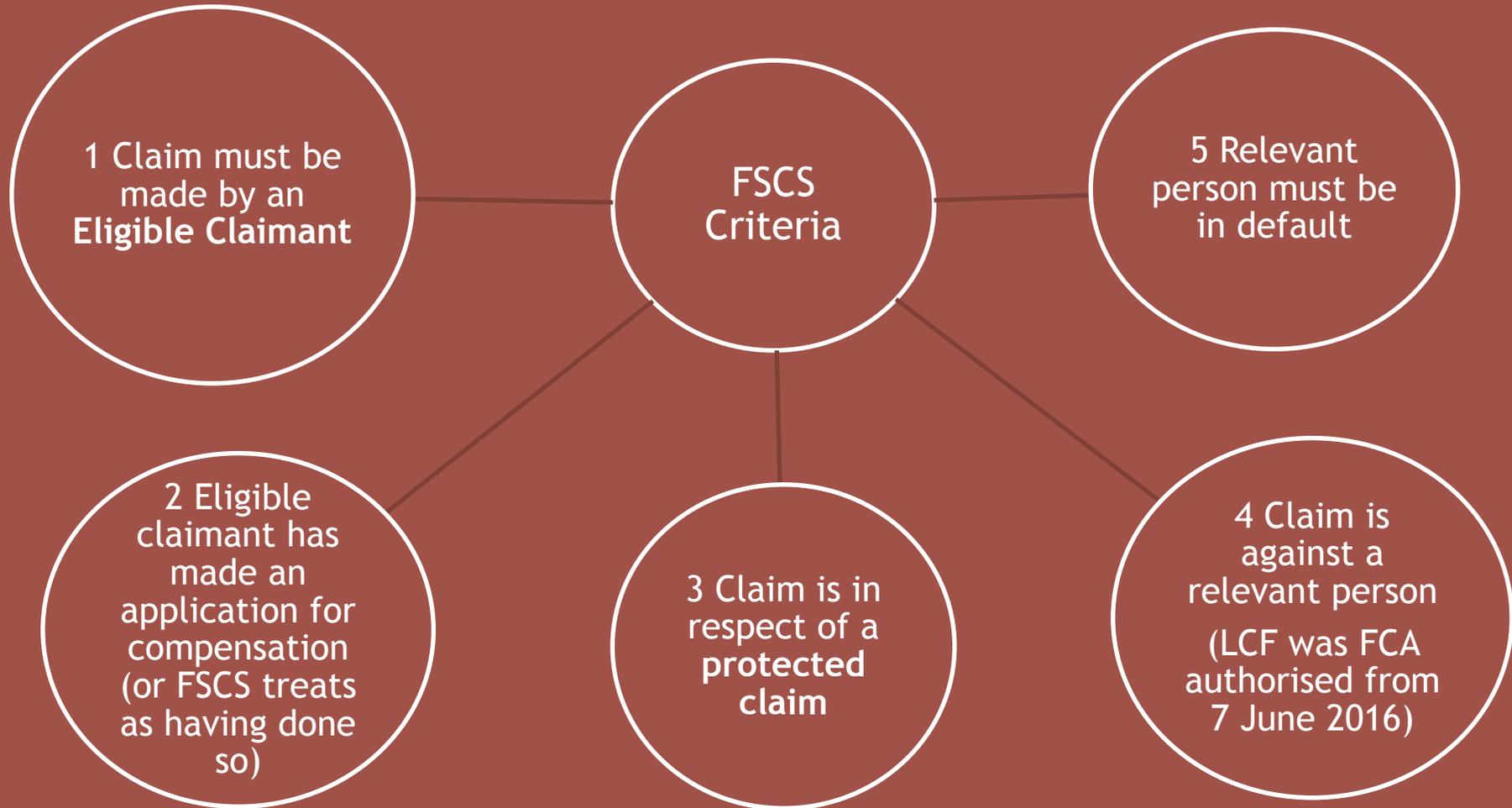
FSCS statement - extract.

6th March 2019. Updated 17 April 2019

FSCS understands that the firm issued its own mini-bonds to investors on a non-advised basis *and that these mini-bonds were not transferable securities*. This activity is not a regulated activity under the Regulated Activities Order and, therefore, is not FSCS-protected. For this reason, while the firm is insolvent, we're not accepting claims against the firm. Should we determine that there are circumstances that give rise to potentially valid claims, we'll begin to accept claims against London Capital & Finance plc. If this happens, we'll communicate this to customers on our website. We're working closely with the administrators to understand more about how the firm carried out its regulated activities.



FSCS Criteria



“Designated investment business”, which includes “advising on investments”, “arranging deals in investments or dealing in investments as agent”



The Serious Fraud Office

Website statement - 18 March, 2019

The Serious Fraud Office, working in conjunction with the Financial Conduct Authority, has opened an investigation into individuals associated with London Capital & Finance Plc. On 4 March 2019, four individuals were arrested in the Kent and Sussex areas. All four individuals have been released pending further investigation.

The operation was coordinated with the assistance of the National Crime Agency, City of London Police, Kent Police, Sussex Police and the South East Regional Organised Crime Unit (SEROCU).

The SFO encourages members of the public who have invested in this scheme over the period 2016 to 2018 to contact us through this [secure reporting form].

Please note the SFO is unable to provide any further comment as the investigation continues.



HMRC



Extracts from statement 19 March 2019

Full statement available on the LCF website

HMRC has decided that the Innovative Finance ISAs offered to investors by LCF did not comply with the requirements of the ISA regulations. The mini-bonds offered by LCF were not qualifying ISA investments because they were not a transferable security. HMRC has advised the administrators of LCF that all of LCF's ISA accounts have been voided for the 2018/19 tax year, and the previous tax year if opened before 6 April 2018.

HMRC (continued)

This means:

- Any subscription that you made into your LCF ISA since 6 April 2018 was not a valid ISA subscription.
- Funds that you transferred into your LCF ISA from another ISA that you had are no longer held within an ISA wrapper.
- Interest or growth received from an [so-called] LCF ISA may be liable to tax depending on your circumstances, and your entitlement to tax reliefs and allowances.

This is not tax advice, and you may need to consider obtaining such advice.



Costs

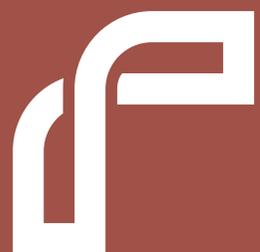


Costs of LCF administration to date

Administrators' costs	£1.528m
Administrators' legal costs	£1.337m

The administrators had huge concerns from the moment of their appointment. This meant that both they and their lawyers focused substantial teams on pursuing the c.£237m owed to the Bondholders.

LCF was involved in the provision of VAT exempt supplies and hence VAT incurred in relation to making these supplies could not be reclaimed. One consequence of this is that the VAT on the administrators' costs and on the administrators' legal costs cannot be recovered.



Thank you



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