

# **Joint Administrators' Second Progress Report**

**The Mediterranean Insurance & Reinsurance Company Limited  
- In Administration**

**28 September 2016**

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# THE ADMINISTRATORS' PROGRESS REPORT

## 1 Introduction

- 1.1 Mike Rollings and I were appointed as Joint Administrators of the Company by order of the High Court on 4 December 2015.
- 1.2 This Administration is being handled by Rollings Butt LLP at 6 Snow Hill, London, EC1A 2AY. The Administration is registered in the High Court of Justice, Chancery Division, Companies Court, reference number 9278 of 2015.
- 1.3 The trading address of the Company was 20 St Dunstans Hill, London, EC3R 8HL. The business traded under the name MedRe.
- 1.4 The registered office of the Company has been changed from c/o Charles Taylor Insurance Services Ltd, Lloyds Chambers, Portsoken Street, London, E1 8BT to 6 Snow Hill, London, EC1A 2AY and its registered number is 01395873.
- 1.5 The Joint Administrators are required to provide a progress report for each six month period of the Administration from the date of appointment, and in the event that an extension to the Administration is sought.
- 1.6 As disclosed in the Administrators' First Progress Report, dated 30 June 2016 ("the First Progress Report") and as anticipated in the Administrators' Proposals dated 22 January 2016 ("the Proposals"), the Administrators do not believe that it will be possible to meet the statutory objectives and conclude the Administration before the expiration of the Administration order on 3 December 2016. As a consequence, the Administrators are seeking the consent of the Creditors to extend the Administration for a further period of 12 months from this date. Any further extension of the Administration will require the Administrators to make an application to Court for an extension order and Creditors will be notified of this in due course.
- 1.7 In light of the above, this progress report covers the period from 4 June 2016 to 16 September 2016 ("the Period") and should be read in conjunction with the Proposals and the First Progress Report, which covered the period 4 December 2015 to 3 June 2016, and which have been previously made available to Creditors.
- 1.8 As previously advised, a creditors' committee ("the Committee") was formed following the initial meeting of creditors held on 10 February 2016, comprising the following creditors:
  - Hannover Ruck SE
  - GIC of India
  - FAIR Reinsurance Pool
  - Libya Insurance Company ("LIC")
- 1.9 LIC resigned as a member of the Committee with effect from 18 August 2016. Creditors are reminded that the provisions of the Insolvency Rules allow a Committee to comprise between 3 and 5 members. Should any creditor have an interest in being a member of the Committee please notify us using the contact details on the notification letter accompanying this report.

## 2 Progress of the Administration

- 2.1 In addition to the pursuance of the statutory objective of the Administration (i.e. to achieve 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), the Administrators have duties imposed by insolvency and other legislation, some of which may not provide any direct financial benefit to creditors.

- 2.2 This section of the report provides creditors with an update on the progress made in the period from 4 June 2016 to date, both in terms of the achievement of the statutory objective and also work which is required of the Administrators under other related legislation.
- 2.3 At Appendix A is the Administrators' Abstract of Receipts and Payments Account covering the period of this report, and a cumulative account covering the period from the date of the Joint Administrators' appointment to 16 September 2016.
- 2.4 As previously advised, a large proportion of the professional costs incurred relate to the investigation into the matters associated with the reasons for the Company's failure and the claim against the Company's former Finance Director, further details of which were set out in the First Progress Report.
- 2.5 Attached at Appendix B is a time analysis outlining the time spent by the Administrators and their staff during the Period together with a cumulative time analysis covering the period since the appointment at Appendix C.
- 2.6 Further information about the basis of remuneration agreed in this case and the Administrators' fees estimates previously provided can be found in section 4 of this report, together with any relevant information about revisions to the initial estimate, where applicable.

***Administration (including statutory compliance & reporting)***

- 2.7 As noted above, the Administrators must undertake some work which may not bring any financial benefit to creditors generally, but ensures that certain statutory compliance requirements in accordance with the Insolvency Act 1986 and other related legislation are met. Details about the work that we anticipated would need to be done in this area was outlined in our initial fees estimate/information set out in the Proposals.
- 2.8 As confirmed in the First Progress Report, the costs of statutory compliance work and reporting to creditors for the initial six-month period of the Administration remained within our initial estimate. However, and as detailed in that report, the extension of the Administration will place further statutory reporting requirements on the Administrators (including the production of this report) which will incur additional costs. The Committee have been provided with an updated fee estimate for the period 4 June 2016 to 3 December 2016, which incorporated the estimated costs of this work. Currently, the value of time incurred on this work is within this estimate.

***Realisation of assets***

*Company bank accounts*

- 2.9 To date £1,530,180 has been recovered from the Company's bank accounts. The Administrators continue to believe that funds held in bank accounts in Bahrain totalling USD c\$96k shall be recovered. However, and as previously disclosed, the Administrators have encountered difficulty in retrieving funds previously indicated to be held in accounts in Tunisia and Algeria. Our pursuit of these continues albeit recovery remains uncertain.
- 2.10 As disclosed in the First Progress Report, a significant proportion of the Company's funds have been placed in various short and medium term deposit or interest bearing accounts for the benefit of the Creditors. The Administrators continue to monitor the Company's cash requirements, and, in light of recent changes by the Bank of England to base interest rates, the decision to place funds on interest bearing accounts will be reviewed when these accounts mature, in order to determine if this will still result in a net benefit to the Administration estate.
- 2.11 Aside from the Administrators' remuneration and disbursements, the only payments made in the period have been legal fees, legal disbursements and fees for CTS' work as run-off agents. Further details regarding the quantum of these fees can be found in section 4 below.

2.12 As you will note, a small bank charge was incurred to enable payment in Bahraini Dollars to Al Tamimi & Company Advocates and Legal Consultants (“Al Tamimi”), the legal advisers assisting in the recovery of funds held in Bahrain.

*Value Added Tax (“VAT”)*

2.13 At the outset of the Administration, the Administrators engaged specialist tax advisers to review the Company’s previous treatment of VAT and to provide advice as to the likely recoverability of VAT incurred during the Administration. The advisers reviewed the limited information available and agreed with the Administrators’ assessment that the Company should be entitled to recover the VAT incurred in full as it had during the pre-Administration period and that the post Administration VAT returns should be submitted on this basis.

2.14 Consequently, the Administrators wrote to HMRC outlining their understanding, and filed the relevant VAT returns seeking full recovery of VAT incurred in the period to 30 June 2016. In subsequent correspondence, HMRC confirmed that they agreed in principle with the Administrators’ understanding and that VAT incurred in the Administration should in the main be recoverable in full. The Administrators have now received the refund for the periods to 30 June 2016 albeit the receipt falls outside of the period that this report covers. A further return is due to be submitted for the period ended 30 September 2016.

*Debtor collections*

2.15 As disclosed in the First Progress Report, Charles Taylor Services Limited (“CTS”) were appointed as Administration Run-Off Agents for the Company and directed to initially focus upon asset recovery and the reconciliation of the creditor/debtor position.

2.16 Since the First Progress Report, CTS have assisted in the recovery of £635,199 from the Company’s largest debtor and have entered into correspondence with all of the principal reinsurance counter-parties in order to facilitate these reconciliations and maximise the realisations of the Company’s book debts.

2.17 However, CTS have reported that this work has proven more time intensive than they had initially anticipated, largely as a result of the complex and often outdated records held by both the Company and the debtors, some of whom appear not to have reconciled some of the payments received from the Company from as far back as 2009.

2.18 In particular CTS have experienced difficulty in communicating with several of the Company’s debtors based in the Middle East and North Africa region (“MENA”), and it appears that many of the Company’s former contacts are either no longer at these companies or their records are incomplete. The Administrators are providing assistance to CTS where possible in order that contact can be made with all parties.

2.19 The work undertaken to date by the Administrators and their staff, and CTS, with regard to debtor collections will bring a financial benefit to creditors which should result in a distribution to unsecured creditors of the Company.

*Creditors (claims and distributions)*

2.20 Further information on the anticipated outcome for creditors in this case can be found at section 5 of this report. The Administrators are not only required to deal with correspondence and claims from unsecured creditors, but also those of any secured and preferential creditors of the Company. This may involve separate reporting to any secured creditor and dealing with distributions from asset realisations caught under their security, most typically a debenture. Whilst this work may not bring any financial benefit to creditors generally, the Administrators are required by statute to undertake this work and it will not be possible to distribute funds to creditors in due course without it.

2.21 Claims from preferential creditors typically involve employee claims and payments made on behalf of the Company by the Redundancy Payments Service following dismissal, however, as

detailed in the Proposals, it is the Administrators' current understanding that there are no outstanding employee liabilities or matters to be dealt with and as a consequence no preferential claims are anticipated.

- 2.22 If a distribution is to be paid to any class of creditor, work will be required to agree those claims and process the dividend payments to each relevant class of creditor. Generally, the amount of time and cost that will be involved by the Administrators in dealing with those claims depends on the number of claims, their complexity and the quality and completeness of the Company's underlying records.
- 2.23 As referred to in the First Progress Report, following the Company entering into an Administration Run-Off agreement with CTS, a significant proportion of the work in relation to amounts due in relation to reinsurance agreements is now being undertaken by CTS.
- 2.24 Please note:
- There are approximately 224 unsecured creditor claims in this case with a total value per the director(s) statement of affairs (including technical reinsurance liabilities and other provisions) of c£4.576 million.
  - There are no known secured or preferential creditors.
  - Based on current estimates, the Administrators anticipate realising sufficient assets to enable a distribution to be made to unsecured creditors. However, given the uncertainty surrounding the value of realisations to be made from debtors of the Company, and the costs and recoveries to be made as a result of the claim against the former Finance Director and any associated issues, the Administrators are not in a position to provide any definitive indication of the likely quantum of a dividend to unsecured creditors.
  - Creditors will be provided with guidance on the proposed dividend process and anticipated amount payable to unsecured creditors as and when we have clarity on this. Given the timescale of the work to be undertaken by CTS it is currently anticipated that this will be no earlier than Q2 of 2017, assuming the creditors agree to the extension of the Administration Order referred to in section 6 below.

### ***Investigations***

- 2.25 As disclosed in the First Progress Report, some of the work the Administrators are required to undertake is to comply with legislation such as the Company Directors' Disqualification Act 1986 ("the CDDA 1986") and Statement of Insolvency Practice 2 – Investigations by Office Holders in Administration and Insolvent Liquidations and may not necessarily bring any financial benefit to creditors, unless these investigations reveal potential asset recoveries that the Administrators can pursue for the benefit of creditors.
- 2.26 The Administrators have submitted a report on the conduct of the Directors of the Company to the Department for Business Innovation & Skills (now the Department for Business, Energy and Industrial Strategy) under the CDDA 1986, but as this is a confidential report, the contents cannot be disclosed.
- 2.27 However, as disclosed in the First Progress Report, there were significant matters that appear to have played a fundamental part in the Company's insolvency, principally that the Company's management accounts included entries (amounting to some £6.592 million) in respect of debts supposedly owing to the Company, but for which no underlying documentation was available, save for an entry on the financial ledger of the Company ("the Unsupported Debtors").
- 2.28 You will recall that it was the Administrators' view, in conjunction with the advice of Counsel and our legal advisors, that there are strong grounds to believe that between October 2009 and May 2015 the former FD of the Company, misappropriated an amount initially evidenced at c£2.4 million of the Company's funds by writing cheques drawn on the Company's account for his own benefit (and third parties, some of whom are believed to be connected to him) and then concealing such payments in the Company's accounting records.

- 2.29 As also disclosed in the First Progress Report, the Administrators had undertaken in depth investigations into these allegations and sought appropriate legal advice, which had consequently led them to initiate legal proceedings against the Company's former Finance Director in order to recover these funds, including the application and granting of a World Wide Freezing Order ("WWFO") over his assets.
- 2.30 The former Finance Director has now consented to the quantum of the claim against him being increased to £6.592m (plus interest and an initial provision for costs), and application has been made for an order for judgement by consent which, if successful would enable enforcement against the assets covered by the World Wide Freezing Order, which remains in place.
- 2.31 The Administrators continue to consider the extent to which the Company has claims against other parties arising from or connected with the Unsupported Debtors and the merits of pursuing such claims.
- 2.32 Full disclosure of these proceedings and all other relevant material has been provided to the Committee all of who have entered into confidentiality agreements. In the interests of confidentiality and so as to the protect the Company's position in relation to certain aspects of its claims, we are not at this stage able to provide further details to the wider body of creditors at this time

***Shareholders***

- 2.33 As disclosed in the First Progress Report, the Administrators continue to liaise with the Shareholders in relation to the Company's affairs, and particularly the Company's historic financial records.
- 2.34 Whilst the time incurred in this may not have a direct financial benefit for the estate, it is anticipated that information available from this source will assist us (and CTS) in the recovery of debtors and our investigations into claims available to the Company in relation to the Unsupported Debtors.

***Trading***

- 2.35 Prior to appointment, the Administrators were advised that the Company stopped writing new business in 2009 at the time that the Company entered run-off and that all risks had expired prior to CTS being appointed as the external run-off agent in 2014.
- 2.36 There is however a significant amount of work to be undertaken in relation to the run-off, including, but not limited to, reconciling the debtor and creditor position with a view to maximising recoveries and funds available for distribution to creditors.
- 2.37 This work is largely undertaken by CTS under the terms of the post-Administration run-off services agreement. However, there is work that the Administrators will need to undertake which falls under this heading which primarily relates to the creation and completion of the agreement with CTS, discussions with the relevant Regulators and monitoring the progress of CTS.
- 2.38 In addition to this, as a consequence of the work undertaken by CTS and information provided by various reinsurers, CTS have identified reinsurance agreements with a number of parties ("the Agreements") that were ongoing prior to the date that run-off commenced.
- 2.39 Consequently, and in conjunction with CTS and Cooley (UK) LLP, our legal advisers, we have been attempting to clarify the status of these Agreements. This includes providing notification referring to cancellation/termination of the Agreements as set out in section 7 below and communicated separately to those relevant parties of whom we are aware.
- 2.40 Whilst the time incurred in carrying out this work may not have a direct financial benefit for the estate, it is an essential step in being able to ultimately being able to clarify the creditor position which would ultimately allow a distribution mechanism to be created in due course. This will of

course benefit the creditors in that it will allow funds to be returned to them from the Administration.

- 2.41 This work has been in addition to the work that the Administrators have undertaken in relation to the monitoring of the work to be carried out under the Run-Off Agreement by CTS.
- 2.42 Whilst time incurred on this matter may not have a direct financial benefit for the estate, the connected work that is being undertaken by CTS in relation to reconciling the Company's financial position and recovering balances due to the Company clearly will. In addition, it is anticipated that as this work progress, the Administrators will need to undertake tasks such as agree settlements with debtors which will fall under this category and which will have a direct financial benefit to the Company and its creditors.

#### **Case specific matters**

- 2.43 Case specific refers to time incurred in dealing with matters specific to this Administration which are outside the scope of the other standard activity codes referred to elsewhere in this report.
- 2.44 The work undertaken here largely consists of liaising with the various regulators for the Company in relation to matters relevant to the Administration. The time incurred in relation to this is unlikely to have a direct financial benefit to the Company but is a necessary consequence of the Company being a regulated entity.

### **3 Pre-administration costs**

- 3.1 For details of the pre-administration costs, please see the Proposals and the First Progress Report.
- 3.2 At the time of writing we are still awaiting the outcome of the Committee's decision on whether the below costs will be approved:

Charged by	Services provided	Costs charged (£)	Disbursements (£)	Amount unpaid (£)
Charles Taylor Services Limited	Analysis and provision of information to support application to Court	50,733.33	3,186.00	53,919.33

\*All figures shown exclusive of VAT

### **4 Joint Administrators' remuneration**

- 4.1 As confirmed in the First Progress Report, upon their appointment it became the responsibility of the Committee to agree the basis and quantum of the Administrators' remuneration.
- 4.2 Subsequently the Committee resolved that the basis of the Administrators' remuneration should be fixed by reference to time properly spent in attending to matters arising in the Administration. In addition, it was agreed that the Administrators would defer payment of 20% of the value of the time incurred by them on a monthly basis, with the balance of this deferment to be considered with the Committee at a later point in time.
- 4.3 The Administrators provided a fee estimate and details of the work they proposed to undertake in the initial six-month period of the Administration to the Creditors as part of the Administrators' initial Proposals. The Administrators have now provided the Committee with a fee estimate and details of the work that they propose to undertake for the period 4 June 2016 to 3 December 2016.
- 4.4 The Administrators' time costs for the period 4 June 2016 to 16 September 2016 are £80,240. This represents 274.4 hours at an average rate of £292.42 per hour. Attached at Appendix B

is a Time Analysis which provides details of the activity costs incurred by staff grade during the period in respect of the costs fixed by reference to time properly spent in managing the Administration.

- 4.5 Since the First Progress Report was issued to Creditors, the below costs have been approved by the Committee:

<b>Period</b>	<b>Value of time incurred (£)</b>	<b>Proposed remuneration (£)</b>	<b>20% Deferred remuneration (£)</b>
1 May 2016 to 31 May 2016	30,546.00	24,436.80	6,109.20
1 June 2016 to 30 June 2016	26,294.00	21,035.20	5,258.80
1 July 2016 to 31 July 2016	21,951.00	17,560.80	4,390.20
<b>Total</b>	<b>78,791.00</b>	<b>63,032.80</b>	<b>15,758.20</b>

\*All figures shown exclusive of VAT

- 4.6 Time costs for August and September 2016 will be presented to the Committee for their review and approval at the next Committee meeting, scheduled to be held in early October 2016.
- 4.7 Also attached at Appendix C is a cumulative Time Analysis for the period from 4 December 2015 to 16 September 2016 which provides details of my time costs since my appointment. The cumulative time costs incurred to date are £330,112.50 and this represents 1,068.2 hours at an average rate of £309.04 per hour.
- 4.8 A copy of 'A Creditors' Guide to Administrators' Fees' is available on request or can be downloaded from:
- [https://www.r3.org.uk/media/documents/publications/professional/Guide\\_to\\_Administrators\\_Fees\\_Oct\\_2015.pdf](https://www.r3.org.uk/media/documents/publications/professional/Guide_to_Administrators_Fees_Oct_2015.pdf)
- 4.9 Attached at Appendix D is additional information in relation to the Administrators' fees, expenses and disbursements, including where relevant, information on the use of subcontractors and professional advisers. Attached at Appendix E is a narrative guide of the activities the Administrators and their staff have undertaken in pursuit of the Administration objectives.
- 4.10 The following expenses have been incurred since the First Progress Report to creditors:

<b>Supplier/Service Provider</b>	<b>Services provided</b>	<b>Costs incurred (£)</b>	<b>Disbursements (£)</b>	<b>Amount unpaid (£)</b>
Al Tamimi & Company Advocates and Legal Consultants	Legal advice - assistance in recovery of funds held in Bahrain	1,500.94	nil	318.73
Charles Taylor Services Limited	Administration Run-off services	58,333.33	nil	14,583.33
Barclays Bank Plc	Charges for international payment	20.00	nil	nil
Cooley (UK) LLP	Legal advice - litigation and general administration matters	69,842.88	nil	69,842.88
<b>Total</b>		<b>129,697.15</b>		<b>84,744.94</b>

\*All figures shown exclusive of VAT

## **5 Estimated outcome for Creditors**

- 5.1 An Estimated Outcome Statement ("EOS") was provided to Creditors in the First Progress Report.

- 5.2 Given the uncertainties surrounding debtor realisations and likely further recoveries, the Administrators do not believe that there have been material changes in the situation to alter significantly the estimated outcome to creditors since writing their previous report however, an updated EOS, as at 16 September 2016, is included at Appendix F.
- 5.3 Please note that this statement must be read in conjunction with the explanatory notes and that it is an illustration of a potential outcome based on information available to the Administrators at this time. For the avoidance of doubt, the EOS is for illustrative purposes only, and should not be relied upon for investment or divestment purposes. Neither the Company, the Administrators, their staff or agents have any responsibility or liability to any party who acts or refrains from acting based on the information included in this EOS (or this report) generally. The actual outcome may change during the course of the Administration dependent on future recoveries and unknown matters that may arise.

#### ***Secured creditors***

- 5.4 There is no registered security giving charges over the assets of the Company. Consequently, the provisions of S176A of the Insolvency Act 1986 will not apply.

#### ***Preferential creditors***

- 5.5 The Company had no remaining employees at the date of our appointment, nor is there believed to be any outstanding employee liabilities. As such, it is understood that the Company has no preferential creditors.

#### ***Unsecured creditors***

- 5.7 Based on current estimates, the Administrators anticipate realising sufficient assets to enable a distribution to be made to unsecured creditors. However, given the uncertainty surrounding the value of realisations made from debtors of the Company, in particular the unsupported debtors, the Administrators are not in a position to determine the value of any unsecured dividend.
- 5.8 In addition, the Administrators anticipate future movement in the Creditor position of the Company, and whilst work by CTS is ongoing in this respect, the Administrators are not yet in a position to determine the total value of creditor claims in the Administration. As referred to in section 2.24 above it is currently anticipated that further information will be available as and when CTS have largely completed their work in the middle of 2017 and creditors will be provided with guidance on the proposed dividend process and likely return in due course.

### **6 Extension of the Administration**

- 6.1 As mentioned earlier in the report the Administrators are requesting that creditors approve an extension to the Administration as under the Insolvency Act 1986, the Administration automatically comes to an end after 12 months.
- 6.2 The extension is required in order that the Administrators can continue to recover funds to the benefit of the Administration estate and to eventually allow for a distribution to be made to creditors in keeping with the statutory objective of the Administration; to achieve 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).
- 6.3 This includes allowing sufficient time for Charles Taylor Services ("CTS") to complete the work specified in the Administration Run-Off Agreement as well as providing time for the Administrators to further consider and, if appropriate pursue the Company's claims against the former Finance Director, and any other relevant parties, for the benefit of the creditors.
- 6.4 Attached to the letter accompanying this report is Form 2.25B containing a resolution seeking the consent of creditors to the extension of the Administration for a further period of 12 months,

from 4 December 2016 to 3 December 2017. Creditors are requested to return this form to the Administrators office by 12 noon (UK time) on Friday 21 October 2016. Forms can be returned via email to [medre@rollingsbutt.com](mailto:medre@rollingsbutt.com) or via post to the Administrators address as provided in section 1.2 of this report.

## **7 Status of reinsurance contracts incepting prior to Administration**

- 7.1 As set out in the Proposals and the First Progress Report, the Company ceased writing new risks and has been in run-off since 28 October 2009 and CTS have been appointed to provide certain run-off and administration support services during the period of administration with a view to, amongst other things, reconciling the respective debtor and creditor positions and recovering amounts due to the Company.
- 7.2 As part of this work, CTS have identified reinsurance agreements with a number of parties ("the Agreements") which were ongoing prior to the date that the run-off commenced.
- 7.3 It is our understanding that the Agreements were cancelled/terminated by agreement of the parties and/or treated by the parties as cancelled/terminated by their conduct.
- 7.4 However, in the interests of transparency, and for the avoidance of doubt, to the extent that you or any party continue to treat any of the Agreements as ongoing, by this document we serve notices of cancellation/termination in respect of each and every one of the Agreements.
- 7.5 Whilst the cancellation/termination of the Agreements does not affect risks already written and validly ceded to the Agreements, no further cessions may be made from the date of this notice being 28 September 2016.
- 7.6 However, this should not be taken as a blanket acceptance that any cession since 28 October 2009 is, in fact, a valid cession and the consideration of these will form part of the reconciliation process being undertaken (as referred to above) and the proof of your claim for distribution purposes in the administration and any other relevant insolvency process in due course.

## **8 Ending the Administration**

- 8.1 As explained in the First Progress Report; given the uncertainty surrounding the value of realisations and potential for a distribution, the Administrators will continue to evaluate the best method of exit from the Administration and further information will be provided to creditors in relation to these matters as the Administration progresses.

## **9 Creditors' rights**

- 9.1 Within 21 days of the receipt of this report, a secured creditor, or an unsecured creditor (with the concurrence of at least 5% in value of the unsecured creditors) may request in writing that the Administrators provide further information about their remuneration or expenses (other than pre-Administration costs) which have been itemised in this progress report.
- 9.2 Any secured creditor, or an unsecured creditor (with the concurrence of at least 10% in value of the unsecured creditors) may within 8 weeks of receipt of this progress report make an application to court on the grounds that, in all the circumstances, the basis fixed for the Administrators' remuneration is inappropriate and/or the remuneration charged or the expenses incurred by the Administrators, as set out in this progress report, are excessive.

**10 Next report**

- 10.1 The Administrators are required to provide a progress report within one month of the end of the next six months of the Administration or earlier if the Administration has been finalised or the Administrators need to seek some additional resolutions from Creditors.
- 10.2 At this stage, the Administrators are currently uncertain on whether the Administration will be capable of conclusion within the next 12-month period, but anticipate being in a position to update creditors on the likely exit strategy and conclusion timeline by the time of the next progress report to Creditors and once we have greater clarity regarding the reconciled creditor/debtor position and realisations in relation to the Unsupported Debtor and connected issues.

For and on behalf of  
The Mediterranean Insurance & Reinsurance Company Limited



Steve Butt  
Joint Administrator

A handwritten signature of the name "Steve Butt" is written over a black curved line. Below the signature, the title "Joint Administrator" is printed in a smaller, sans-serif font.

**The Mediterranean Insurance & Reinsurance Company Limited - in Administration  
Joint Administrators' Abstract of Receipts & Payments**

<b>Statement of Affairs</b>	<b>From 04/06/2016 To 16/09/2016</b>	<b>From 04/12/2015 To 16/09/2016</b>
ASSET REALISATIONS		
Book Debts	NIL	NIL
1,503,156.00 Cash at Bank	NIL	1,530,180.10
1,480,176.00 Supported debtors	635,198.59	635,198.59
Uncertain Unsupported debtors	NIL	NIL
Uncertain Other debtors	NIL	NIL
Bank Interest	761.30	761.30
	<hr/>	<hr/>
	635,959.89	2,166,139.99
COST OF REALISATIONS		
Office Holder Pre-Admin. Fees	NIL	83,067.50
Office Holder Pre-Admin. Expenses	NIL	188.75
Office Holders Fees	171,662.40	171,662.40
Office Holders Expenses	2,700.00	2,700.00
Run Off Agents' Fees	43,750.00	43,750.00
Process Server fees	NIL	170.00
Legal Fees	38,643.21	84,519.71
Legal Disbursements	42,263.71	42,263.71
Statutory Advertising	NIL	534.50
Land Registry Searches	NIL	7.00
Bank Charges	20.00	27.65
VAT Control account	48,089.42	74,050.03
	<hr/>	<hr/>
	(347,128.74)	(502,941.25)
UNSECURED CREDITORS		
(1,418,000.00) Claims outstanding (gross)	NIL	NIL
(2,880,092.00) Creditors -reinsurance operations	NIL	NIL
(212,430.00) Other creditors incl tax/social security	NIL	NIL
(65,087.00) Current expenses	NIL	NIL
	<hr/>	<hr/>
<b>(1,592,277.00)</b>	<b>288,831.15</b>	<b>1,663,198.74</b>

## Appendix B

**The Mediterranean Insurance & Reinsurance Company Limited - in Administration**  
**Time Analysis for the Period 4 June 2016 to 16 September 2016**

Classification of Work Function	Partner	Manager	Other Senior Professionals	Total Hours	Time Cost (£)	Average Hourly Rate (£)
100 : Administration & Planning	0.70	0.00	2.50	3.20	689.00	215.31
102 : Appointment	0.20	0.10	0.20	0.50	171.00	342.00
104 : Case Management	0.50	2.40	7.90	10.80	2,647.00	245.09
105 : Case Planning	1.80	0.40	6.00	8.20	2,194.00	267.56
106 : Maintenance Of Records	0.20	0.00	2.60	2.80	614.00	219.29
107 : Statutory Reporting	6.40	6.70	22.00	35.10	9,887.00	281.68
111 : Billing	0.00	0.00	1.60	1.60	236.00	147.50
112 : Post Appointment Tax	1.40	7.10	6.80	15.30	4,554.00	297.65
116 : Case Accounting	0.70	1.20	13.50	15.40	2,864.00	185.97
117 : Bank Reconciliations	0.00	0.00	1.20	1.20	156.00	130.00
118 : Receipts & Payments	0.00	0.00	2.10	2.10	308.00	146.67
702 : Liaison With Directors	0.40	0.00	0.30	0.70	248.00	354.29
<b>Administration &amp; Planning</b>	<b>12.30</b>	<b>17.90</b>	<b>66.70</b>	<b>96.90</b>	<b>24,568.00</b>	<b>253.54</b>
600 : Case Specific	0.00	1.40	0.10	1.50	538.00	358.67
<b>Case Specific Matters</b>	<b>0.00</b>	<b>1.40</b>	<b>0.10</b>	<b>1.50</b>	<b>538.00</b>	<b>358.67</b>
500 : Creditors	0.10	0.00	2.30	2.40	507.00	211.25
505 : Creditors Committee	10.40	23.40	36.90	70.70	20,926.00	295.98
<b>Creditors</b>	<b>10.50</b>	<b>23.40</b>	<b>39.20</b>	<b>73.10</b>	<b>21,433.00</b>	<b>293.20</b>
200 : Investigations	0.30	5.00	11.40	16.70	3,886.00	232.69
201 : CDDA Reports	1.80	9.80	1.80	13.40	4,832.00	360.60
203 : Investigatory Work	2.80	1.30	2.10	6.20	2,217.00	357.58
206 : Meetings With Directors	0.30	0.00	0.00	0.30	141.00	470.00
<b>Investigations</b>	<b>5.20</b>	<b>16.10</b>	<b>15.30</b>	<b>36.60</b>	<b>11,076.00</b>	<b>302.62</b>
300 : Realisation Of Assets	1.30	7.70	9.40	18.40	5,340.00	290.22
303 : Book Debts	1.80	0.30	0.70	2.80	1,048.00	374.29
314 : Litigation	14.20	10.70	10.30	35.20	12,693.00	360.60
<b>Realisation of Assets</b>	<b>17.30</b>	<b>18.70</b>	<b>20.40</b>	<b>56.40</b>	<b>19,081.00</b>	<b>338.32</b>
800 : Shareholders	1.20	0.00	0.00	1.20	564.00	470.00
<b>Shareholders</b>	<b>1.20</b>	<b>0.00</b>	<b>0.00</b>	<b>1.20</b>	<b>564.00</b>	<b>470.00</b>
401 : Management Of Operations	3.90	1.10	3.70	8.70	2,980.00	342.53
<b>Trading</b>	<b>3.90</b>	<b>1.10</b>	<b>3.70</b>	<b>8.70</b>	<b>2,980.00</b>	<b>342.53</b>
<b>Total Hours</b>	<b>50.40</b>	<b>78.60</b>	<b>145.40</b>	<b>274.40</b>	<b>80,240.00</b>	<b>292.42</b>

## Appendix C

**The Mediterranean Insurance & Reinsurance Company Limited - in Administration**  
**Time Analysis for the Period 4 December 2015 to 16 September 2016**

Classification of Work Function	Partner	Manager	Other Senior Professionals	Total Hours	Time Cost (£)	Average Hourly Rate (£)
100 : Administration & Planning	23.70	7.10	25.50	56.30	17,429.50	309.58
101 : Administrative Set-Up	1.20	0.60	2.80	4.60	1,276.00	277.39
102 : Appointment	4.60	1.30	3.00	8.90	3,099.00	348.20
103 : Background Information	0.00	1.70	0.20	1.90	633.00	333.16
104 : Case Management	0.90	8.10	26.40	35.40	8,390.00	237.01
105 : Case Planning	20.50	2.90	19.30	42.70	14,039.50	328.79
106 : Maintenance Of Records	1.00	0.00	2.60	3.60	970.00	269.44
107 : Statutory Reporting	21.10	15.90	63.80	100.80	27,265.50	270.49
108 : Statutory Compliance	4.70	1.00	2.80	8.50	2,973.50	349.82
109 : Review	0.00	1.10	0.00	1.10	385.00	350.00
111 : Billing	0.00	0.00	1.90	1.90	293.00	154.21
112 : Post Appointment Tax	2.90	10.90	13.90	27.70	8,024.00	289.68
115 : Meetings	5.00	3.40	7.60	16.00	4,859.00	303.69
116 : Case Accounting	1.90	9.60	31.20	42.70	8,874.50	207.83
117 : Bank Reconciliations	0.00	0.00	1.20	1.20	156.00	130.00
118 : Receipts & Payments	0.00	0.00	2.10	2.10	308.00	146.67
702 : Liaison With Directors	5.10	4.60	0.60	10.30	4,006.50	388.98
<b>Administration &amp; Planning</b>	<b>92.60</b>	<b>68.20</b>	<b>204.90</b>	<b>365.70</b>	<b>102,982.00</b>	<b>281.60</b>
600 : Case Specific	3.40	6.70	0.90	11.00	4,069.00	369.91
<b>Case Specific Matters</b>	<b>3.40</b>	<b>6.70</b>	<b>0.90</b>	<b>11.00</b>	<b>4,069.00</b>	<b>369.91</b>
500 : Creditors	16.60	2.40	62.10	81.10	19,847.50	244.73
505 : Creditors Committee	54.60	53.00	107.50	215.10	65,442.50	304.24
508 : Employees	0.00	0.00	0.50	0.50	100.00	200.00
510 : Pre Appointment Tax	0.80	0.60	0.10	1.50	585.00	390.00
<b>Creditors</b>	<b>72.00</b>	<b>56.00</b>	<b>170.20</b>	<b>298.20</b>	<b>85,975.00</b>	<b>288.31</b>
200 : Investigations	59.50	65.40	59.70	184.60	60,484.50	327.65
201 : CDDA Reports	12.50	19.70	11.30	43.50	15,234.50	350.22
203 : Investigatory Work	2.80	1.30	2.10	6.20	2,217.00	357.58
206 : Meetings With Directors	5.80	0.50	0.30	6.60	2,820.50	427.35
<b>Investigations</b>	<b>80.60</b>	<b>86.90</b>	<b>73.40</b>	<b>240.90</b>	<b>80,756.50</b>	<b>335.23</b>
300 : Realisation Of Assets	4.60	8.90	20.60	34.10	9,388.00	275.31
302 : Identifying, Securing, Insuring Assets	0.80	0.00	0.70	1.50	490.00	326.67
303 : Book Debts	2.00	0.30	2.50	4.80	1,479.00	308.13
314 : Litigation	41.10	10.70	12.60	64.40	25,338.50	393.45
<b>Realisation of Assets</b>	<b>48.50</b>	<b>19.90</b>	<b>36.40</b>	<b>104.80</b>	<b>36,695.50</b>	<b>350.15</b>
800 : Shareholders	1.60	0.00	0.00	1.60	752.00	470.00
<b>Shareholders</b>	<b>1.60</b>	<b>0.00</b>	<b>0.00</b>	<b>1.60</b>	<b>752.00</b>	<b>470.00</b>
401 : Management Of Operations	34.80	4.90	6.30	46.00	18,882.50	410.49
<b>Trading</b>	<b>34.80</b>	<b>4.90</b>	<b>6.30</b>	<b>46.00</b>	<b>18,882.50</b>	<b>410.49</b>
<b>Total Hours</b>	<b>333.50</b>	<b>242.60</b>	<b>491.90</b>	<b>1,068.20</b>	<b>330,112.50</b>	<b>309.04</b>

**Additional Information in Relation to the Joint Administrators' Fees, Expenses & Disbursements**

**1 Staff Allocation and the Use of Sub-Contractors**

- 1.1 The general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case.
- 1.2 The constitution of the case team will usually consist of a Partner, a Director or Manager, and an Associate. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment.
- 1.3 We are not proposing to utilise the services of any sub-contractors in this case.

**2 Charge Out Rates**

- 2.1 Rollings Butt LLP's charge-out rates for the period 1 April 2015 to 31 March 2016 are detailed below:

Grade	Rate (£ per hour)
Partner	445
Director	350
Manager	270
Associate	120-190

- 2.2 Rollings Butt LLP's current charge-out rates effective from 1 April 2016 are detailed below:

Grade	Rate (£ per hour)
Partner	470
Director	370
Manager	285
Associate	130-200

Please note this firm records its time in minimum units of 6 minutes.

**3 Professional Advisors**

- 3.1 On this assignment we have used the professional advisors listed below. We have also indicated alongside, the basis of our fee arrangement with them, which is subject to review on a regular basis.

Name of Professional Advisor	Nature of Advice	Basis of Fee Arrangement
Cooley (UK) LLP	Legal advisers	Hourly rate and disbursements, with deferral of 50% of litigation fees to be reviewed at a later date taking into account the progress of claims.
Al Tamimi & Company Advocates and Legal Consultants	Legal advisers (Bahrain)	Hourly rate and disbursements
Smith & Williamson LLP	Specialist tax advisers	Fixed fee
Charles Taylor Services Ltd	Run-Off Agents	Fixed fee
Lambert Smith Hampton Group Limited	Asset valuers	Percentage of realisations

- 3.2 Our choice was based on our perception of their experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of our fee arrangement with them.

#### **4 Joint Administrators' Expenses & Disbursements**

- 4.1 The estimate of expenses (including disbursements) that were anticipated to be incurred at the outset of the Administration was provided to creditors in the Proposals and an updated schedule was included in the First Progress Report.

##### ***Current position of Joint Administrators' expenses***

- 4.2 An analysis of the expenses paid during the period of this report, together with those incurred in the period but not paid at the date of this report is provided below:

Supplier/Service Provider	Services provided	Costs incurred (£)	Disbursements (£)	Amount unpaid (£)
Al Tamimi & Company Advocates and Legal Consultants	Legal advice - assistance in recovery of funds held in Bahrain	1,500.94	nil	318.73
Charles Taylor Services Limited	Administration Run-off services	58,333.33	nil	14,583.33
Barclays Bank Plc	Charges for international payment	20.00	nil	nil
<b>Total</b>		<b>59,854.27</b>	<b>nil</b>	<b>14,902.06</b>

\*All figures shown exclusive of VAT

- 4.3 Category 1 disbursements do not require approval by creditors. The type of disbursements that may be charged as a Category 1 disbursement to a case generally comprise of external supplies of incidental services specifically identifiable to the case, such as postage, case advertising, invoiced travel and external printing, room hire and document storage. Also chargeable will be any properly reimbursed expenses incurred by personnel in connection with the case. Category 1 disbursements charged in the period are shown below:

Category 1 Disbursements (4 June 2016 to 16 September 2016)	Total (£)
Postage & Couriers	154.65
Travel & Subsistence	35.38
Meeting Rooms & Refreshments	74.00
	<b>264.03</b>

\*All figures are shown exclusive of VAT.

- 4.4 Category 2 disbursements do require approval from creditors. These are costs which are directly referable to the appointment in question but are not payments which are made to an independent third party and may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis such as internal room hire, document storage or business mileage. Details of Category 2 disbursements charged by this firm (where appropriate) were provided in the Proposals and the Creditors' Committee passed a resolution at their meeting on 12 May 2016 authorising the Administrators to draw Category 2 disbursements as and when funds are available, in accordance with Rollings Butt LLP's published tariff (as below):

Category 2 Disbursement	Cost
Photocopying	15 pence per sheet
Travel (car)	45 pence per mile

- 4.5 Category 2 Disbursements charged in the period are shown below:

Category 2 Disbursements (4 June 2016 to 16 September 2016)	Total (£)
Printing	43.05
	<b>43.05</b>

\*All figures are shown exclusive of VAT.

**The Mediterranean Insurance and Reinsurance Company Limited - in Administration**  
**Narrative Guide to Activities Undertaken by the Administrators**

Analysis Code	Description	Narrative
<b>Administration and planning</b>		
100	Administration & Planning	Periodic review of anti money laundering and ethical consideration checklists. Joint Administrators' statutory bond calculation and submission in accordance with Insolvency Practitioners Regulation 2005. Recording and analysing time incurred by the Joint Administrators and their staff.
101	Administrative Set-up	Initial set-up of IPS (internal case management system) records. Setting up web portal to provide general creditor information
102	Appointment	Initial notifications to the Registrar of Companies, Creditors, Shareholders, Directors, Court, PRA and FCA.
103	Background Information	Gathering of initial information to enable statutory filing and reporting to be completed, including creditor details, management accounts for Statement of affairs, details of assets/cash at bank, information relating to insurance, debtor details. Retrieval of accounts and filings from Companies House and 3rd party Credit Search engines. Identify location of company books and records; retrieval of electronic records and storage.
104	Case Management	Complying with internal case management procedures. Checklists and status updates. Review of case workstreams to ensure appropriate staff assigned to appropriate tasks.
105	Case Planning	Initial formulation and ongoing documentation of strategy to achieve administration purposes. Ongoing consultation with legal advisors to ensure process and strategy are appropriate. Regular meetings with Administrators' staff to discuss status of case, future planning and strategy. Planning of future tasks necessary to achieve administration purposes.
106	Maintenance of Records	Periodic review of Joint Administrators' statutory bond. Maintaining and amending IPS (internal case management system) records.
107	Statutory Reporting	Review of Statement of Affairs and filing with the Registrar of Companies. Preparation of the Joint Administrators' proposals for achieving the statutory purpose of the administration Report to creditors regarding the outcome of the initial creditors meeting. Drafting and preparing statutory progress report to creditors, filing at the Registrar of Companies and Court.
108	Statutory Compliance	Advertisements in London Gazette and additional press as deemed necessary.
109	Review	Director and Partner Reviews of Files. Analysis of Work in Progress.
111	Billing	Preparation of the Joint Administrators' fee estimates in accordance with the Insolvency (amendment) Rules.
112	Post Appointment Tax	Initial information gathering relating to the Company's tax position. Initial notification and subsequent communications to/from HM Revenue & Customs Submission of relevant returns and ensuring all post-appointment tax liabilities are accounted for.

Analysis Code	Description	Narrative
<b>Administration and planning</b>		
115	Meetings	Preparation for internal and external meetings, including document production and review.
116	Case Accounting	Insolvency accounting system administration. Opening of case bank accounts. Initial set-up and ongoing administration of bank accounts including holding funds in specific currencies. Correspondence with banks in order to place funds into interest bearing accounts.
117	Bank Reconciliations	Reconciling IPS and bank accounts.
118	Receipts & Payments	Preparing and processing Receipts and payments accounts for Creditors' Committee and statutory reporting purposes.
702	Liaison With Directors	Requesting, printing, reviewing information provided by Directors and 3rd parties. Email/telephone correspondence with the Directors relating to the Company (non investigative work)
<b>Case Specific</b>		
600	Case Specific	Consultation and ongoing correspondence with regulatory bodies (PRA and FCA) to ensure Administration strategy is appropriate. Liaising with the PRA and FCA regarding distribution mechanism for return to creditors. Solvency II considerations and confirmation to PRA regarding considerations undertaken. Liaison with PRA regarding any proposed outsourcing agreements. Legal advice to ensure compliance with all relevant regulation and legislation within statutory periods including adherence to PRA and FCA regulation requirements
<b>Creditors</b>		
500	Creditors	Preparation of documents for initial creditors' meeting, agendas, attendance registers, voting forms. Ongoing liaison with ad hoc queries from creditors by post, email, telephone. Review of creditor claims, logging onto IPS system. Adjudication of creditor claims.
505	Creditors Committee	Planning and preparation for Creditors' committee meetings. Attendance at Creditors' committee meetings and subsequent reporting. Seeking approval of Creditors committee as appropriate (fee resolutions, legal proceedings, case strategy and statutory matters). Completion of statutory filing for creditors committee.
508	Employees	Checking status of former employees and dealing with any employee issues that may arise.
510	Pre Appointment Tax	Review of pre appointment VAT and corporation tax.

Analysis Code	Description	Narrative
<b>Investigations</b>		
200	Investigations	<p>Preparation and submission of letters and questionnaires to company directors.</p> <p>Investigation into the pre Administration affairs of the company and where appropriate taking further action.</p> <p>Review of books and records of the company to identify any matters that may require further investigation</p> <p>Review and action on information provided by creditors (if any).</p> <p>Instruct solicitors (if appropriate) to assist with further enquiries into the company's affairs and any subsequent action required.</p> <p>Liaise with legal advisors and run-off agents on any matter that may require assistance during investigation</p> <p>Assistance with the provision and analysis of information necessary in order to make applications to Court.</p> <p>Attending Court hearings in relation to claims made on behalf of the Company.</p> <p>Correspondence with the Police in relation to claims and investigations made into the Company's affairs.</p> <p>Correspondence with the Company's bankers and auditors, and investigation into banking and audit records.</p>
201	CDDA Reports	Review of questionnaires completed by Directors, preparation and submission of report in accordance with the Company Directors Disqualification Act 1986.
203	Investigatory Work	Investigatory work in relation to banks and auditors
206	Meetings with Directors	Correspondence, meetings and updates with Non-Executive Directors
<b>Realisation of Assets</b>		
300	Realisation Of Assets	<p>Liaise with legal advisors in jurisdictions outside of the UK regarding UK Insolvency Recognition to transfer funds from foreign bank accounts</p> <p>Ongoing meetings, calls and emails with CTS re: collection debtors</p> <p>Regular review of update of creditor/debtor position</p>
302	Identifying, Securing, Insuring Assets	Initial notification to insurers to provide open cover and ongoing review of Company assets and insurance provision.
303	Book Debts	Agreeing strategy for realisation of debtors with CTS
314	Litigation	<p>Liaising with legal advisers in relation to general claims on behalf of the Company</p> <p>Attending Court hearings in respect of claims made</p> <p>Preparation of documents and analysis of information in relation to Court hearings and applications</p>
<b>Shareholders</b>		
800	Shareholders	Correspondence and meetings with shareholders
<b>Trading</b>		
401	Management of Operations	<p>Discussions with CTS in relation to the nature, scope and terms of an accelerated run-off agreement.</p> <p>Ongoing correspondence regarding run-off agreement</p> <p>Correspondence with legal advisors in relation to the nature, scope and terms of an accelerated run-off agreement.</p>

**The Mediterranean Insurance & Reinsurance Company Limited - in Administration**  
**Estimated outcome statement as at 16 September 2016**

	<b>Statement of Affairs (£ 000s)</b>	<b>Notes*</b>	<b>As at 16 September 2016 (£ 000s)</b>	<b>Est. future movement (£ 000s)</b>	<b>Est. final outcome (£ 000s)</b>
<b>Asset Realisations</b>					
Cash at bank	1,503.2	1	1,530.2	63.9	1,594.1
Supported debtors	1,480.2	2	635.2	274.8	910.0
Unsupported debtors	Uncertain	3	-	373.1	373.1
Other debtors	Uncertain	4	-	-	Nil
Bank Interest	5		0.8	1.0	1.8
<b>Total estimated asset realisations</b>			<b>2,166.2</b>	<b>712.8</b>	<b>2,879.0</b>
<b>Estimated costs and expenses</b>					
<i>Pre-administration costs:</i>					
Administrators' pre-administration fees	6		(83.1)	-	(83.1)
Administrators' pre-administration disbursements			(0.2)	-	(0.2)
Legal fees			(45.9)	-	(45.9)
CTS fees			-	(53.9)	(53.9)
			<b>(129.2)</b>	<b>(53.9)</b>	<b>(183.1)</b>
<i>Administration costs and expense:</i>					
Administrators' remuneration	7		(171.6)	(328.3)	(499.9)
Administrators' disbursements	8		(2.7)	(3.2)	(5.9)
Administration expenses	9		(0.7)	(2.0)	(2.7)
CTS - Administration run-off agent	10		(43.8)	(131.3)	(175.0)
Legal fees - litigation	11		-	(350.0)	(350.0)
Legal fees - Bahrain insolvency recognition			(1.2)	(3.8)	(5.0)
Legal fees - general			(37.5)	(82.5)	(120.0)
Legal disbursements			(42.3)	-	(42.3)
			<b>(299.8)</b>	<b>(901.1)</b>	<b>(1,200.9)</b>
<b>Total costs and expenses</b>			<b>(428.9)</b>	<b>(955.0)</b>	<b>(1,383.9)</b>
<b>Estimated funds available for creditors</b>					<b>1,495.1</b>

\* Please read in conjunction with the attached notes

\*\* All figures are shown exclusive of VAT.

### 1. Cash at bank

To date, £1,530,180 has been realised and a further \$96,614 is anticipated to be received from Bank ABC Bahrain, equating to £63,900 (using conversion rates as at 4 December 2015).

To date, realisations of cash at bank have been higher than initially anticipated. This is as a result of the Company holding slightly more cash in its accounts than was initially understood by the Directors and as a result of favourable exchange rates in the conversion of funds previously held by the Company in Euros(€) and US Dollars (\$).

## **2. Supported debtors**

As detailed in section 2 of this report £635,199 has been recovered from the Company's largest debtor.

However, reconciliation of the creditor/debtor balances still remains at a comparatively early stage and in many cases, establishing contact with the companies themselves has proven difficult. As a consequence, the estimate of likely debtor realisations has been reduced to reflect the uncertainty of recovery from some companies, and as a result of updated balance information in relation to some outstanding debtor positions.

CTS will continue to work on behalf of the Administrators to realise outstanding debtor balances and the Administrators will be in a position to provide further information in relation to the recovery of debtor balances in their next report.

## **3. Unsupported debtors**

As disclosed in the First Progress Report, the Company's management accounts included unsupported debtor entries amounting to £6.592million, which the Administrators had grounds to believe were concealing misappropriation of Company funds by the former Finance Director of the Company.

As disclosed in the main body of this report, the Administrators have entered legal proceedings against Mr Collins in order to recover these funds, including the application and granting of a WWFO over his limited assets. These assets are believed to comprise cash at bank, assets held in storage, the balance of the proceeds of the sale of his home and any funds realised from his pension scheme, which along with certain other potential realisations have an estimated realise value of c£373k.

The Administrators continue to investigate all possible avenues of recovery for the Company, and full disclosure of these proceedings and all other relevant material has been provided to the Committee, all of whom have entered into confidentiality agreements. In the interests of confidentiality, and so as to protect the Company's position in relation to certain aspects of its claims, we are not able to provide further details regarding the proceedings or any further potential claims to the wider body of creditors at this time.

## **4. Other debtors – Nil**

As disclosed previously, this amount continues to be assumed irrecoverable.

## **5. Bank interest**

To date, £761 interest has been accrued on Company funds placed on short and medium term deposit and interest bearing accounts as discussed in Section 2 of this report.

## **6. Pre-Administration costs**

These costs were disclosed in the First Progress Report and are detailed in Section 3 of the report.

## **7. Administrators' remuneration**

Fees to 30 April 2016 totalling £214,000 were approved by the Committee and as agreed, 20% of time was deferred, therefore £171,662 has been invoiced and paid to date.

Fees for the period 1 May 2016 to 31 July 2016 totalling £78,791 have been approved by the Committee. As agreed 20% of time has been deferred, therefore £63,033 will be invoiced but has not yet been drawn.

For the sake of clarity, only remuneration invoiced and paid to date is reflected in the EOS, albeit at its full value.

At this stage of the Administration and in the absence of an agreed distribution mechanism for returning fund to creditors, accurately estimating the value of the future time to be incurred by Administrators is problematic however, as detailed in the First Progress Report, future costs are subject to the agreement of the Committee.

## **8. Administrators' disbursements**

The Administrators' category 1 and category 2 disbursements are disclosed in Appendix D. To date £2,700 has been drawn in respect of these disbursements.

A provision of £3,200 for future disbursements has been included in the interest of prudence.

## **9. Administration expenses**

This figure relates to those expenses incurred as a matter of course in the Administration, and paid directly from the Administration estate, such as statutory advertising, process serving etc. A breakdown of the expenses incurred in the Administration thus far can be found in the Receipts and Payments account, attached as Appendix A.

A provision of £2,000 for future expenses has been included in the interest of prudence.

## **10. CTS – Administration run-off agent**

As disclosed in the First Progress Report, the costs shown for the run-off work reflect the capped fee of £175,000 as agreed in the Administration Run-off Agreement. To date £43,750 has been invoiced and paid.

## **11. Legal fees and disbursements**

Legal fees included in the EOS reflect fees invoiced and paid to date.

Cooley have made proposals for the partial deferment of some of their costs in relation to the Company's involvement in potential litigation. This deferred and/or unpaid time has been included in the EOS at full value and standard charging rate for Cooley, for both the litigation and general advice matters.

Whilst some provision has been made for future legal and other costs in relation to the unsupported debtors and other potential claims, as referred to in note 3, potential recoveries from such claims are uncertain. The Committee shall be consulted, and their agreement sought, prior to the Administrators incurring significant additional legal costs in respect of additional litigation in relation to these matters.

Legal costs of £1,182 have so far been incurred in gaining formal recognition of the Administration in Bahrain in order to release the funds still being held by Bank ABC Bahrain as discussed in the First Progress Report. A further provision of £3,800 has been included in respect of this matter in the interest of prudence.

Legal disbursements cover the costs of Counsel and the cost of expenses incurred by our legal representatives in their work for the Company such as court fees, printing/photocopying, couriering etc.