

# **Joint Administrators' Third Progress Report**

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

**10 April 2017**

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# THE JOINT ADMINISTRATORS' PROGRESS REPORT

## 1 Introduction

- 1.1 Mike Rollings and Steve Butt were appointed as Joint Administrators of the Company by order of the High Court on 4 December 2015. The Administration order was extended by the consent of the creditors, until 3 December 2017.
- 1.2 The 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 Dunstons 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 their appointment. However, due to the extension of the Administration, the reporting cycle was amended and thus the previous reports cover the periods as detailed below:
  - The pre-appointment period - "the Proposals", dated 22 January 2016
  - 4 December 2015 to 3 June 2016 - "the First Progress Report", dated 30 June 2016
  - 4 June 2016 to 16 September 2016 - "the Second Progress Report", dated 28 September 2016

This report should be read in conjunction with the Joint Administrators' previous reports, and covers the period from 17 September 2016 to 16 March 2017 ("the Period").

- 1.6 As previously advised, a creditors' committee ("the Committee") was formed following the initial meeting of creditors, and currently comprises:
  - Hannover Ruck SE
  - GIC of India
  - FAIR Reinsurance Pool
- 1.7 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 Joint 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 17 September 2016 to date, both in terms of the achievement of the statutory objective and also work which is required of the Joint Administrators under other related legislation.

- 2.3 At Appendix A is the Joint 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 March 2017.
- 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 FD, 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 Joint 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 Joint Administrators' fees estimates previously provided can be found in section 4 of this report, together with any relevant information about further fee estimates provided and remuneration approved by the Committee.

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

- 2.7 As noted above, the Joint 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 noted in the Second Progress Report, the extension of the Administration necessitated additional statutory reporting (including the production of that report) and administrative tasks in respect of the creditor voting process. This additional work is reflected in the increased time costs incurred and reported in the time analysis at Appendix B. The Committee were provided with an updated fee estimate for the period 4 December 2016 to 3 June 2017, which incorporated the estimated costs of this work and any significant variances from this estimate would be reported to the Committee accordingly.
- 2.9 Time costs incurred to 16 March 2016 are within the fee estimate provided to the Committee, however it is anticipated that costs in respect of investigations and technical reinsurance matters are likely to be ultimately greater than those provided for in the fee estimate. These variances will be reported to and discussed with the Committee at the next Committee meeting.

***Case specific matters***

- 2.10 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.
- 2.11 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.

***Creditors***

- 2.12 Further information on the current estimated outcome for creditors in this case can be found at section 5 of this report. The Joint 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.
- 2.13 As previously reported it is the Joint Administrators' current understanding that there are no secured creditors, nor any outstanding employee liabilities or matters to be dealt with and as a consequence no preferential claims are anticipated. Whilst this work may not bring any financial

benefit to creditors generally, the Joint 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.

- 2.14 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. Following the Company entering into an Administration Run-Off agreement with CTS, a significant proportion of the work in relation to amounts due under reinsurance agreements is now being undertaken by CTS. This work continues to prove time consuming and increasingly complicated as a consequence of matters arising and which are reported in sections 2.43-46 and section 6 of this report.
- 2.15 As set out in the Joint Administrators' Proposals if, having realised the assets of the Company, the Joint Administrators think that there are sufficient funds available, they shall seek input from the Prudential Regulation Authority ("PRA") and the Committee to their proposed distribution mechanism and plan which may consist of one of the following;
- A Scheme of Arrangement under Part 26 of the Companies Act 2006;
  - A Company Voluntary Arrangement under Part 1 of the Insolvency Act 1986; or
  - A Court sanctioned distribution mechanism (including provision for a formal bar-date for claims).
- 2.16 Whilst our deliberations in relation to the most appropriate mechanism and plan are not yet complete, based on information currently available to the Joint Administrators and the comparatively small amount of realisable assets available to the Company generally, we currently anticipate that an application for a Court sanctioned distribution mechanism will be the most appropriate and economic distribution mechanism and plan.
- 2.17 The Joint Administrators are currently taking legal advice in relation to the form of such an application with a view to discussing this in detail with the Committee and the PRA. If following these discussions, the Joint Administrators believe it is appropriate to make an application on this basis to Court, we will provide notification to the creditors generally.
- 2.18 It is currently anticipated that the discussions with the Committee and the PRA will take place in the middle part of 2017.

#### *The Committee*

- 2.19 As advised in our previous reports a creditors' committee was formed following the initial meeting of creditors. The purpose of the Committee is to assist the Joint Administrators in the discharge of their functions and to determine the Joint Administrators' remuneration. The Committee are also tasked with representing the interests of the creditor body as a whole.
- 2.20 In addition to its statutory functions the Committee also serves to assist the Joint Administrators generally and act as a sounding board for them to obtain views on matters pertaining to the Administration. In this instance the Committee have been apprised of the investigations into the reasons for the failure of the Company and resultant claims and litigation arising from this as well as being asked to provide assistance to CTS in their run-off work for the Company. In particular the Committee have provided assistance where able to CTS in their attempt to make contact with creditors and debtors.
- 2.21 Given the breadth and depth of the investigations that have been necessary in order to establish the reasons for the Company's insolvency and the subsequent litigation entered into, as well as the unforeseen additional complications that have arisen in respect of the run off work as referred to elsewhere in this report, time incurred on updating the Committee and providing the information requested and required to keep them apprised of the progress of the Administration has been significantly higher than anticipated at the outset of the Administration.
- 2.22 The Committee's input and assistance will continue to be important in the upcoming months as a distribution mechanism and plan is drafted and an application is made to Court. The Joint Administrators ask that should any creditors have an interest in being a member of the

Committee to please notify us using the contact details on the notification letter accompanying this report.

### ***Investigations***

- 2.23 As disclosed in the First Progress Report, some of the work the Joint 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 Joint Administrators can pursue for the benefit of creditors.
- 2.24 As disclosed in the Joint Administrators' previous two reports, the Joint Administrators had concluded that the former Finance Director ("the former FD") of the Company, had 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.
- 2.25 As disclosed in the Second Progress Report, a World Wide Freezing Order ("WWFO") over assets of the former FD of the Company had been granted and he had subsequently consented to our claim. Since the last progress report, the former FD of the Company has consented to the quantum of the claim against him being increased to £6.474m (plus interest and an initial provision for costs) and the WWFO has been increased accordingly.
- 2.26 The Joint Administrators have enforced this order and £285,772 has been recovered as a result of the litigation against the former FD of the Company, predominantly from the sale of his former home and a draw down from his pension fund. Unfortunately, and despite significant investigations by the Joint Administrators and their legal team, the former FD of the Company appears to have no further realisable assets against which the Joint Administrators will be able to enforce the order and as a consequence no further recovery, aside from c£500 from the sale of items of his jewellery, is anticipated to be made in this respect.
- 2.27 The Joint 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.
- 2.28 Full disclosure of these proceedings and all other relevant material has been provided to the Committee. 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 at this stage able to provide further details to the wider body of creditors.

### ***Realisation of assets***

#### ***Cash at Bank and Bank Interest***

- 2.29 The Joint Administrators anticipate receiving funds held in bank accounts in Bahrain totalling USD c\$96k within the next month, however, the process of recovering these funds has proven significantly more complicated than first envisaged and it has been necessary for the Joint Administrators to instruct lawyers based in Bahrain to act on their behalf and, at the insistence of the lawyers representing the Bank in Bahrain, they have had to undertake additional administrative tasks, including the "legalisation" of documents, in order for the Company's claim over the funds to be recognised.
- 2.30 As previously reported the Joint Administrators have encountered difficulty in retrieving funds previously indicated to be held in accounts in Tunisia and Algeria and have been unable to obtain clarification from the relevant Banks that the relevant accounts exist and that these funds are held to the Company's order. Given the work necessitated and costs incurred through the pursuit of funds which were known to be held in Bahrain, the merits of investigating and

pursuing funds potentially thought to be held in Algeria and Tunisia with the relevant bank, shall be carefully considered prior to any further recovery actions.

- 2.31 As disclosed in the previous two Progress Reports, a proportion of the Company's funds have been placed in interest bearing accounts for the benefit of the creditors throughout the duration of the Administration. The Joint Administrators continue to monitor the Company's cash requirements, and the decision to place funds on interest bearing accounts is reviewed each time these accounts mature, in order to determine if this will still result in a net benefit to the Administration estate.

#### *Litigation Proceeds*

- 2.32 As discussed in the investigations section of the report £285,772 has been realised as a consequence of litigation against the former FD of the Company. Based on information currently available, it seems unlikely that there will be any further significant realisations directly from his assets.
- 2.33 The Joint Administrators continue to investigate the potential for the Company to bring claims against other parties arising from or connected with the Unsupported Debtors and the merits of pursuing such claims. As disclosed above, 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

#### *Debtor collections*

- 2.34 CTS continue to pursue debtor balances on behalf of the Joint Administrators, with the Company's largest debtor confirming that a further c£380,000 being due to the Company.
- 2.35 As discussed in the Second Progress Report, this work has proven more time intensive than initially anticipated, due to the complex and often outdated records held by both the Company and the debtors, and due to the difficulty of communicating with several of the Company's debtors based in the Middle East and North Africa region ("MENA"). In addition to this there are a number of matters that require clarification.
- 2.36 CTS will continue with this work in respect of the larger debtors of the Company and until such time as it is deemed uneconomic to pursue further recovery. Where it becomes necessary, and is economic to do so, the Joint Administrators will consider instructing legal representatives to assist in the pursuit of outstanding balances.
- 2.37 The work undertaken to date by the Joint 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.

#### *Value Added Tax ("VAT")*

- 2.38 As reported in the Second Progress Report, the Joint Administrators had engaged specialist tax advisers to review the Company's treatment of VAT and advice as to the likely recoverability of VAT in the Administration. This work has now been concluded and the advisers' invoice has been settled.
- 2.39 HMRC confirmed their agreement to the Joint Administrators' proposal that VAT incurred in the Administration should be recoverable in full and the Joint Administrators have accordingly reclaimed all VAT incurred. Consequently, the work undertaken in respect of this has produced a substantial benefit to the Administration estate.
- 2.40 Unfortunately, due to a small number of invoices being incorrectly addressed to the Company in the early stages of the Administration, the VAT on these invoices, totalling £4,115.90, will remain irrecoverable.

## **Shareholders**

- 2.41 The Joint Administrators continue to liaise with the Shareholders in relation to the Company's affairs, and particularly the Company's historic financial records.
- 2.42 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**

- 2.43 As advised in the Second Progress Report, the Joint 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 been cancelled/terminated or expired prior to CTS being appointed as the external run-off agent in 2014. Further details of the current issues in relation to this are set out in section 6 below.
- 2.44 The risks which various parties to the relevant reinsurance agreements have been attempting to cede after the apparent date of termination, cancellation or expiry have potential implications on creditors' claims in relation to both the inwards and the outwards business.
- 2.45 In addition to the significant amount of work that CTS have undertaken in relation to the wider run-off tasks including, but not limited to, reconciling the debtor and creditor positions CTS have been attempting to establish the extent of the contractual documentation that the Company holds in relation to these reinsurance agreements. In conjunction with the Joint Administrators and with legal input from Cooley, they have also been seeking to clarify the position with each of the relevant parties.
- 2.46 A number of these agreements were commenced some time ago and the contractual documentation available is not necessarily complete and the terms of the agreements are not clear. Consequently, this work has taken a significant amount of time and whilst this work is unlikely to provide a direct benefit to the Administration estate, it is necessary as it will provide clarification on issues that can have an effect on the claims of a number of creditors. The Joint Administrators may ultimately need to seek clarification on points arising from this as part of any application for a Court ordered distribution mechanism referred to in sections 2.13-2.17 above.

## **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 there are still outstanding CTS pre-administration costs which have yet to be approved by the Creditors' Committee. The Joint Administrators believe that these costs were incurred under the Company's specific instruction and that they should be paid accordingly and, as such, I continue to provide for payment of these fees in the EOS in full.

## **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 Joint Administrators' remuneration.
- 4.2 Subsequently the Committee resolved that the basis of the Joint 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 Joint 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 Joint Administrators have provided the Committee with fee estimates and details of the work they proposed to undertake for each 6 month period of the Administration to date. For the two 6 month periods that have now expired, the Committee have also been provided with a comparative analysis of the actual time costs incurred and an explanation of any significant variations from the initial estimates, a summary of which is provided below:

Period	Fee estimate (£)	Actual time costs incurred (£)
4 December 2015 to 3 June 2016	249,865.00	249,222.00
4 June 2016 to 3 December 2016	134,705.00	155,683.00
<b>Total</b>	<b>384,570.00</b>	<b>404,905.00</b>

*\*All figures shown exclusive of VAT*

The actual time costs shown in the table above are the gross value of time incurred at our standard charge out rates and include the 20% deferral referred to in section 4.2 above.

The Committee have also been provided with a fee estimate for the period 4 December 2016 to 3 June 2017.

- 4.4 The Joint Administrators' time costs for the period 17 September 2016 to 16 March 2017 are £139,599.00. This represents 461.20 hours at an average rate of £302.69 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 Second Progress Report was issued to creditors, the below costs have been approved by the Committee:

Period	Value of time incurred (£)	Approved remuneration (£)	20% Deferred remuneration (£)
1 August 2016 to 31 August 2016	23,130.00	18,504.00	4,626.00
1 September 2016 to 30 September 2016	26,356.00	21,084.80	5,271.20
1 October 2016 to 31 October 2016	26,872.00	21,497.60	5,374.40
1 November 2016 to 30 November 2016	31,462.00	25,169.60	6,292.40
1 December 2016 to 31 December 2016	9,851.00	7,880.80	1,970.20
<b>Total</b>	<b>117,671.00</b>	<b>94,136.80</b>	<b>23,534.20</b>

*\*All figures shown exclusive of VAT*

- 4.6 Time costs for 1 January 2017 to 31 March 2017 will be presented to the Committee for their review and approval at the next Committee meeting, scheduled to be held in mid-April 2017.
- 4.7 Also attached at Appendix C is a cumulative Time Analysis for the period from 4 December 2015 to 16 March 2017 which provides details of my time costs since my appointment. The cumulative time costs incurred to date are £469,691.50 and this represents 1,529.4 hours at an average rate of £307.11 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\\_April\\_2017.pdf](https://www.r3.org.uk/media/documents/publications/professional/Guide_to_Administrators_fees_April_2017.pdf)
- 4.9 Attached at Appendix D is additional information in relation to the Joint 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 Joint Administrators and their staff have undertaken in pursuit of the Administration objectives.

4.10 The following expenses have been incurred since the Second Progress Report to creditors:

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	825.91	nil	825.91
Charles Taylor Services Limited	Administration Run-off services	87,499.98	nil	nil
HMRC Fees	Penalty notice on Company VAT return	617.38	nil	nil
Mail & Print	External print & postage provider	218.53	nil	nil
Smith & Williamson LLP	Specialist tax advisers	1,100.00	nil	nil
Cooley (UK) LLP	Legal advice - litigation and general administration matters	150,000.00	nil	150,000.00
<b>Total</b>		<b>240,261.80</b>	<b>0.00</b>	<b>150,825.91</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 Second Progress Report.

5.2 Given the uncertainties surrounding debtor realisations and likely further recoveries, and the ultimate value of claims against the Company arising from or connected with certain reinsurance agreements, the Joint Administrators do not believe that there have been material changes in the situation to alter significantly the estimated outcome to creditors since writing the Second Progress Report however, an updated EOS, as at 16 March 2017, 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 Joint 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 Joint 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, the amount of creditors’ claims 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 Joint 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 Joint Administrators are not in a position to determine the value of any unsecured dividend.

- 5.8 In addition, the Joint Administrators anticipate future movement in the creditor position of the Company, and whilst work by CTS is ongoing in this respect, the Joint Administrators are not yet in a position to determine the total value of creditor claims in the Administration and this may remain the case until such time as the application for the Court approved distribution mechanism (including provision for a formal bar date for claims) has been made and the bar date has passed. As referred to in sections 2.43 onwards above it is currently anticipated that further information will be available as and when CTS have largely completed their work in the middle of May 2017 and creditors will be provided with guidance on the proposed dividend mechanism and plan in due course.

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

- 6.1 As set out in the Second Progress report and referred to in section 2.43 onwards above, as part of their ongoing work in relation to the run off, CTS have identified reinsurance agreements with a number of parties (“the Agreements”) which were ongoing prior to the date that run-off commenced.
- 6.2 It is our understanding that the Agreements had expired or were cancelled/terminated by agreement of the parties and/or treated by the parties as cancelled/terminated by their conduct.
- 6.3 However, in the interests of transparency, and for the avoidance of doubt, to the extent that any party to the Agreements continued to treat any of the Agreements as ongoing, by specific notice (and the contents of the Second Progress Report) the Joint Administrators served notices of cancellation/termination in respect of each and every one of the Agreements.
- 6.4 Despite this, attempts continue to be made by some of the parties to these Agreements to cede risks to the Agreements. These parties do not, in the main, appear to have provided documentary evidence in support of any contention that they should be able to continue to cede such risk to the Agreements or have responded to direct requests from CTS.
- 6.5 Further work including reviews of documentation held by the Company and that submitted by the other parties to the Agreements has been undertaken by CTS with assistance from the Joint Administrators and legal input from Cooley.
- 6.6 This work is ongoing and details of the view taken by the Company in respect of the risks that have been attempted to be ceded to these Agreements after effective dates of cancellation/termination or expiry will be communicated to those creditors affected prior to any application for a Court sanctioned distribution mechanism being made.

## **7 Limitation of claims against the Company**

- 7.1 The laws of England and Wales include certain provisions which, broadly speaking, provide a defence to contractual claims if such claims are not brought within a certain period of time (the “Limitation Period”).
- 7.2 The Limitation Period for contractual claims does not stop running as a consequence of an Administration Order being made against the Company. Consequently, depending on the governing law of the contracts between the Company and its creditors (and other relevant issues such as the date the creditors’ cause of action against the Company arises) the Company may have a defence against the claims of certain creditors in circumstances where the Limitation Period for their claim (or certain parts of it) has expired

7.3 It is the responsibility of the creditors and **not** the Company or its Joint Administrators to identify and attend to any matters relevant to their claim, including, but not limited to issues relating to relevant Limitation Periods.

7.4 It is the Joint Administrators' current intention, subject to legal advice, to include provisions dealing with Limitation Period issues in the application to court referred to in section 2 above.

## **8 Extension of the Administration**

8.1 As referred to in section 1 above, the Administration order was extended by the consent of the creditors for an additional period of 12 months and will therefore now run until 3 December 2017 unless, or until, a further extension of the Administration order is obtained.

8.2 The provisions of Paragraph 76 to Schedule B1 of the Insolvency Act 1986 allow for an Administration Order to be extended by the consent of creditors for one period of 12 months. Should the Joint Administrators deem it necessary for the Administration Order to be extended for a further period to enable the purpose of the Administration to be achieved, it will be necessary for an application to be made to Court.

8.3 The Joint Administrators believe a further extension will be required for the Administration Order as it is not possible to carry out all of the necessary work to enable funds to be distributed to creditors and to conclude all other relevant matters in the Administration before 3 December 2017.

8.4 Given the current prospect that the Joint Administrators will need to make an application for a Court sanctioned distribution mechanism, it may be appropriate for the Joint Administrators to make an application to Court for an extension of the Administration Order simultaneously with the application for the distribution mechanism and plan.

8.5 If this is the case, further notification will be provided to creditors in advance of this.

## **9 Ending the Administration**

9.1 As explained in our previous Progress Reports; given the uncertainty surrounding the value of realisations and potential for a distribution, the Joint 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.

## **10 Creditors' rights**

10.1 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 Joint Administrators provide further information about their remuneration or expenses (other than pre-Administration costs) which have been itemised in this progress report.

10.2 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 Joint Administrators' remuneration is inappropriate and/or the remuneration charged or the expenses incurred by the Joint Administrators, as set out in this progress report, are excessive.

## 11 Next report

- 11.1 The Joint 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 Joint Administrators need to seek some additional resolutions from creditors.

For The Mediterranean Insurance & Reinsurance Company Limited



**Steve Butt**  
**Joint Administrator**

Michael David Rollings and Steven Edward Butt were appointed as Joint Administrators of The Mediterranean Insurance & Reinsurance Company Limited by order of the High Court on 4 December 2015.

The affairs, business and property of the Company are being managed by the Joint Administrators who act as agents of the Company and without personal liability.

Michael David Rollings and Steven Edward Butt are licensed to act in the UK as insolvency practitioners by the Insolvency Practitioners Association.

The Mediterranean Insurance & Reinsurance Company Limited is authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and the Financial Conduct Authority, reference number 202239. The Company Number is 01395873 and the registered office is 6 Snow Hill, London, EC1A 2AY.

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

Statement of Affairs (£)		From 17/09/2016 To 16/03/2017 (£)	From 04/12/2015 To 16/03/2017 (£)
	<b>RECEIPTS</b>		
1,503,156.00	Cash at Bank	Nil	1,530,183.10
1,480,176.00	Supported debtors	Nil	635,198.59
Uncertain	Unsupported debtors	Nil	Nil
Uncertain	Other debtors	Nil	Nil
	Bank Interest	1,403.35	2,164.65
	Litigation Proceeds	285,771.65	285,771.65
		<u>287,175.00</u>	<u>2,453,317.99</u>
	<b>PAYMENTS</b>		
	Office Holder Pre-Admin. Fees	Nil	83,067.50
	Office Holder Pre-Admin. Expenses	Nil	188.75
	Office Holders Fees	157,169.60	328,832.00
	Office Holders Expenses	Nil	2,700.00
	Run Off Agents' Fees	87,499.98	131,249.98
	Process Server fees	Nil	170.00
	Specialist Tax Advisers	1,100.00	1,100.00
	Legal Fees	299,429.45	383,949.16
	Legal Disbursements	171.75	42,435.46
	Stationery & Postage	218.53	218.53
	Irrecoverable VAT	4,115.90	4,115.90
	Statutory Advertising	Nil	534.50
	Land Registry Searches	Nil	7.00
	Bank Charges	Nil	30.65
	HMRC Fees	617.38	617.38
		<u>(550,322.59)</u>	<u>(979,216.81)</u>
	<b>UNSECURED CREDITORS</b>		
(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
		<u>NIL</u>	<u>NIL</u>
<u>-1,592,277.00</u>	<b>Balance as at 16 March 2017</b>		<u><b>1,474,101.18</b></u>

The Mediterranean Insurance & Reinsurance Company Limited - in Administration  
Time Analysis for the Period 17 September 2016 to 16 March 2017

Classification of Work Function	Partner	Manager	Associate	Total Hours	Time Cost (£)	Average Hourly Rate (£)
100 : Administration & Planning	0.00	0.10	5.00	5.10	1,021.50	200.29
101 : Administrative Set-Up	0.00	0.00	1.30	1.30	260.00	200.00
104 : Case Management	1.90	3.50	14.80	20.20	5,141.00	254.50
105 : Case Planning	8.10	0.70	4.90	13.70	5,046.00	368.32
107 : Statutory Reporting	3.20	3.00	22.60	28.80	6,971.00	242.05
108 : Statutory Compliance	0.00	0.50	9.80	10.30	2,145.00	208.25
111 : Billing	0.00	0.00	2.40	2.40	480.00	200.00
112 : Post Appointment Tax	0.60	1.10	6.20	7.90	1,929.00	244.18
116 : Case Accounting	0.90	2.00	14.90	17.80	3,576.00	200.90
117 : Bank Reconciliations	0.00	0.00	0.60	0.60	78.00	130.00
118 : Receipts & Payments	0.00	0.00	3.70	3.70	691.00	186.76
702 : Liaison With Directors	0.20	1.10	0.00	1.30	501.00	385.38
<b>Administration &amp; Planning</b>	<b>14.90</b>	<b>12.00</b>	<b>86.20</b>	<b>113.10</b>	<b>27,839.50</b>	<b>246.15</b>
600 : Case Specific	0.40	1.60	1.00	3.00	980.00	326.67
<b>Case Specific Matters</b>	<b>0.40</b>	<b>1.60</b>	<b>1.00</b>	<b>3.00</b>	<b>980.00</b>	<b>326.67</b>
500 : Creditors	0.20	0.30	8.10	8.60	1,812.50	210.76
505 : Creditors Committee	19.50	17.50	52.60	89.60	26,160.00	291.96
510 : Pre Appointment Tax	0.00	0.20	0.00	0.20	74.00	370.00
<b>Creditors</b>	<b>19.70</b>	<b>18.00</b>	<b>60.70</b>	<b>98.40</b>	<b>28,046.50</b>	<b>285.03</b>
200 : Investigations	8.20	27.20	10.30	45.70	15,978.00	349.63
201 : CDDA Reports	0.40	8.70	0.00	9.10	3,407.00	374.40
203 : Investigatory Work	28.40	27.90	25.30	81.60	28,052.00	343.77
206 : Meetings With Directors	0.20	0.00	4.60	4.80	1,014.00	211.25
<b>Investigations</b>	<b>37.20</b>	<b>63.80</b>	<b>40.20</b>	<b>141.20</b>	<b>48,451.00</b>	<b>343.14</b>
300 : Realisation Of Assets	0.50	19.00	2.00	21.50	7,665.00	356.51
303 : Book Debts	0.00	0.40	1.00	1.40	348.00	248.57
314 : Litigation	8.60	1.80	28.20	38.60	10,334.00	267.72
<b>Realisation of Assets</b>	<b>9.10</b>	<b>21.20</b>	<b>31.20</b>	<b>61.50</b>	<b>18,347.00</b>	<b>298.33</b>
800 : Shareholders	1.10	0.00	0.10	1.20	537.00	447.50
<b>Shareholders</b>	<b>1.10</b>	<b>0.00</b>	<b>0.10</b>	<b>1.20</b>	<b>537.00</b>	<b>447.50</b>
401 : Management Of Operations	23.30	3.10	16.40	42.80	15,378.00	359.30
<b>Trading</b>	<b>23.30</b>	<b>3.10</b>	<b>16.40</b>	<b>42.80</b>	<b>15,378.00</b>	<b>359.30</b>
<b>Total Hours</b>	<b>105.70</b>	<b>119.70</b>	<b>235.80</b>	<b>461.20</b>	<b>139,579.00</b>	<b>302.64</b>

The Mediterranean Insurance & Reinsurance Company Limited - in Administration  
Time Analysis for the Period 4 December 2015 to 16 March 2017

Classification of Work Function	Partner	Manager	Associate	Total Hours	Time Cost (£)	Average Hourly Rate (£)
100 : Administration & Planning	23.70	7.20	30.50	61.40	18,451.00	300.50
101 : Administrative Set-Up	1.20	0.60	4.10	5.90	1,536.00	260.34
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	2.80	11.60	41.20	55.60	13,531.00	243.36
105 : Case Planning	28.60	3.60	24.20	56.40	19,085.50	338.40
106 : Maintenance Of Records	1.00	0.00	2.60	3.60	970.00	269.44
107 : Statutory Reporting	24.30	18.90	86.40	129.60	34,236.50	264.17
108 : Statutory Compliance	4.70	1.50	12.60	18.80	5,118.50	272.26
109 : Review	0.00	1.10	0.00	1.10	385.00	350.00
111 : Billing	0.00	0.00	4.30	4.30	773.00	179.77
112 : Post Appointment Tax	3.50	12.00	20.10	35.60	9,953.00	279.58
115 : Meetings	5.00	3.40	7.60	16.00	4,859.00	303.69
116 : Case Accounting	2.80	11.60	46.10	60.50	12,450.50	205.79
117 : Bank Reconciliations	0.00	0.00	1.80	1.80	234.00	130.00
118 : Receipts & Payments	0.00	0.00	5.80	5.80	999.00	172.24
702 : Liaison With Directors	5.30	5.70	0.60	11.60	4,507.50	388.58
<b>Administration &amp; Planning</b>	<b>107.50</b>	<b>80.20</b>	<b>291.10</b>	<b>478.80</b>	<b>130,821.50</b>	<b>273.23</b>
600 : Case Specific	3.80	8.30	1.90	14.00	5,049.00	360.64
<b>Case Specific Matters</b>	<b>3.80</b>	<b>8.30</b>	<b>1.90</b>	<b>14.00</b>	<b>5,049.00</b>	<b>360.64</b>
500 : Creditors	16.80	2.70	70.20	89.70	21,660.00	241.47
505 : Creditors Committee	74.40	70.50	160.10	305.00	91,743.50	300.80
508 : Employees	0.00	0.00	0.50	0.50	100.00	200.00
510 : Pre Appointment Tax	0.80	0.80	0.10	1.70	659.00	387.65
<b>Creditors</b>	<b>92.00</b>	<b>74.00</b>	<b>230.90</b>	<b>396.90</b>	<b>114,162.50</b>	<b>287.64</b>
200 : Investigations	67.70	92.60	70.00	230.30	76,462.50	332.01
201 : CDDA Reports	12.90	28.40	11.70	53.00	18,721.50	353.24
203 : Investigatory Work	31.20	29.20	28.90	89.30	30,569.00	342.32
206 : Meetings With Directors	6.00	0.50	4.90	11.40	3,834.50	336.36
<b>Investigations</b>	<b>117.80</b>	<b>150.70</b>	<b>115.50</b>	<b>384.00</b>	<b>129,587.50</b>	<b>337.47</b>
300 : Realisation Of Assets	5.10	27.90	22.60	55.60	17,053.00	306.71
302 : Identifying, Securing, Insuring Assets	0.80	0.00	0.70	1.50	490.00	326.67
303 : Book Debts	2.00	0.70	3.50	6.20	1,827.00	294.68
314 : Litigation	49.40	12.50	38.90	100.80	35,151.50	348.73
<b>Realisation of Assets</b>	<b>57.30</b>	<b>41.10</b>	<b>65.70</b>	<b>164.10</b>	<b>54,521.50</b>	<b>332.25</b>
800 : Shareholders	2.70	0.00	0.10	2.80	1,289.00	460.36
<b>Shareholders</b>	<b>2.70</b>	<b>0.00</b>	<b>0.10</b>	<b>2.80</b>	<b>1,289.00</b>	<b>460.36</b>
401 : Management Of Operations	58.10	8.00	22.70	88.80	34,260.50	385.82
<b>Trading</b>	<b>58.10</b>	<b>8.00</b>	<b>22.70</b>	<b>88.80</b>	<b>34,260.50</b>	<b>385.82</b>
<b>Total Hours</b>	<b>439.20</b>	<b>362.30</b>	<b>727.90</b>	<b>1,529.40</b>	<b>469,691.50</b>	<b>307.11</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 charge-out rates for the period 1 April 2016 to 31 March 2017 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.
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
Ashfords LLP	Legal advisers (specific claim issues)	Hourly rate and disbursements

- 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 and Second Progress Reports.

##### **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	825.91	nil	825.91
Charles Taylor Services Limited	Administration Run-off services	87,499.98	nil	nil
HMRC Fees	Penalty notice on Company VAT return	617.38	nil	nil
Mail & Print	External print & postage provider	218.53	nil	nil
Smith & Williamson LLP	Specialist tax advisers	1,100.00	nil	nil
Cooley (UK) LLP	Legal advice - litigation and general administration matters	150,000.00	nil	150,000.00
<b>Total</b>		<b>240,261.80</b>	<b>0.00</b>	<b>150,825.91</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 (17 September 2016 to 16 March 2017)	Total (£)
Postage & Couriers	8.03
Land Registry Charges	3.00
Statutory Bonding	400.00
Legalisation Charges	71.00
	<b>482.03</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 Joint 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 (17 September 2016 to 16 March 2017)	Total (£)
Printing	81.60
	<b>81.60</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	<p>Periodic review of anti money laundering and ethical consideration checklists.</p> <p>Joint Administrators' statutory bond calculation and submission in accordance with Insolvency Practitioners Regulation 2005.</p> <p>Recording and analysing time incurred by the Joint Administrators and their staff.</p> <p>Complying with internal case management procedures</p> <p>Filing and status checklists</p> <p>IPS administration and maintaining/completing IP records</p> <p>Preparation for internal and external meetings, including document production and review</p>
101	Administrative Set-up	<p>Initial set-up of IPS (internal case management system) records.</p> <p>Setting up web portal to provide general creditor information</p>
102	Appointment	Initial notifications to the Registrar of Companies, Creditors, Shareholders, Directors, Court, PRA and FCA.
103	Background Information	<p>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.</p> <p>Retrieval of accounts and filings from Companies House and 3rd party Credit Search engines.</p> <p>Identify location of company books and records; retrieval of electronic records and storage.</p>
104	Case Management	<p>Complying with internal case management procedures.</p> <p>Checklists and status updates.</p> <p>Review of case workstreams to ensure appropriate staff assigned to appropriate tasks.</p>
105	Case Planning	<p>Initial formulation and ongoing documentation of strategy to achieve administration purposes.</p> <p>Ongoing consultation with legal advisors to ensure process and strategy are appropriate.</p> <p>Regular meetings with Administrators' staff to discuss status of case, future planning and strategy.</p> <p>Planning of future tasks necessary to achieve administration purposes.</p>
106	Maintenance of Records	<p>Periodic review of Joint Administrators' statutory bond.</p> <p>Maintaining and amending IPS (internal case management system) records.</p>
107	Statutory Reporting	<p>Review of Statement of Affairs and filing with the Registrar of Companies.</p> <p>Preparation of the Joint Administrators' proposals for achieving the statutory purpose of the administration</p> <p>Report to creditors regarding the outcome of the initial creditors meeting.</p> <p>Drafting and preparing statutory progress report to creditors, filing at the Registrar of Companies and Court.</p>
108	Statutory Compliance	<p>Advertisements in London Gazette and additional press as deemed necessary.</p> <p>Ensuring extension documentation is compliant.</p>
109	Review	<p>Director and Partner Reviews of Files.</p> <p>Analysis of Work in Progress.</p>
111	Billing	Preparation of the Joint Administrators' fee estimates in accordance with the Insolvency (Amendment) Rules.
112	Post Appointment Tax	<p>Initial information gathering relating to the Company's tax position.</p> <p>Initial notification and subsequent communications to/from HM Revenue &amp; Customs</p> <p>Submission of relevant returns and ensuring all post-appointment tax liabilities are accounted for.</p>

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	Preparation and submission of letters and questionnaires to company directors. Investigation into the pre Administration affairs of the company and where appropriate taking further action. Review of books and records of the company to identify any matters that may require further investigation Review and action on information provided by creditors (if any). Instruct solicitors (if appropriate) to assist with further enquires into the company's affairs and any subsequent action required. Liaise with legal advisors and run-off agents on any matters that may require assistance during investigation Assistance with the provision and analysis of information necessary in order to make applications to Court. Attending Court hearings in relation to claims made on behalf of the Company. Correspondence with the Company's bankers and auditors, and investigation into banking and audit records. Correspondence with the Police in relation to claims and investigations made into the Company's affairs.
201	CDDA Reports	Review of questionnaires completed by Directors, preparation and submission of report in accordance with the Company Directors Disqualification Act 1986 ("CDDA"). Correspondence, information provision and additional reporting to statutory bodies in relation to submission of returns under the CDDA.
203	Investigatory Work	Correspondence with the Company's bankers and auditors, and investigation into banking and audit records. Consideration of information received in the context of the Administration
206	Meetings with Directors	Correspondence, meetings and updates with Non-Executive Directors
<b>Realisation of Assets</b>		
300	Realisation Of Assets	Liaise with legal advisors in jurisdictions outside of the UK regarding UK Insolvency Recognition to transfer funds from foreign bank accounts Ongoing meetings, calls and emails with CTS re; collection debtors Regular review of update of creditor/debtor position
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 Reviewing debtor recovery schedules and proposed settlement and other agreements
314	Litigation	Liaising with legal advisers in relation to general claims on behalf of the Company Attending Court hearings in respect of claims made Preparation of documents and analysis of information in relation to Court hearings and applications Correspondence in relation to World Wide Freezing Order and recoveries made under the terms of the order
<b>Shareholders</b>		
800	Shareholders	Correspondence and meetings with shareholders
<b>Trading</b>		
401	Management of Operations	Discussions with CTS in relation to the nature, scope and terms of an accelerated run-off agreement. Ongoing correspondence regarding run-off agreement and matters arising from CTS work that affects the Administration generally. Correspondence with legal advisors in relation to the nature, scope and terms of an accelerated run-off agreement.

**The Mediterranean Insurance & Reinsurance Company Limited - in Administration**  
**Estimated outcome statement as at 16 March 2017**

	Statement of Affairs (£ 000s)	Notes*	As at 16 March 2017 (£ 000s)	Est. future movement (£ 000s)	Est. final outcome (£ 000s)
<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	638.0	1,273.2
Unsupported debtors	Uncertain	3	-	Uncertain	Uncertain
Other debtors	Uncertain	4	-	-	Nil
Bank Interest		5	2.2	1.0	3.2
Litigation Proceeds		3	285.8	0.5	286.3
<b>Total estimated asset realisations</b>			<b>2,453.4</b>	<b>703.4</b>	<b>3,156.8</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)
			(129.2)	(53.9)	(183.1)
<i>Administration costs and expense:</i>					
Administrators' remuneration		7	(328.8)	(250.0)	(578.8)
Administrators' disbursements		8	(2.7)	(3.5)	(6.2)
Administration expenses		9	(2.7)	(2.0)	(4.7)
Irrecoverable VAT		10	(4.1)	-	(4.1)
CTS - Administration run-off agent		11	(131.3)	(43.8)	(175.0)
Legal fees - litigation		12	(249.8)	(100.0)	(349.8)
Legal fees - Bahrain insolvency recognition			(1.2)	(3.8)	(5.0)
Legal fees - general			(87.1)	(250.0)	(337.1)
Legal disbursements			(42.4)	-	(42.4)
			(850.1)	(653.1)	(1,503.2)
<b>Total costs and expenses</b>			<b>(979.2)</b>	<b>(707.0)</b>	<b>(1,686.2)</b>
<b>Estimated funds available for creditors</b>					<b>1,470.6</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. We continue to believe that a further \$96,614 will be realised from the Company's bankers in Bahrain, equating to £63,900 (using conversion rates as at 4 December 2015), as discussed in the main body of the report.

Aside from the funds held at Bank ABC Bahrain, we do not anticipate realising any further cash at bank.

## **2. Supported debtors**

As detailed in the Second Progress Report, £635,199 has so far been realised from the Company's largest debtor and as reported in the main body of this report, they have subsequently confirmed to the Joint Administrators that they will shortly be in a position to transfer a further c£380,000 in respect of the outstanding balance they owe the Company.

As a consequence of the continued difficulty in establishing contact with many of the debtors, and the difficulties in reconciling their positions, the estimate of likely debtor realisations has been reduced against the balance recorded on the Company's books 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 Joint Administrators to realise outstanding debtor balances and the Joint 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/Litigation Proceeds**

As disclosed in the Second Progress Report, the Administrations had entered into legal proceedings against the Former FD of the Company in order to recover as much of the estimated £6.474 million which he had admitted to stealing from the Company.

As reported in the main body of this report £285,772 has been recovered as a result of the litigation against the former FD, predominantly from the sale of his former home and a draw down from his pension fund. This is shown in the EOS as Litigation Proceeds and is significantly less than the £373,100 which we had previously reported and is largely as a consequence of his assets retaining less value than he had reported, and as a result of the diminution of funds through his entitlement to legal costs and living expenses under the terms of the WWFO.

Unfortunately, given the limited assets which he has disclosed under oath, the Joint Administrators do not believe that any further realisations are likely to be made from his limited assets and therefore no further value is attributed to claims against him, aside from c£500 in respect of the ongoing sale of items of his jewellery.

However, the Joint 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. In light of this, we continue to report estimated future movement of the Unsupported Debtor balances as unknown.

## **4. Other debtors – Nil**

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

## **5. Bank interest**

To date, £2,165 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. Joint Administrators' remuneration**

The gross value of the time incurred in the period of the Administration to 31 December 2016 totalled £411,040. Fees approved by the Committee equated to this amount less 20% of the value which was deferred. Therefore £328,832 has been invoiced and paid to date.

Fee analyses for the period 1 January 2017 to 31 March 2017 will be presented for review and approval to the Committee at the next meeting, scheduled for mid-April 2017.

For the sake of clarity, only remuneration invoiced and paid to date is reflected in the current position shown in the EOS. The estimated future movement reflects the deferred portion of approved fees, plus the gross value of future time estimated to be incurred.

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 the Joint Administrators is problematic, however as detailed in the First Progress Report, future costs are subject to the agreement of the Committee.

## **8. Joint Administrators' disbursements**

The Joint 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 £3,500 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, bank charges 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. Irrecoverable VAT**

Following discussions with HM Revenue & Customs in relation to the basis on which the Company can recover VAT, there are a small number of invoices incurred by the Company in relation to the Administration where the Company has not been able to recover the VAT element of these costs. These total £4,115.90, and it is currently anticipated that these will remain irrecoverable. All further VAT incurred has been confirmed as being fully recoverable by HMRC.

## **11. 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 £131,250 has been invoiced and paid.

## **12. 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 Joint

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 in 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 and couriers.