



MF Global UK Services Limited (in administration)



Report to creditors pursuant to Rule 2.47 of the Insolvency Rules 1986 (as amended)

22 September 2016



Notice: About this report

This Report has been prepared by Blair Carnegie Nimmo, Richard Heis and Michael Robert Pink, the Joint Administrators of MF Global UK Services Limited, solely to comply with their statutory duty under the Insolvency Rules 1986 to provide creditors with an update on the progress of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This Report has not been prepared in contemplation of being used, and is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in MF Global UK Services Limited or other companies in the same group.

Any estimated outcomes for creditors included in this Report are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors. Any person that chooses to rely on this Report for any other purpose or in any context other than under the Insolvency Rules 1986 does so at its own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of this Report to any such person.

Blair Carnegie Nimmo is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants of Scotland. Richard Heis and Michael Robert Pink are authorised to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales. The Joint Administrators act as agents for MF Global UK Services Limited and contract without personal liability. The appointments of the Joint Administrators are personal to them and, to the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability to any person in respect of this Report or the conduct of the administration.

We are bound by the Insolvency Code of Ethics.



Glossary of terms

Administrators	Blair Carnegie Nimmo, Richard Heis and Michael Robert Pink of KPMG LLP
Company/MFG Services	MF Global UK Services Limited
Directors	Aislinn Marion Shaw (resigned 9 February 2012), Richard Warren Moore (resigned 31 January 2012) and Simon William Gardiner (resigned 31 January 2012)
Fladgate	Fladgate LLP
Group	MF Global Holdings Limited and subsidiaries
HMRC	HM Revenue and Customs
MFGUK	MF Global UK Limited (in special administration)
PPF	The Pension Protection Fund
Proposals	The Administrators' Statement of Proposals under Paragraph 49 of Schedule B1 of the Insolvency Act 1986
Report	Tenth progress report prepared by the Administrators pursuant to Rule 2.47 of the Rules for the period 28 February 2016 to 27 August 2016
RPO	Redundancy Payments Office
Weil	Weil, Gotshal & Manges

The references in this Report to Sections, Paragraphs or Rules are to the Insolvency Act 1986, Schedule B1 of the Insolvency Act 1986 and the Insolvency Rules 1986 (as amended) respectively.

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Executive summary

Executive summary

- This Report provides creditors with an update of the progress of the Company's administration for the period from 28 February 2016 to 27 August 2016.
- An order was made in the High Court on 22 July 2016 removing Richard Dixon Fleming as Joint Administrator of the Company following his resignation from KPMG LLP.
- The Company's administration was due to end on 30 April 2016. The Administrators obtained approval from the Court to extend the Company's administration for a further 36 months and the administration is presently due to expire on 30 April 2019.
- The matter that is preventing progression of this administration, including a dividend distribution to unsecured creditors, is determining the extent, if any, of MFG Services' liability to bear a share of the costs of the settlement with the Trustees of the Pension Scheme. The appeal hearing in May 2016 was dismissed, however, MFGUK has appealed this decision and has applied to the Supreme Court for permission to appeal. We are waiting to hear from the Supreme Court, which at present has not given any indication as to when it will announce its decision on MFGUK's application. Further details are set out on page 10.
- We anticipate that unsecured creditors should receive a dividend irrespective of the outcome of the appeal hearing in relation to the pension settlement dispute, however, we are reliant on the receipt of funds from MFGUK to determine the timing and quantum of this. As previously advised and set out further on page 9 we are not able to confirm the amount owed to MFG Services by MFGUK until the outcome of the pension settlement dispute is known and accordingly MFGUK are not in a position to remit funds to us at present.
- All figures in this Report and its appendices are shown net of VAT, unless otherwise stated.
- The relevant statutory and supporting information is set out in the Appendices of this Report.



Blair Nimmo

Joint Administrator



Administrators' Proposals and purpose of the administration

Administrators' Proposals and purpose of the administration

The Administrators' Proposals were approved without modification at the meeting of creditors held on 5 January 2012.

As reported in the Proposals, the Company was placed into administration so that its assets could be realised as advantageously as possible by providing ongoing employee services to MFGUK and seeking to realise value for the inter-company debt, with a view to achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration).

As previously reported, the administration period was initially extended by 6 months by creditor consent and subsequently by Court orders dated 22 November 2012 and 1 April 2015. Following a further application to Court in April 2016, the Company's administration period has been extended to 30 April 2019.



Progress of the administration

Progress of the administration

This section updates you on our strategy for the administration and on our progress to date. It follows the information provided in previous reports.

Background

We worked with MFGUK in relation to its staffing needs until 31 January 2015 when the remaining two employees transferred to a contracting company.

A Management Agreement in place between MFG Services and MFGUK terminated on 30 October 2014. The Company received contributions of £1 million from MFGUK during the period of the Management Agreement. Following its termination the Company is responsible for meeting all of its costs.

Inter-company claim

The position remains as previously advised. The last revised claim we submitted to MFGUK (in special administration) totalled £10.4 million. We have advised the Special Administrators of MFGUK that this claim could increase when we are in a position to submit our final claim, either as a result of further claims and/or pending resolution of some disputed claims.

To date MFGUK has paid interim dividend distributions to its unsecured creditors of 90p in the £. MFGUK's last estimated outcome statement forecasts the total final dividend distributions to its unsecured creditors to be in the region of 99.1p in the £ to a surplus. More information on the dividend from MFGUK can be found on the MFGUK website: www.kpmg.co.uk/mfglobaluk.

We understand MFG Services' claim of £10.4 million has been provided for by MFGUK and the Company will be eligible for a dividend from MFGUK once both the outcome of the Company's liability in relation to the pension scheme settlement has been determined and we are in a position to submit a final claim.

Defined benefit pension scheme and legal dispute

MFG Services is challenging its contribution to the pension settlement, which has been funded by MFGUK by way of a limited recourse loan. The contribution was estimated at £7.7 million and was expected to be deducted from any dividend payable by MFGUK to MFG Services, but MFG Services contended that this was ultimately a cost that MFGUK should have borne entirely – which is the basis of the dispute between the estates.

On the basis of the legal opinions received, it was agreed by both parties to seek Court directions on a consensual basis on a set of agreed facts. The outcome of the hearing, which took place in March 2015, was in favour of MFG Services. This meant the Company was not liable to repay the loan which MFGUK provided to it in connection with the settlement with the pension scheme trustees. As previously reported, this decision was appealed by MFGUK, on the basis of advice from their lawyers. The two principal grounds to MFGUK's appeal were both in relation to whether or not there was an implied contract between MFGUK and MFG Services. We received the outcome of this hearing in June 2016 confirming that MFGUK's appeal was dismissed. Later in June we were advised that MFGUK was seeking permission to appeal to the Supreme Court.

We understand that the appeal will only be heard by the Supreme Court if this permission is granted. At present the Supreme Court has not given any indication as to when it will announce its decision on UK's application for permission to appeal. Our lawyers' enquiries indicate that if MFGUK is granted permission to appeal, the subsequent hearing listed at the Supreme Court could be some 12 months away.

The outcome of this legal decision will have a material effect on the administration. If we are successful, not having to pay the estimated £7.7 million contribution towards the pension settlement will have a significant impact on the funds available for distribution to the unsecured creditors. For this reason our estimated outcome for unsecured creditors is still presently within the range of 20p to 90p in £ and cannot be more precisely determined until this legal action is concluded.

Progress of the administration (cont.)

Tax compliance

We continue to liaise with and provide returns/make payments to HMRC. There are no outstanding issues.

Other pension schemes

Individual policies have now been assigned to the members of the GNI Group Money Purchase Pension Plan. We continue to monitor whether a refund is payable to the Company on completion of the winding-process, however, we understand this is unlikely.

Receipts, payments and expenses for the period

Receipts and payments made in this period are set out in the attached receipts and payments account (see Appendix 3).

In accordance with the terms of the Court of Appeal's order, we received £60,000 from MFGUK representing a payment on account of costs following the successful outcome of the appeal hearing in May 2016.

The schedule of expenses attached as Appendix 4 details the costs incurred, whether paid or unpaid, relating specifically to this reporting period.

Any additional information regarding office holders' remuneration and/or other expenses charged for the period is available from the office holder upon request by any secured creditor or any unsecured creditor(s) with at least 5% in value of the unsecured debt in accordance with Rule 2.48A. This request must be made within 21 days of receipt of the Report.

In addition, creditors are reminded that the quantum can be challenged by any secured creditor or any unsecured creditors with at least 10% in value (including that creditor's claim) of the unsecured debt by making an application to Court in accordance with Rule 2.109 within eight weeks of receipt of this Report. The full text of these rules can be provided upon request.

Legal fees

We continue to engage two separate lawyers to advise us on legal matters arising in this administration. Weil provides us with general administration advice. Advice specifically relating to the inter-company claim with MFGUK, the pension settlement and the legal dispute is provided to us by Fladgate.

£140,857 has been paid in legal costs and expenses during this period, which includes costs of £29,693 notified in our previous report as accrued in the previous reporting period.

Further legal costs incurred in this period, but unpaid to date, are in the region of £2,550 for Fladgate.

Progress of the administration (cont.)

Administrators' remuneration

- The statutory reference provisions relating to remuneration are set out in Rule 2.106. Further information is given in the Association of Business Recovery Professionals' publication 'A Creditors' Guide to Administrators' Fees', a copy of which can be obtained at: <https://www.r3.org.uk/what-we-do/publications/fees>. However, if you are unable to access this guide and would like a copy please contact Dipa Nambiar on 0207 694 6452.
- Attached as Appendix 2 is a detailed analysis of time spent, and charge out rates, for each grade of staff for the various areas of work carried out from 28 February 2016 to 27 August 2016, as required by the Association of Business Recovery Professionals' Statement of Insolvency Practice No. 9.
- In the period from 28 February 2016 to 27 August 2016, the Administrators and their staff have incurred time costs of £33,006 representing 103 hours at an average hourly rate of £322.
- Category 1 disbursements of £532 have been incurred on courier and postage in the reporting period.
- The basis of the Administrators' remuneration was approved by a resolution of creditors at the initial meeting of creditors and fixed by reference to time properly given by the Administrators and their staff in attending to matters arising in the administration.
- Additionally a resolution was sought allowing the Administrators to draw category 2 disbursements should they arise. These are costs that are directly referable to the appointment in question but not to a payment to an independent third party. They may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis, for example, business mileage. A full explanation of these disbursements is set out in the Creditors' Guide to Administrators' Fees referred to above.
- We have not drawn any remuneration in the period against the above mentioned time costs.



Estimated outcome for creditors

Estimated outcome for creditors

Preferential creditors

Preferential creditors have been paid in full.

Unsecured creditors

The position for unsecured creditors remains as previously advised. We envisage there will be a dividend for unsecured creditors, accordingly we have obtained the Court's permission to pay unsecured creditors as soon as sufficient funds are available, allowing for time to give all unsecured creditors formal notice of the dividend and the chance to prove their claim if they have not already done so.

As explained throughout this Report, the timing of a distribution to the Company's unsecured creditors as well as the percentage return available is dependent on the timing and quantum of the dividend the Company receives from the special administration of MFGUK in relation to the inter-company claim.

We have submitted an interim inter-company claim to MFGUK in the sum of £10.4 million. The Administrators will not be in a position to submit a final inter-company claim to MFGUK until after the outcome of the pension settlement dispute is known and thereafter until all employee unsecured claims have been agreed. The majority of employee claims have been agreed, however, we are unable to agree a small number of employee claims until the timing of the dividend is known. In turn, the special administrators of MFGUK have advised that they will be unable to adjudicate the Company's claim until the outcome of the pension settlement dispute is known and a final claim is submitted.

By way of additional information we advise that to date MFGUK has distributed 90p in the £ to its agreed unsecured creditors and further dividends are anticipated, with the latest estimated outcome from this special administration being a return in the range of 99.1p to 100p in the £ to a surplus. More information on the dividend from MFGUK is available on the MFGUK website at www.kpmg.co.uk/mfglobaluk.

In view of the unknown outcome of the legal dispute with MFGUK regarding the Company's contribution to the pension settlement, at the present time we anticipate that unsecured creditors will receive a dividend in the range of 20p to 90p in the £.



Future strategy of the administration

Future strategy and extension of the administration

Future strategy

The Administrators will continue to manage the affairs, business and property of the Company in order to achieve the purpose of the administration. This will include progression of the ongoing matters in this administration, which as explained in this Report will take time to conclude. These include but are not limited to:

- waiting for the Supreme Court's decision on whether it will allow MFGUK to appeal the outcome of the previous appeal hearing in relation to the Company's liability to bear a share of the costs of the settlement with the Trustees of the Pension Scheme;
- reaching an agreement with MFGUK in relation to the Company's inter-company position and, in due course, receiving a dividend from MFGUK;
- awaiting the winding-up of the GNI pension scheme to ascertain whether a refund is available to the Company;
- completing the adjudication of the claims of the unsecured creditors and making a distribution once funds are available;
- finalising the administration, including payment of all administration liabilities; and
- dealing with statutory and compliance obligations.

Exit from administration

Once all matters in the administration have been concluded, the Administrators will take the necessary steps to deal with the Company appropriately. This is likely to be via dissolution of the Company, unless liquidation is considered appropriate.

Future reporting

In accordance with Rule 2.47 the Administrators will issue their next progress report within one month of 27 February 2017.



Appendix 1

Statutory information

Appendix 1

Statutory information

Company Name	MF Global UK Services Limited
Company number	06233208
Date of incorporation	1 May 2007
Registered office	15 Canada Square, Canary Wharf, London, E14 5GL
Previous address	5 Churchill Place, Canary Wharf, E14 5HU
Court	High Court of Justice
Court reference	9526 of 2011
EC regulation on insolvency proceedings	The EC regulation applies and these proceedings are the main proceedings as defined in Article 3 of the EC Regulations
Administrators	Blair Carnegie Nimmo, Richard Heis and Michael Robert Pink
Former Administrator	Richard Dixon Fleming
Date of appointment	31 October 2011
Appointer	Directors
Para 100(2) statement	In accordance with paragraph 100(2) all functions or acts to be carried out by the Administrators are to be exercised by all or any one or more of the persons for the time being holding that office
Directors	Aislinn Marion Shaw (resigned 9 February 2012), Richard Warren Moore (resigned 31 January 2012) and Simon William Gardiner (resigned 31 January 2012)
Secretary	Vicki Kong (resigned 31 January 2012)
Details of share holdings	The Company is a wholly owned subsidiary of MF Global Holdings Europe Limited, and is an indirectly, wholly owned subsidiary of MF Global Holdings Limited



Appendix 2

Administrators' time and cost analysis,
including schedule of charge out rates

Appendix 2

Administrators' time and cost analysis (from 28 February 2016 to 27 August 2016)

MF Global UK Services Limited

	Partner / Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
Administration & planning							
<i>Cashiering</i>							
General (Cashiering)		5.20	7.00		12.20	£4,128.00	£338.36
Reconciliations (& IPS accounting reviews)			3.70		3.70	£1,160.00	£313.51
<i>Statutory and compliance</i>							
Appointment and related formalities		0.10	0.10		0.20	£79.00	£395.00
Bonding and bordereau			0.30		0.30	£72.00	£240.00
Checklist & reviews		0.30	3.90		4.20	£1,101.00	£262.14
Pre-appointment checks				0.75	0.75	£93.75	£125.00
<i>Tax</i>							
Post appointment corporation tax		0.50			0.50	£220.00	£440.00
Post appointment VAT			2.55		2.55	£816.00	£320.00
Creditors							
<i>Creditors and claims</i>							
Agreement of unsecured claims			23.10		23.10	£7,392.00	£320.00
General correspondence			3.10		3.10	£760.00	£245.16
Statutory reports	0.50	5.00	6.00		11.50	£4,525.00	£393.48
Employees							
Correspondence			22.00		22.00	£7,040.00	£320.00
Pension funds		4.20			4.20	£2,310.00	£550.00
Pensions reviews		0.20			0.20	£110.00	£550.00

Administrators' time and cost analysis (from 28 February 2016 to 27 August 2016)

MF Global UK Services Limited (cont.)							
	Partner / Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
General analysis							
<i>Trading</i>							
Engagement Management				2.25	2.25	£281.25	£125.00
Realisation of assets							
<i>Asset Realisation</i>							
Other assets		0.20			0.20	£110.00	£550.00
Trading							
Purchases and trading costs			11.70		11.70	£2,808.00	£240.00
Total in period					102.65	£33,006.00	£321.54

Note: All staff who have worked on this assignment, including cashiers and secretarial staff, have charged time directly to the assignment and are included in the analysis of time spent. The cost of staff employed in central administration function is not charged directly to the assignment but is reflected in the level of charge out rates. Time is charged using a minimum time unit of six minutes.

Source: Administrators' records.

Summary of disbursements paid from 28 February 2016 to 27 August 2016	
£	28 February 2016 to 27 August 2016
Courier & delivery costs	23.31
Postage	509.05
Administrator	240
Total disbursements	532.36

Source: Administrators' records.

Summary of charge out rates in operation during the course of the administration	
£	28 February 2016 to 27 August 2016
Restructuring, Tax, Pensions and Forensics	
Partner	765
Director	670
Senior Manager	550
Manager	440
Senior Administrator/Assistant	
Manager/Consultant	320
Administrator	240
Support staff	125

Source: KPMG LLP records.



Appendix 3

Receipts and payments account

Administrators' abstract of receipt and payments

Administrators' abstract of receipt and payments			
£	Statement of Affairs Estimated to realise	28 February 2016 to 27 August 2016	31 October 2011 to 27 August 2015
Total			
Asset realisations	(a)		
Inter-company receivables - MFGUK	Uncertain		
Legal contribution from MF Global UK Ltd		60,000.00	378,760.51
Cash at bank	Uncertain		652,091.92
Management fees			1,000,000.00
Staff loans and advances	Uncertain		
Corporation tax	Uncertain		
		60,000.00	2,030,852.43
Other realisations			
Gross interest		1,270.33	16,957.95
Sundry refunds (b)			9,421.08
Dividend income			283.20
		1,270.33	26,662.23
Cost of realisations			
Administrators' fees			157,910.05
Legal fees		71,185.60	912,250.62
Legal expenses		69,671.01	154,838.40
Professional fees			113.60
Irrecoverable VAT		1,386.83	55,257.46
Statutory advertising			990.90
Bank charges		60.00	495.00
		(140,303.44)	(1,281,856.03)
Preferential creditor dividend			(170,875.92)
		(81,033.11)	604,782.71
Represented by			
Floating ch. VAT receivable			189,900.311
Floating charge current			578,040.41
Floating ch. VAT payable			(78.39)
Floating ch. VAT control			(163,079.62)
			604,782.71

Note:

The Administrators have received remuneration of £2,395,959 from MFGUK for this engagement. This remuneration was paid by MFGUK in accordance with the Management Agreement in place between MFGUK and MFG Services until 31 October 2014. This remuneration is therefore not reflected in the Company's receipts and payments account.

Note: (a) There are no estimated to realise figures as the directors had detailed all assets as 'uncertain' per their Statement of Affairs.

Source: Administrators' records.



Appendix 4

Schedule of expenses

Schedule of expenses

Schedule of expenses – 28 February 2016 to 27 August 2016

£	Paid	Accrued	Total for period
Cost of realisations			
Legal fees and expenses	111,164.11	2,538.90	113,703.01
Administrators' remuneration	0.00	33,006.00	33,006.00
Irrecoverable VAT	1,386.83	0.00	1,386.83
Bank charges	60.00	0.00	60.00
Total	112,610.94	35,544.90	148,155.84

Source: Administrators' records.

Notes

The figures in the "paid" column above relate to costs incurred and paid in the period. Accordingly these figures do not include payments made in the period that relate to accruals notified in previous reports.

Administrators' remuneration

The Administrators' remuneration was approved at a meeting of creditors held on 5 January 2012, in accordance with Rule 2.106. Details of the Administrators' time costs incurred in this period are set out in the attached Report, supported by an analysis of time costs and expenses included at Appendix 2.

The accrual above shows time costs incurred to 27 August 2016 that have not yet been paid.

As already stated, in accordance with the terms of the Management Agreement in place until 30 October 2014, the Administrators' remuneration was being paid by MFGUK. All current and future costs will be borne by the estate.

KPMG Restructuring policy for the recovery of disbursements

Where funds permit the officeholder will look to recover both category 1 and category 2 disbursements from the estate. For the avoidance of doubt, such expenses are defined within SIP 9 as follows:

- **Category 1 disbursements:** These are costs where there is specific expenditure directly referable both to the appointment in question and a payment to an independent third party. These may include, for example, advertising, room hire, storage, postage, telephone charges, travel expenses, and equivalent costs reimbursed to the officeholder or his or her staff.
- **Category 2 disbursements:** These are costs that are directly referable to the appointment in question but not to a payment to an independent third party. They may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis, for example, business mileage.

Any disbursements paid from the estate are disclosed within the attached summary of disbursements.

Category 2 disbursements charged by KPMG Restructuring include mileage, this is calculated as follows:

Mileage claims fall into three categories:

- Use of privately-owned vehicle or car cash alternative – 45p per mile
- Use of company car – 60p per mile
- Use of partner's car – 60p per mile

Creditors' request for further information

Creditors are advised that any additional information regarding other expenses charged for the period is available from the Administrators upon request by any Secured Creditor or any unsecured creditor(s) with at least 5% in value of the unsecured debt in accordance with Rule 2.48A. This request must be made within 21 days of receipt of the attached Report. In addition creditors are reminded that the quantum can be challenged by any Secured Creditor or any unsecured creditor(s) with at least 10% in value (including that creditor's claim) of the unsecured debt by making an application to Court in accordance with Rule 2.109 within eight weeks of receipt of the attached Report. The full text of these rules can be provided upon request.



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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