

Dear Bondholder

Update re Legal Proceedings

The Joint Administrators (JAs) of London Capital & Finance (LCF) and London Oil and Gas (LOG) are keen to keep the Bondholders up to date with the progress of the legal actions and the work that is being done to achieve the maximum possible return of funds. A lot of work has gone on both behind the scenes and in public during 2020 and, as we come to the end of the year, now seems a good time to bring Bondholders up to date.

In broad terms the JAs' work can be broken down into two areas, investigation and recoveries. The first of these areas, the investigation work, is now substantially complete. We identified and collated a database of some 2.2 million documents from various companies and individuals connected to LCF. We then worked hard to extract from these documents all of the relevant information, enabling us to map out the flow of the £236m which was raised from Bondholders. This has been a mammoth task, not least because the information as initially presented to us was confused, often contradictory or had large gaps.

Notwithstanding the problems presented by the task, we have now mapped out in detail, the flow of cash around the LCF network of companies and individuals. This has allowed us to move on to the next step of the administration process; recovery. Many Bondholders will no doubt have seen the headlines relating to the claim we have brought against fifteen Defendants, seeking to recover £178m of the Bondholders' funds invested in LCF. There is a legal ruling in place which restricts what can be said about the claim, however we can tell you that the defendants to the matter include:

- Mr Andrew Thomson, chief executive of LCF; Mr Simon Hume-Kendall, one of the executive directors of LOG (LCF's largest borrower); Mr Elten Barker, also an executive director of LOG; Mr Spencer Golding, a significant shareholder in companies associated with LCF and LOG; Mr Paul Careless, CEO of Surge Financial Limited who undertook LCF's marketing; Surge Financial Limited; Mr John Russell-Murphy; Mr Robert Sedgwick; Grosvenor Park Intelligent Investments Limited; Mrs Helen Hume-Kendall, wife of Mr Hume-Kendall; and Messrs Michael Starkie, Stephen Ruscoe, Eric Bosshard, Robin Hudson and Charles Hendry, the non-executive Directors of LOG.

The purpose of the proceedings is to make recoveries from the Defendants for the benefit of the Bondholders. The claims allege, amongst other things, that Mr Thomson and others induced and/or facilitated the Bondholders to buy bonds by promising to invest those funds in a series of independent companies secured on valuable property/assets. In the event however, the JAs' investigations show that the majority of the funds were channelled to individuals and entities connected to or controlled by a number of the Defendants. The claim seeks repayment of monies received by these individuals and entities.

The claims also allege that five of the Defendants failed (in their capacity as non-executive Directors of LOG) to take sufficient notice or steps to understand the nature of the so-called investments. The JAs therefore believe that these Defendants have a legal responsibility to make payments to the estates because of the damage they have caused or permitted.

The JAs entered into this litigation because they were confident it was in the best interests of Bondholders and that the very significant costs associated with this kind of litigation would ultimately prove beneficial. However, litigation is an uncertain business and takes time, months or even years. Patience will be required, but we firmly believe that there will be a positive outcome and the JAs are focussed on looking to achieve the earliest outcome which is clearly in Bondholders' interests.

In addition to the case outlined above the JAs have also been busy dealing with over a dozen spurious, and we would say vexatious, legal challenges involving parties related to LOG and LCF. Defending these actions has consumed enormous amounts of our time and, therefore, your money. This is clearly not a satisfactory situation but one that has, unfortunately, been forced on us. Many of these

legal cases have been covered by the press and will be familiar to the Bondholder community. Others are less well known. For this reason it is worth listing the main cases and their outcomes here:

- Legal challenge by Global Security Trustees Ltd (“GST”) in which it sought to be recognised as the largest creditor to LCF and thereby potentially gain control of many aspects of the administration process. The GST application failed in court and led to its removal as trustee. GST is now in an insolvency process, with two of the JAs appointed liquidators over it.
- Injunction proceedings brought by Simon Hume-Kendall. The proceedings related to a handful of documents stored on LOG’s servers over which Mr Hume-Kendall claimed privilege. The proceedings delayed the work of the administration for a significant period, before being dismissed.
- Legal proceedings brought by Elten Barker to have the LOG administrators removed. His application failed when the judge stepped in to appoint the JAs by order of the court. Despite falling at the first hurdle Mr Barker’s challenge led to multiple High Court hearings.
- Application brought by LOG administrators to get an order compelling Spencer Golding’s business partner Sean Cubitt to disclose bank statements relating to his work at Mr Golding’s equestrian business. While the application was successful, it was only necessary after Mr Cubitt refused to cooperate voluntarily.
- Multiple court applications seeking orders compelling key individuals to attend interviews with the administrators of LOG and LCF. In the normal course of administrations such interviews are attended voluntarily with no requirement for the court to step in. Regrettably this has not been the case with LCF and LOG.
- Various legal applications, which by their nature are confidential, but relate to the movement of funds from LCF and onwards.
- Legal application brought by the JAs against companies owned by Mr Hume-Kendall and Mr Barker seeking a declaration that £32.6m of transactions relating to LCF and LOG monies were at an undervalue and done for no legitimate commercial reason.

In all of these cases the JAs have prevailed. We have had costs ordered in our favour and have collected those costs, or will do all we proportionately can to do so, where they have not already been paid. That said, this process has been expensive, and in many cases, forced upon us unnecessarily. One positive to come out of these legal challenges is that while they have delayed the process of the administration, they have put us in a far better position to recoup money for the Bondholder community. We are confident that the recovery process outlined above, including legal actions where there are legitimate claims and the sale of assets where it is appropriate and timely, will lead to further dividend payments. We will update you further on the legal aspects as they develop over the coming months. We do need to point out and explain that the reporting we are able to make to you is restricted including by court order, which also applies to the press, subsequent to the article in the Financial Times dated 4 September 2020.

FSCS Compensation Payments

The FSCS have paid out some £44m+ to Bondholders to date and are continuing with their work to assess the outstanding claims. Whilst it is extremely positive that such a considerable amount of investments have been compensated, we and the FSCS appreciate that Bondholders who have yet to hear from the FSCS in regards to their claim, are concerned and anxious as to the outcome and a timeframe for a decision. The FSCS have increased the size of their specialist team to accelerate this process. Bondholders are reminded that this process has been extremely lengthy and complex and every effort has been and continues to be made to ensure that where claims can be accepted within the parameters of the compensation criteria, they will be.

It should be noted that, as compensation payments are made, the recipient Bondholders are no longer creditors of LCF. Instead, the FSCS has what is called a subrogated claim and becomes the creditor in place of compensated Bondholders. As such, given the FSCS’ total pay-outs, their overall claim equates to approximately 20% in value of the total creditor claims in LCF. This percentage is only expected to increase as more Bondholders are compensated.

Bondholders may recall that places on the LCF Creditors' Committee were allocated based on the value of votes cast for each candidate. The FSCS claim of £44m+ and rising means that they would likely be entitled to membership of the Creditors' Committee if they wished to and a formal voting exercise was undertaken. They presently sit on a number of Creditors' Committee on other insolvencies. We are aware of creditor enquiries on this matter, and can confirm that the FSCS are not presently a member of the committee, but clearly this can and may change. We also have an ongoing dialogue with them in any event. We have held a number of Creditors' Committee meetings to provide them with an update, and we thank them for their efforts to date.

Dame Gloster Independent Enquiry

As some of you may be aware, Dame Gloster has concluded her report, which was presented to the FCA on 23 November 2020. We understand that the report will be published by HM Treasury shortly.

Update on IOG shares/warrants

Bondholders may be aware that LOG holds share warrants enabling it to acquire IOG shares at a range of prices. Certain of those share warrants expire on 31 December 2020 and, if not exercised before expiry, zero value would accrue to the LOG estate for the benefit of LCF Bondholders.

The administrators of LOG are very pleased to confirm that they have been able to;

- sell 5,000,000 IOG shares at a price of 13p per share and
- use the funds raised through this share sale to exercise 7,877,310 IOG share warrants.

These transactions have allowed the administrators to increase LOG's interest in IOG for the ultimate benefit of LCF bondholders, while being cash-neutral. At today's share price of 12.75p, the additional shares acquired through these transactions have a value of circa £367k.

Imperial College is looking on the impact of LCF

We have been asked by Imperial College to let you know that two of its scientists - Dr. Renata Kosova and Prof. Alex Michaelides - are conducting an independent study about how the failure of LCF affects investors' trust in financial markets and regulatory bodies. If you would like to participate in this research (there is no requirement), please fill in the anonymous survey (so no individual can be identified) by January 18th, 2021. **Please note that the administrators are not responsible for this work.** Here is the link:

https://imperial.eu.qualtrics.com/jfe/form/SV_b3ZDXWfls8RxTG5

Any questions regarding the survey should be sent to Dr. Kosova (r.kosova@imperial.ac.uk). We are informed that all responses will be (anonymously) sent to an Imperial College account, to which only she and her colleague will have an access. The results will be presented/published at conferences, forums, academic journals and shared with policy makers and media.

Next formal report

Our next progress report in the administration is due for issue by 28 February 2021. If there are matters of importance to be communicated ahead of this date, we will duly issue another email update to the Bondholders.

Kind regards

The LCF Administrators

The affairs, business and property of the Company are being managed by the administrators Finbarr O'Connell, Adam Stephens, Colin Hardman, Henry Shinnars and Geoff Rowley who act as agents of the Company and without personal liability. Finbarr O'Connell, Adam Stephens, Colin Hardman, Henry Shinnars and Geoff

Rowley are licensed as insolvency practitioners in the UK by the Institute of Chartered Accountants in England and Wales. Further information regarding the administration can be found at the joint administrators' webpage: www.smithandwilliamson.com/london-capital London Capital & Finance Plc is incorporated in England and Wales under the Companies Act 2006 with registered number 08140312. The Company is authorised and regulated by the Financial Conduct Authority with FRN 722603.

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