

TO ALL KNOWN CREDITORS

15 September 2023

Ref: RB/KH/PK/LM

Email: CXRe@uk.ey.com

Dear Sirs

**CX Reinsurance Company Limited (in Administration) (“the Company”)
High Court of Justice, Business and Property Courts of England and Wales, Insolvency
and Companies List (ChD), Number CR-2020-003307**

As you are aware, the Company entered administration on 17 August 2020 and Simon Edel and I were appointed to act as Joint Administrators. The appointment was made by the High Court following an application under the provisions of paragraph 12(1) (b) of Schedule B1 to the Insolvency Act 1986. Under the terms of appointment, any act required or authorised to be done by the Joint Administrators can be carried out by any one of them.

In addition, a Chapter 15 Recognition Order (“Chapter 15 Order”) was granted by the US Bankruptcy Court on 8 October 2020 pursuant to which the Joint Administrators are recognised as the foreign representatives authorised to act on behalf of the Company for the duration of the Chapter 15 case.

I write, in accordance with Rule 18.3 of the Insolvency (England and Wales) Rules 2016, to provide creditors with a report on the progress of the administration. This report covers the period from 17 February 2023 to 16 August 2023 and should be read in conjunction with the Joint Administrators’ Statement of Proposals dated 7 October 2020 (“the Proposals”) and the Joint Administrators’ progress reports dated 16 March 2021, 16 September 2021, 16 March 2022, 16 September 2022 and 16 March 2023.

Statutory information about the Company, the administration and the office holders are provided at Appendix A.

Copies of the above documents and other announcements are available at the following website:
https://www.ey.com/en_uk/ey-cx-reinsurance-company-administration.

Summary of progress to 16 August 2023

During the period, progress has continued to be made in respect of realising assets of the Company and resolving litigation matters to which the Company is a party. Progress has also continued in planning for a proposed Scheme of Arrangement (pursuant to Part 26 of the Companies Act 2006) (“Scheme”) to enable a conclusion of the run-off and future distribution for creditors.

Drafting of the Scheme documentation has commenced and initial documents have been discussed with the Creditors’ Committee during the period. Subject to further US legal advice regarding the treatment of the US Trust Funds within the proposed Scheme, the Joint Administrators continue to work towards issuing documentation to creditors setting out the proposed terms of the Scheme and associated voting procedures during the first six months of 2024.

Further details regarding this and the estimated timeline are provided in this report.

Asset Recoveries

Debt Purchase Assets and Reinsurance Debtors

A total of £1,848,891 was recovered from debt purchase assets in the reporting period. The majority of this recovery was in respect of the distribution paid from the insolvency proceedings of a long-standing debtor, representing a positive return on a historical asset.

A further \$1.4m of debt purchased assets remain outstanding, of which we estimate \$0.7m may be recoverable prior to the conclusion of the administration.

As previously reported, estimates for the potential future debt purchase recoveries are refreshed on a quarterly basis and as new information becomes available. The matters that impact the recoverability of the remaining debts are outside of the Joint Administrators' control and, therefore, actual amounts recovered in due course and the timing of receipts may differ from current estimates.

The position with regards to the recovery of various reinsurance debtors remains under review and the Joint Administrators will consider the recoverability of these assets as part of the Scheme planning process.

Other recoveries

Refunds in the sum of £44,934 were collected during the period in respect of special claim refunds, loss funds, retained reserves, premium and interest held by certain agents and brokers on behalf of the Company.

Treasury Management

As of 31 July 2023, non-trust investments comprised of bonds with a net book value of \$882,620 were held by the Company's custodian, State Street Corporation ("State Street").

No non-trust investment bond maturities took place in the reporting period and the bonds will be realised as they mature unless it is deemed more cost effective to realise them early.

As mentioned in the previous report, with the exception of a c.\$294k investment maturity due during 2024, all other remaining non-trust investments mature beyond the current timeline for the conclusion of the administration. A review of available options to withdraw and realise cash for the remaining assets will be carried out as part of the Scheme planning process.

The Joint Administrators monitor short term, low risk investment options for the funds held in the estate and, where appropriate, place funds on short-term treasury deposit accounts to maximise interest income. Interest income received in the reporting period was £52,933.

Trust Fund arrangements

As reported previously, the Company is party to two trust fund arrangements in the US, a Surplus Line Trust, and a Reinsurance Trust (together “the US Trust Funds”), which hold investment portfolios with combined assets valued at USD c.\$16.67m as of 31 July 2023.

The Joint Administrators are continuing to review the proposed strategy for dealing with the US Trust Funds in the context of the proposed Scheme and further details are provided below.

In this period, fees in the amount of \$15,247 were paid from the administration estate to State Street who act as Custodian to the Company, and Blackrock who provide asset management and accounting services to the Company.

SICAV arrangements

As previously reported, the Company is party to ‘Société d’investissement à Capital Variable’ (“SICAV”) arrangements with Natixis Bank based in France which holds security over cash set aside for certain creditors within France. As of 31 July 2023, the cash held totalled c.€356k (c.£304k). The Joint Administrators are in contact with Natixis Bank and various other parties with regards to the options available, including the closure of these arrangements and release of the security held, where appropriate.

Liability Management

As previously reported, the Joint Administrators consider that a Scheme which establishes a claims bar date, proving process and valuation methodology is the appropriate mechanism to bring finality to the run-off and enable a distribution to creditors. In the meantime, the Joint Administrators continue to assess liabilities of the Company, where possible, in preparation for a claim valuation process within the Scheme.

Litigation

The Company remains party to litigation cases in the US Courts, and the Chapter 15 Court Order granted on 8 October 2020 remains in place to protect the Company’s US estate.

As previously reported, the Company was known to be involved in 38 active litigation matters on the date of our appointment, all in US Courts with the exception of one matter in the German Courts. During the administration period, the Company has also received notification that it is subject to a litigation matter in the French Courts.

The table below summarises the current status of these matters.

Status	Matters
Concluded/Concluding (either via settlement, dismissal, a final judgement or cessation of litigation)	21
Not pursued further by the claimant	6
Stayed	2
Awaiting final outcome (from either trial or settlement discussions)	10
Live	-
Total Matters	39

For the avoidance of doubt, with exception to the matters discussed below and in our previous progress reports, matters that have been classed as having been concluded through settlement have been done so as part of a market-wide settlements and in accordance with the automatic stay imposed through the Chapter 15 Bankruptcy Order. Claims are anticipated to be submitted in due course within the Scheme in respect of any amounts due from the Company as a result of those matters.

Each situation will continue to be assessed on its relative merits, taking into account the costs and benefits to the estate.

As previously reported, all matters relating to insurance claims arising from lead paint exposure in the US, have concluded or remain stayed by the Chapter 15 proceedings.

The Joint Administrators are aware of and are liaising with the legal representatives of the various US Lead Paint claimants within these matters with regard to their claims which are intended to be valued and concluded as part of the Scheme.

The Joint Administrators, with the assistance of legal advisors, have continued to assess whether the Company's participation in the other remaining litigation matters can be concluded in advance of the Scheme, should it be more beneficial to the Company's creditors as a whole. Otherwise, it is anticipated that all other matters will be valued and concluded as part of the Scheme.

Legal fees

Legal fees in the sum of £282,641 have been paid in the period to US counsel primarily for advice in relation to strategy and preparation for the proposed Scheme including the treatment of the US Trust Funds, Bankruptcy Law requirements and engagement with the New York State Department of Financial Services ("DFS") and State Street, as trustee. They have also advised on matters relating to certain litigation and the subsequent Chapter 15 requirements.

In addition, legal fees in the sum of £115,965 have been paid in the period to UK Counsel and various other US and EU attorneys for advice relating to the administration and the litigation matters referenced above. Legal fees in the sum of £15,826 have additionally been paid to UK Counsel in relation to consultation and drafting of documents for the proposed Scheme.

Run off Operating model

The Joint Administrators continue to monitor the Company's operating model and make amendments as necessary.

The Company continues to employ two members of staff, one full time and one part time. This is subject to the Company's operational needs and will continue to be monitored by the Joint Administrators throughout the administration and any subsequent proposed Scheme.

During this reporting period, a total of £118,999 has been paid in respect of the Company's staff consisting of salaries, employer taxes and pension contributions.

Outsource providers

Various outsource providers have continued to provide services to the Company in the reporting period both in respect of the ongoing operations of the runoff and in preparation for the proposed Scheme. Total costs of £72,790 have been paid in the period in this regard. Of this amount, £38,087 relates to tax and

accounting services provided by Lee-Anne van Heusden Limited (“LVHL”) to meet the Company’s accounting and reporting requirements, £13,734 related to support provided by Pro Insurance Solutions (“Pro”) and Credor Point Limited (“Credor”) following implementation of the Company’s claims management system and £20,969 related to services provided by SNL Consultants Limited (“SNL”) relating to claims analysis in preparation for the proposed Scheme.

The Company’s claims management system was initially launched in 2022. During the period, the system has formed part of the day-to-day operations of the runoff and total costs of £65,575 have been paid to Espire Infolabs Limited (“Espire”) in the period in respect of the final licensing and technical support costs. No further costs are anticipated to be paid to Espire, other than any one-off costs that may be required for maintaining the ongoing license and support of the system.

The Company’s books and records, including US claim files, are retained in line with statutory requirements, and total costs of £7,634 have been paid in this respect to the storage facilitators in the UK and US.

VAT

During the period of this report, input VAT in the amount of £269,538 has been incurred by the Company in respect of expenses incurred and paid in the period.

VAT returns for all periods to 31 May 2023 have been filed with HMRC and VAT refunds in the amount of £409,479 plus VAT repayment supplements totalling £18,932, in respect of these returns, have been received in this reporting period.

As previously advised, an element of the costs incurred in the US are subject to a UK VAT reverse charge which is accounted for as an expense of the estate.

Corporation Tax

The Joint Administrators are currently working with LVHL and EY Tax colleagues in order to prepare and submit the Corporation Tax return for the period 1 January 2022 to 31 December 2022 in the coming months.

Regulatory Engagement

The Company remains a regulated insurance company and must comply with various regulatory requirements. The Joint Administrators provide updates to the Prudential Regulatory Authority and Financial Conduct Authority on the progress of the administration as and when appropriate.

In this reporting period, UK Regulators have been engaged in discussions regarding the proposed Scheme and we will remain in dialogue with them and the DFS throughout the drafting period to ensure the Scheme complies with the necessary requirements in both the UK and US.

Creditors’ Committee

There have been no changes to the constitution of the Creditors’ Committee in the reporting period. The sixth and seventh meetings of the Creditors’ Committee took place virtually on 6 March 2023 and 26 June 2023, respectively.

Proposed Administration Exit

As mentioned above, the Joint Administrators consider that a proposed Scheme is the most appropriate process to bring finality to the run-off and enable a distribution to creditors in due course and during the period, our UK legal advisors have drafted an initial first draft of the Scheme documentation which has been shared with and discussed with the Creditors' Committee.

Given the claims against the Company arise both in the UK and the United States, US legal advice on recognition and structuring of a UK Scheme is required to be considered. As part of the preparations for a Scheme and based on advice from UK Counsel, the Joint Administrators have instructed an independent US legal advisor to provide the Joint Administrators with an independent legal opinion with regard to the treatment of the US Trust Funds within the proposed Scheme.

It is anticipated that, on receipt of the opinion, the Joint Administrators can continue discussions with the UK Regulators, DFS, State Street as Trustee and the Creditors' Committee in respect of the US Trust Funds through to Q3/Q4 2023. In the interim, the Joint Administrators will continue to take steps to conclude the Company's outstanding matters in preparation for a proposed Scheme.

Further information regarding a proposed Scheme, including the process for voting, will be issued by the Joint Administrators to all known potential creditors as soon as practicable.

Receipts and payments account

A summary of the Joint Administrators' receipts and payments for the reporting period from 17 February 2023 to 16 August 2023, and cumulatively from the commencement of the administration 17 August 2020 to 16 August 2023, is attached at Appendix B. The Joint Administrators' receipts and payments account is a statement of cash received and cash paid out and does not reflect estimated future realisations or costs.

Joint Administrators' remuneration and disbursements

The statutory provisions relating to remuneration are set out in Part 18 of the Insolvency (England and Wales) Rules 2016. Further information is given in the Association of Business Recovery Professionals' publication 'A Creditors' Guide to Administrators' Fees', a copy of which may be accessed from the web site of the Institute of Chartered Accountants in England and Wales at <https://www.icaew.com/en/technical/insolvency/creditors-guides> or is available in hard copy upon written request.

In certain circumstances, creditors are entitled to request further information about our remuneration or expenses, or to apply to court if they consider the costs to be excessive (Rules 18.9 and 18.34 of the Insolvency (England and Wales) Rules 2016). Further information is provided in 'A Creditors' Guide to Administrators' Fees' referred to above.

In accordance with resolutions of the Creditors' Committee approved on 10 August 2021 and 2 May 2023, the Joint Administrators have drawn fees in the amount of £3,998,011 from the estate to date, representing 100% of fees incurred in the period to 16 February 2023, of which fees in the amount of £811,444 were drawn in this reporting period.

During the period covered by this report, the Joint Administrators have incurred time costs in the amount of £850,978, of which none have been drawn in the period.

An analysis of the time spent in the period, a comparison with the fee estimate dated 7 October 2020, and summary of the tasks undertaken is attached at Appendix D to this report. Appendix D also provides a statement of the Joint Administrators' policy in relation to charging time and expenses.

The below table summarises the cumulative time incurred by the Joint Administrators and their staff and amounts drawn to date from the estate.

	Previously reported	Drawn in period for previously reported time	Time incurred during the reporting period	Total
Time incurred (£)	3,998,010		850,978	4,848,988
Fees drawn (£)	3,186,566	811,444	-	3,998,011
To be billed (£)	211,742	(211,742)	518,902	518,902
Subject to Creditors' Committee approval	599,702	(599,702)	332,076	332,076

To date, the Joint Administrators have incurred Category 1 and 2 expenses amounting to £15,406, of which £35 has been incurred in the reporting period. Following the resolution of the Creditors' Committee approved on 2 May 2023, Category 1 and 2 expenses in the amount of £15,188 have been drawn from the estate to date, including £2,788 drawn in this reporting period. An analysis of the expenses paid to date is set out in Appendix C of this report.

Owing to the complexity of this insolvency and a number of material uncertainties that existed at the outset of the administration, and continue to exist, it has been difficult to estimate with accuracy the work which will be required to be carried out by the Joint Administrators and their staff during the administration. Accordingly, as anticipated in the previous report, the Joint Administrators' total time incurred to date has now exceeded the initial fee estimate dated 7 October 2020 ("fee estimate").

As previously reported, the fee estimate was based on certain assumptions, which included being able to implement a proposed exit strategy, assumed to be a Scheme, within the initial administration period, ending 16 February 2023.

The Joint Administrators are preparing a revised fee estimate for the extended period of the administration to be presented to the Creditors' Committee for consideration in the next reporting period. The preparation of the revised fee estimate is subject to the outcome of the legal opinion on the treatment of trust assets in the proposed Scheme as this may impact the time which may be incurred by the Joint Administrators' and their staff. The outcome of these discussions will be communicated in the next progress report.

Joint Administrators' statement of expenses incurred

During the period covered by this report, expenses totalling £691,863 (net of VAT and excluding Joint Administrators' fees and Category 1 and 2 expenses) have been paid to third parties in administering the Company's estate. A breakdown of expenses incurred in this period is enclosed at Appendix C.

Expenses have further exceeded the estimate contained in the statement of expenses dated 7 October 2020, primarily due to the additional operational costs incurred as a result of the extension to the administration and US and UK legal fees incurred in providing assistance to the Joint Administrators in planning for the Scheme and liaising with regulators regarding the specific mechanisms of the Scheme,

particularly regarding the US Trust Funds. Details to why these costs have been incurred are provided in Appendix C and described in our previous reports.

Similar to the Joint Administrators' fee estimate, given the administration period has been extended, a revised estimate of expenses will be shared with the Creditors' Committee and communicated in the next progress report.

Distributions to creditors

As insurance policyholders are aware, the administration of the Company does not terminate or cancel a policyholder's contract of insurance (unless specifically stated in their policy). Accordingly, claims continue to be directed to the Company in the normal course.

As previously advised, the hierarchy of debts for an insurance company is set out in The Insurers (Winding-up and Reorganisation) Regulations 2004 and applies to the Company. The effect of which is that Direct Insurance creditors have priority over other classes of unsecured creditors, including Reinsurance Creditors.

As noted above, it is anticipated that creditors' claims will be valued as part of the claim valuation process within a Scheme. Given the lack of direct market updates on claims development available to the Company as a result of its insolvent status, material uncertainties remain in relation to the quantum of liabilities that could arise and, therefore, the subsequent value of distributions to any class of creditors.

A specialist contractor has been instructed to investigate these material uncertainties and obtain any updates on the expected quantum of market claims, where possible, in preparation for the proposed Scheme. The Company has also instructed an updated independent actuarial assessment of its claim reserves for the purpose of the proposed Scheme – the previous estimate was undertaken by the Company as at 31 December 2019. Further information in this respect will be included within the Scheme documentation.

Next report

I will report to you again in six months' time by 16 March 2024. The report will be shared with creditors by publication on the Company's website unless individual creditors have opted to receive reports by post.

Should you have any queries, please contact the Joint Administrators by emailing CXRe@uk.ey.com.

Yours faithfully
for the Company



Richard Barker
Joint Administrator

Richard Barker and Simon Edel are licensed in the United Kingdom to act as insolvency practitioners by The Insolvency Practitioners Association.

The affairs, business and property of the Company are being managed by the Joint Administrators and Foreign Representatives (in respect of the Company's US estate), Richard Barker and Simon Edel, who act as agents of the Company only and without personal liability.

The Joint Administrators may act as data controllers of personal data as defined by the UK General Data Protection Regulation (as incorporated in the Data Protection Act 2018), depending upon the specific processing activities undertaken. Ernst & Young LLP and/or the Company may act as a data processor on the instructions of the Joint Administrators. Personal data will be kept secure and processed only for matters relating to the Joint Administrators' appointment. The Office Holder Data Privacy Notice can be found at www.ey.com/uk/officeholderprivacy.

Appendix A

Information about the proceedings, the Company, and the office holders, as required by Rule 18.3(1) of the Insolvency (England and Wales) Rules 2016

Name of court:	High Court of Justice Business and Property Courts of England and Wales and Companies (ChD)
Court reference number:	CR-2020-003307
Company registered number:	01086556
Registered name of the company:	CX Reinsurance Company Limited
Registered office address of the company:	Ernst & Young LLP, 1 More London Place, London, SE1 2AF
Former principal trading address (if different from above):	118 Pall Mall, London United Kingdom, SW1Y 5ED
Name(s) and address(es) of Joint Administrator(s):	Richard Barker and Simon Edel Ernst & Young LLP, 1 More London Place London, SE1 2AF
Office holder number(s):	17150 / 9810
Division of Administrators' responsibility:	Any of the functions to be performed or powers exercisable by the Joint Administrators may be carried out/exercised by any one of them acting alone or by any or all of them acting severally
Name of alternative person to contact with enquiries about the case:	CXRe@uk.ey.com
Prescribed Part	The Joint Administrators have established that there are no valid fixed or floating charges registered against the Company. In the absence of a floating charge, there are no monies required to be set aside to creditors under s176A of the Act being under the 'Prescribed Part' formula.

Statement concerning the EC Regulation

The EC Council Regulation on Insolvency proceedings does not apply to this Administration.

Joint Administrators' Summary of Receipts and Payments from 17 February 2023 to 16 August 2023

	Notes	Statement of Affairs GBP £	Consolidated GBP amounts as at 16 February 2023 GBP £	FX movements and allocation adjustments on opening balances GBP £	Restated GBP amounts as at 16 February 2023 GBP £	Movement in period to 16 August 2023 GBP £	Movement in period to 16 August 2023 USD \$	Movement in period to 16 August 2023 EUR €	Consolidated GBP Movement in period to 16 August 2023 GBP £	Consolidated GBP amounts as at 16 August 2023 GBP £
RECEIPTS										
Assets subject to fixed charge	4	18,364,117	-	-	-	-	-	-	-	-
LOC Surplus	2	-	441,895	(25,711)	416,185	-	-	-	-	416,185
Surplus from Trust Assets		-	488,584	-	488,584	-	-	-	-	488,584
Cash at Bank	3	745,513	810,900	446,831	1,257,730	-	-	-	-	1,257,730
Investments	4	9,277,715	8,674,957	(766,031)	7,908,926	-	385	-	302	7,909,228
Prepayments and accrued interest	4	172,549	112,113	(112,113)	-	-	-	-	-	-
Debt Purchase	2	2,362,893	695,368	(37,746)	657,621	-	2,257,690	91,865	1,848,891	2,506,513
Reinsurers share of technical provisions		361,888	-	-	-	-	-	-	-	-
Trade Debtors		2,582,193	-	-	-	-	-	-	-	-
Escrow Fund Recoveries		-	61,966	(3,597)	58,369	-	-	-	-	58,369
Loss Fund & Premium Recoveries		-	295,642	(11,630)	284,012	-	-	52,536	44,934	328,946
Refund of Pre-Appointment Legal Fees		-	4,947	(288)	4,659	-	-	-	-	4,659
Recoveries from surrendered losses		-	388,850	-	388,850	-	-	-	-	388,850
Pre-appointment VAT refunds		-	13,814	-	13,814	-	-	-	-	13,814
VAT Repayment Supplement		-	-	-	-	18,932	-	-	18,932	18,932
Investment Income and Bank Interest	2	-	931	110,059	110,989	1,902	65,080	-	52,933	163,922
Total Receipts		33,866,868	11,989,966	(400,226)	11,589,740	20,833	2,323,155	144,401	1,965,992	13,555,732
PAYMENTS										
Staff costs		-	(753,581)	-	(753,581)	(118,999)	-	-	(118,999)	(872,580)
Outsource Providers		-	(665,326)	1,777	(663,549)	(72,790)	-	-	(72,790)	(736,339)
Systems Transformation		-	(432,482)	-	(432,482)	(65,575)	-	-	(65,575)	(498,057)
Software Licensing		-	(12,060)	4,757	(7,303)	-	-	-	-	(7,303)
IT Systems		-	(23,109)	50	(23,059)	(159)	-	-	(159)	(23,218)
Storage Charges		-	(37,337)	2,733	(34,603)	(7,164)	(600)	-	(7,634)	(42,238)
US Legal fees & Expenses		-	(669,758)	11,331	(658,426)	(282,641)	-	-	(282,641)	(941,067)
UK Legal fees & Expenses		-	(77,279)	-	(77,279)	(92,707)	-	-	(92,707)	(169,987)
Legal Costs - Various Attorneys		-	(234,627)	13,184	(221,443)	-	(13,756)	(14,582)	(23,258)	(244,701)
UK Scheme of Arrangement Fees & Expenses		-	(49,708)	-	(49,708)	(15,826)	-	-	(15,826)	(65,534)
US Legal Settlement payment		-	(143,924)	8,374	(135,550)	-	-	-	-	(135,550)
US Chapter 15 Bankruptcy Noticing Agent		-	(51,709)	3,009	(48,700)	-	(99)	-	(78)	(48,778)
US Trust & Non-Trust Fees		-	(218,220)	20,459	(197,760)	-	(15,247)	-	(11,956)	(209,716)
Pre-Appointment Administrators' Fees		-	(45,000)	-	(45,000)	-	-	-	-	(45,000)
Post-Appointment Administrators' Fees		-	(3,186,566)	-	(3,186,566)	(811,444)	-	-	(811,444)	(3,998,011)
Post-Appointment Administrators' Disbursements		-	(12,400)	-	(12,400)	(2,788)	-	-	(2,788)	(15,188)
Sundry Expenses		-	(4,313)	-	(4,313)	(40)	-	-	(40)	(4,353)
Corporation Tax		-	(300)	-	(300)	-	-	-	-	(300)
Input VAT incurred	6	-	(710,462)	3,659	(706,803)	139,941	-	-	139,941	(566,862)
Bank Charges		-	(2,965)	162	(2,803)	(23)	(224)	(3)	(201)	(3,004)
Total Payments		-	(7,331,125)	69,495	(7,261,630)	(1,330,213)	(29,927)	(14,584)	(1,366,153)	(8,627,784)
Net Receipts/(Payments)		33,866,868	4,658,841	(330,731)	4,328,109	(1,309,380)	2,293,229	129,817	599,839	4,927,948
INTER-ACCOUNT CROSS CURRENCY PAYMENTS										
Transfer to GBP Acc from EUR Acc	5		2,573,975	-	2,573,975	-	-	-	-	2,573,975
Transfer to GBP Acc from USD Acc	5		759,077	-	759,077	1,332,675	-	-	1,332,675	2,091,752
EUR Transfer to GBP Account	5		(2,583,687)	97,010	(2,486,677)	-	-	-	-	(2,486,677)
USD Transfer to GBP Account	5		(749,313)	43,597	(705,716)	-	(1,690,000)	-	(1,325,178)	(2,030,895)
Total FX Movements			51	140,607	140,658	1,332,675	(1,690,000)	-	7,497	148,155
Net Receipts/(Payments)			4,658,892	(190,125)	4,468,768	23,295	603,229	129,817	607,336	5,076,103
Cash Balances as at 16 August 2023	7									5,076,103

Appendix B

Notes

1. Receipts and payments are stated net of VAT.
2. Statement of Affairs balances are shown in GBP. At the date of administration, the Company held assets predominantly in GBP and USD. Whilst the Statement of Affairs is presented in GBP, the receipts and payments account movements are shown by individual currency and translated to GBP in the consolidated amounts column using the Bank of England exchange rate at the period end date (GBP 1: USD 1.2753 and GBP 1: EUR 1.1692). An element of the movements within certain accounts are due to FX movements and accounting adjustments rather than cash movement which can be seen in the FX movement and Adjustment column. The adjustment to bank interest is a reporting adjustment to report interest previously earned on the State Street Non-Trust account which is controlled by the Joint Administrators.
3. Cash at bank is held in bank accounts in the Company's name controlled by the Joint Administrators. An adjustment has been made in the period to report all transactions across the State Street Non-Trust cash account which the Joint Administrators have controlled since appointment. The receipts and payments reflect transactions through these accounts only.
4. Certain of the Company's assets are held by third parties in accounts in the name of the Company and over which the Joint Administrators have authority to act. These balances include:
 - a. Assets held with State Street, valued as at 31 July 2023:
 - i. Assets subject to a fixed charge – USD 16,671,752
 - ii. Unencumbered non-trust investments – USD 882,620
 - b. Assets held with Natixis, valued as at 31 July 2023
 - iii. Assets subject to a fixed charge – EUR 355,925
5. Inter-account cross currency receipts and payments reflect the transfer of funds held in the foreign currency bank accounts into Sterling accounts to as part of treasury management. There are also fluctuations in the values of previous transfers when consolidated to GBP for the purpose of reporting due to FX movements, but these fluctuations do not represent cash movements.
6. The Net VAT incurred includes all input VAT and VAT reverse charges less VAT recoveries received from HMRC based on the Company's partial recovery rate. Further details can be found within the body of the report.
7. Cash balances at 16 August 2023 are held in the following currencies:
 - a. £250,613.33 of GBP;
 - b. \$5,957,383.02 of USD; and
 - c. €180,210.72 of EUR.

Appendix C

Summary of the Joint Administrators' expenses incurred for the period to 16 August 2023

Category of Expense	Per estimate dated 7 October 2020 £ (exc VAT)	Total paid to 16 February 2023 £ (exc VAT)	Paid in period to 16 August 2023 £ (exc VAT)	Total paid to 16 August 2023 £ (exc VAT)
Payments made from the estate which are not expenses (see notes 1 and 2)				
Employee wages & salaries	765,000	700,986	109,099	810,085
Employee pension contributions	49,000	52,595	9,900	62,495
Service & overhead costs - TAL	100,000	70,662	-	70,662
Service costs - Pro	610,000	364,323	3,386	367,709
Specialist Contractors	-	85,701	30,675	116,376
IT & Finance Systems	125,000	502,979	65,734	568,713
Tax & Accounting Service Contractors	-	106,405	38,651	145,056
Insurance	6,000	2,343	-	2,343
UK Legal fees & Expenses - Stevens & Bolton	125,000	76,604	92,707	169,311
UK Legal fees & Expenses - Other Law firms	-	675	-	675
US Legal fees & Expenses- Fried Frank	450,000	644,754	282,641	927,395
US Legal costs - various US attorneys	Uncertain	202,884	10,786	213,670
US Legal Settlement	-	-	-	-
UK Scheme of arrangement legal fees	250,000	49,708	15,826	65,534
US Scheme of arrangement legal fees	125,000	-	-	-
UK Scheme of arrangement legal fees - Counsel	100,000	-	-	-
EU Legal costs - various attorneys	-	10,658	12,471	23,129
Agent Fees and expenses- Epiq (Notice Agent)	25,000	47,242	78	47,320
Agent Fees- Abacus (Payroll Agent)	6,000	756	78	834
Bank & Interest Charges	5,000	2,737	201	2,938
US Trust Fund - Regulator Fees	-	4,150	800	4,950
Fund manager costs- Blackrock & State Street	145,000	119,326	11,156	130,482
Storage Costs	3,000	36,392	7,634	44,026
Sundry expenses	5,000	47	40	87
Corporation Tax Penalty	-	300	-	300
Total	2,894,000	3,082,228	691,863	3,774,090
Pre-Appointment Costs				
Pre-Appointment Administrators Fees	49,988	45,000	-	45,000
Total pre-appointment costs	49,988	45,000	-	45,000
TOTAL	2,943,988	3,127,228	691,863	3,819,090
Category 1 expenses				
Specific penalty bond	1,280	1,280	-	1,280
External photocopying, printing & courier	2,000	7,885	-	7,885
Public Notices	1,000	94.50	-	95
Category 2 expenses				
Printing, postage & shipping	-	3,140	2,788	5,928
Stationary & hardware	-	-	-	-
Mileage	1,000	-	-	-
Total category 1 & 2 expenses	5,280	12,400	2,788	15,188
TOTAL EXPENSES	2,949,268	3,139,628	694,651	3,834,277

Notes

- Expenses comprise sums paid or to be paid to third parties and sums paid or payable to the Joint Administrators' firm in respect of out-of-pocket expenses and costs which include an element of shared or allocated costs.
- The table details the expenses expected to be incurred during the administration, which was originally estimated at £2,949,268 plus VAT per the fee and expenses estimate dated 7 October 2020, comprising pre-administration costs and expenses of the administration. Please note, there are some costs that we were and continue to be unable to estimate, such as legal costs for US attorneys.
- Total expenses incurred and paid to date have exceeded the original expenses estimate and an explanation is, therefore, provided below for those expenses which were either not included in or

have individually exceeded the estimate dated 7 October 2020. We are in discussions with the Creditors' Committee in respect of the revised fee estimate which is being prepared and will include an estimate for future expenses.

4. The costs detailed in the table are reported as at the date incurred and these figures are subject to FX fluctuations.

- ▶ ***Employee wages, salaries & pension costs***

As noted above, the estimate of expenses provided for costs for the initial administration period to 17 February 2023. As the administration has been extended, additional costs have been incurred to maintain the Company's operations, including employee costs.

- ▶ ***IT & Finance Systems – Part of the new IT Systems***

As highlighted in previous reports, IT & Finance Systems costs relate to the costs payable to Espire and other software firms in relation to the development of the new IT system required to ensure operational continuity of the Company's claims management activities.

- ▶ ***Specialist Contractors – Part of the new IT Systems***

Services provided by an external system development specialist to assist with the development and onboarding of the new IT system as mentioned above.

- ▶ ***Tax & Accounting Services Contractors***

Service costs incurred by an external contractor in relation to monthly financial accounting and reporting tasks, and submission of the tax filings for the Company. As noted above, as the administration has been extended, additional operational costs, such as tax and accounting costs, have been incurred to maintain the Company's operations.

- ▶ ***Storage Costs***

Storage costs payable to third-party storage providers for Company books and records, required to be held by the Joint Administrators for statutory reasons.

- ▶ ***Legal costs***

Legal costs relate to costs incurred for advice on the key litigation matters that the Company has been involved in, including the impact of Chapter 15 Bankruptcy on these matters; the apostilling of the Administration documents; the court application for the extension of the administration period; communication with the US regulators with regards to the scheme design and implementation, including the treatment and mechanics of the US trust funds in line with Bankruptcy Law; and drafting of the Scheme documentation and rules.

- ▶ ***Notice Agent costs***

Costs incurred issuing notices to US creditors in relation to US litigations as required by Chapter 15 Bankruptcy Requirements.

Summary of the Joint Administrators' time costs incurred for the period from 17 February 2023 to 16 August 2023 and cumulative to date

	Previous reporting period 17 Feb 2020 to 16 February 2023		This reporting period 17 Feb 2023 to 16 August 2023									Cumulative Total			Per Estimate dated 7 Oct 2020		
	Total hours	Total Cost (£)	Partner	Director	Assistant director	Manager	Executive	Analyst	Total hours	Time Cost (£)	Average Hourly Rate	Total hours	Total Cost (£)	Average Hourly Rate	Total Estimated hours	Total Estimated Cost (£)	Average Hourly Rate
Realisation of assets																	
Trust assets	311.6	179,825	0.9	-	8.0	0.5	17.1	6.7	33.2	14,465	436	344.8	194,290	563	310.0	175,050	565
Debt purchases	172.5	72,118	0.4	-	1.2	3.4	11.0	1.7	17.7	7,711	436	190.2	79,829	420	209.0	91,643	438
Reinsurance and other debtors	131.1	49,479	-	-	0.6	12.3	8.2	6.2	27.3	11,888	435	158.4	61,367	387	209.0	91,643	438
Loss fund and premium refunds	13.0	5,133	-	-	1.3	-	4.8	-	6.1	2,685	440	19.1	7,817	409	209.0	91,643	438
Treasury management	293.4	143,732	0.9	1.2	2.2	1.4	26.0	4.1	35.8	15,080	421	329.2	158,812	482	220.0	101,310	461
Subtotal	921.6	450,287	2.2	1.2	13.3	17.6	67.1	18.7	120.1	51,829	432	1,041.7	502,115	482	948.0	459,645	485
Insolvency process																	
Initial letters and notices	158.4	66,557	-	-	-	-	-	-	-	-	-	158.4	66,557	420	160.0	76,985	481
Proposals, decisions procedure and creditor consultation OR Statement of Affairs	157.8	78,970	-	-	-	-	-	-	-	-	-	157.8	78,970	500	155.0	79,325	512
CDDA and SIP2 compliance	93.8	36,107	-	-	-	-	-	-	-	-	-	93.8	36,107	385	125.0	54,375	435
Creditors' Committee	474.1	243,506	17.1	2.7	26.6	33.3	86.1	3.8	169.6	87,622	517	643.7	331,128	514	360.0	191,225	531
Reporting to creditors	587.9	236,502	3.6	0.0	7.8	1.5	111.1	5.7	129.7	53,838	415	717.6	290,340	405	281.5	132,883	472
Other statutory and compliance	73.6	28,208	-	-	-	-	-	0.2	0.2	50	-	73.8	28,258	383	143.0	61,690	431
Statement of Affairs	9.9	4,633	-	-	-	-	-	-	-	-	-	9.9	4,633	468	13.0	6,200	477
Insurance	7.6	3,124	-	-	0.5	-	0.9	-	1.4	664	474	9.0	3,788	421	16.0	6,215	388
Subtotal	1,563.1	697,607	20.7	2.7	34.9	34.8	198.1	9.7	300.9	142,174	472	1,864.0	839,780	451	1,253.5	608,898	486
Dealing with creditors																	
Creditor enquiries and management	354.3	113,761	-	-	0.3	2.6	2.0	58.3	63.2	16,973	269	417.5	130,733	313	300.0	135,350	451
Subtotal	354.3	113,761	-	-	0.3	2.6	2.0	58.3	63.2	16,973	269	417.5	130,733	313	300.0	135,350	451
Insurance run off																	
Employees and Board	298.5	123,569	8.4	-	5.8	15.4	10.9	11.4	51.9	27,092	522	350.4	150,661	430	246.0	110,530	449
Receipts and payments	652.9	212,587	-	-	-	-	20.8	99.4	120.2	32,962	274	773.1	245,549	318	354.5	153,823	434
Administrators' supervision of run off	1,268.8	653,219	4.1	-	22.9	25.2	57.0	10.1	119.3	56,782	476	1,388.1	710,000	511	357.0	185,785	520
Subtotal	2,220.2	989,375	12.5	-	28.7	40.6	88.7	120.9	291.4	116,836	401	2,511.6	1,106,210	440	957.5	450,138	470
Management of Company's affairs																	
Accounting and treasury	410.1	175,378	4.8	0.2	3.2	1.8	108.1	-	118.1	49,815	422	528.2	225,193	426	249.5	106,773	428
Pensions	25.2	10,453	-	-	-	-	-	-	-	-	-	25.2	10,453	415	115.0	54,290	472
VAT & Tax	760.2	363,437	4.7	2.0	3.3	34.8	53.6	10.1	108.5	50,590	466	868.7	414,027	477	292.5	147,525	504
Regulatory (UK & US)	274.8	143,013	-	-	1.0	-	0.8	-	1.8	937	521	276.6	143,950	520	315.0	201,775	641
Chapter 15	61.6	33,688	-	-	-	-	-	-	-	-	-	61.6	33,688	547	317.5	160,663	506
Claims litigations matters	1,456.0	657,667	11.2	-	22.9	7.3	55.2	44.6	141.2	61,534	436	1,597.2	719,201	450	515.0	275,500	535
Data & Software	280.9	140,011	-	-	0.8	0.6	5.5	0.8	7.7	3,175	412	288.6	143,186	496	172.5	81,838	474
Subtotal	3,268.8	1,523,647	20.7	2.2	31.2	44.5	223.2	55.5	377.3	166,050	440	3,646.1	1,689,697	463	1,977.0	1,028,363	520
Scheme of arrangement																	
Scheme of arrangement	113.1	70,664	52.2	-	124.3	224.6	114.9	95.1	611.1	318,872	522	724.2	389,536	538	3,155.0	1,750,500	555
Subtotal	113.1	70,664	52.2	-	124.3	224.6	114.9	95.1	611.1	318,872	522	724.2	389,536	538	3,155.0	1,750,500	555
Strategy and planning																	
Project management and administration oversight	317.3	152,676	-	-	2.6	-	93.9	-	96.5	38,246	396	413.8	190,922	461	252.0	175,595	697
Subtotal	317.3	152,676	-	-	2.6	-	93.9	-	96.5	38,246	396	413.8	190,922	461	252.0	175,595	697
Grand Total Hours	8,758.4	3,998,015	108.3	6.1	235.3	364.7	787.9	358.2	1,860.5			10,618.9	4,848,993	457	8,843.0	4,608,488	521
Grand Total Time Cost (£)					101,802	4,697	147,063	200,585	307,281	89,550			850,978				
Average Hourly Rate (£)					940	770	625	550	390	250			457				
Category 1 Expenses (£)																	35
Category 2 Expenses (£)																	35

SIP 9 Notes

- 1 Statement of Insolvency Practice 9 (“SIP 9”) defines expenses as amounts properly payable from the insolvency estate which are not otherwise categorised as office holders’ remuneration or a distribution to a creditor or a member. Expenses also include disbursements. Disbursements are payments which are first met by the office holder, and then reimbursed to the office holder from the estate.
- 2 SIP 9 defines expenses as a type of payment which is met by, and reimbursed to, an office holder in connection with an insolvency appointment. Expenses fall into two categories: Category 1 and Category 2.
 - Category 1 expenses are defined as specific expenditure relating to the administration of the insolvent’s affairs and referable to payment to an independent third party. Such expenses can be paid from the insolvent’s assets without approval from the Creditors’ Committee. In line with Statement of Insolvency Practice No. 9, it is our policy to disclose Category 1 expenses drawn but not to seek approval for their payment. We are prepared to provide such additional information as the Committee require to support the expenses drawn.
 - Category 2 expenses are charges made by the office holder’s firm that include elements of shared or overhead costs. Statement of Insolvency Practice No. 9 provides that such expenses are subject to approval as if they were remuneration. It is our policy, in line with SIP 9, to seek approval for this category of expense before they are drawn.

Appendix D

Summary narrative of Joint Administrators' time costs incurred for the period from 17 February 2023 to 16 August 2023

The Joint Administrators' time costs incurred during the reporting period totals £850,978 as noted above. Set out below is a summary narrative of the significant areas of work in relation to which costs were incurred in this period.

Realisation of assets

Tasks providing a direct benefit to creditors via asset realisations

- Quarterly review of debt purchases and assessing the quantum and timing of recoverability
- Corresponding with debtors, brokers, agents and relevant parties
- Reviewing, assessing and maintaining the debt purchase ledgers
- Corresponding with Natixis with regards to the maintenance and closure of the accounts held
- Liaising with agents and the Company staff to arrange collection of other debtors and assets, including retained reserves, loss funds and premium refunds
- Working with the Investment Manager regarding the investment strategy of trust assets and maintenance of the trust accounts
- Liaising with the Company staff with regards to the reinsurance contracts and consideration of commutation proposals and/or recovery of outstanding reinsurance debt
- Review of the non-trust investment portfolio, arranging the cash withdrawals in respect of matured investments, including of interest net of local applicable tax, and correctly reporting interest earned on the cash balance monthly
- Review of the investment portfolio and regularly considering the appropriate investment approach, into money market deposits for example, to maximise returns of available cash whilst maintaining the operations of the Company
- Review of quarterly cashflows and discussions regarding expecting inflows and outflows ensuring the currency allocations held in GBP, EUR and USD remain appropriate

Insolvency process

Tasks required by statute

- Statutory case reviews and maintenance of case files
- Preparation of periodic progress reports and issuing to the creditors, the UK Registrar of Companies, the UK High Court, and the US Bankruptcy Court
- Preparation for and holding meetings with members of the Creditors' Committee to discuss the progress of the administration, Joint Administrator's fees and the proposed Scheme of arrangement
- Other necessary statutory duties including filing of the annual confirmation statements, periodic review of bonding requirement, maintaining records for the key decisions taken, diary management and overall case management
- Maintenance of the dedicated website
- Arranging open cover and appropriate ongoing insurance through appointed broker
- Maintaining records for all receipts and payments for the purpose of reporting and entering them into the accounting systems

Dealing with creditors

Tasks providing a benefit to creditors

- Responding to emails and queries received from all classes of creditors
- Responding to creditor, broker, and agent queries regarding claims, dividend prospects, and administration progress
- Acknowledge receipt of filed proofs of debts received from creditors

Insurance run off

Tasks providing a benefit to insurance creditors

- Maintenance of monthly payroll, ensuring appropriate deductions of PAYE/NIC are made and paid over to HMRC
- General project discussions and review of the Company's claim records on calls with existing employees
- Operations management calls and correspondence with regards to the Systems transformation
- Project management input into the Systems transformation, including escalating queries where appropriate
- Coordinate the engagement between various outsource providers
- Arranging payments to outsource service providers, suppliers and third-party agents

Management of Company's affairs

Tasks providing an indirect benefit to creditors and required by statute

- Corresponding with the trust agents, investment manager, trustees and banks regarding specific transfers
- Corresponding with the accounts manager with regards to the management accounts of the Company
- Preparation of the Corporation Tax computations and filling of the annual corporation tax return for the Company
- Preparing the VAT computation and filling of VAT returns to HMRC and keeping record of the refunds received
- Correspondence with HMRC to follow up on the delayed VAT refund and supplement payments
- Periodic updates to UK regulators on the status of the administration and responding to any queries raised regarding the administration process and strategy
- Arranging the renewal of the Legal Entity Identification, data protection registration and relevant FCA regulatory submissions
- Liaising with US bankruptcy Counsel and the US notifying agent, as relevant, with regards to Chapter 15 requirements and keeping the US creditor distribution list updated
- Strategic discussions and cost analysis reviews regarding various litigation matters and ongoing correspondence with legal representatives of the Company and UK and US counsel regarding live matters where immediate steps are required
- Performing analysis and holding discussions with creditors regarding expected claims amounts in preparation for the Scheme
- Dealing with records in storage and statutory reviews of the listing of records held

Scheme of arrangement

Tasks providing an indirect benefit to creditors and required by statute

- Liaising with UK and US legal advisors and counsel with regards to the design and implementation of the proposed exit strategy
- Drafting of the proposed Scheme timeline, heads of terms, rules and all other supporting documentation to be provided to creditors.
- Discussions with UK and US regulators and legal advisors with regards to specific mechanisms of the US trust funds within Scheme to agree a permitted approach
- Discussions and meetings with creditors to provide introductory information regarding the Scheme and the proposed timeline
- Reviewing creditor claim listing to establish creditor classes in preparation for voting process to approve the proposed Scheme
- Present updates and liaise with the Creditors Committee with regards to the Scheme design and implementation
- Liaising with actuary team regarding actuarial assessment of Company's claim reserves

Strategy and planning

Tasks providing an indirect benefit to creditors and required by statute

- Holding strategic team review meetings critical to achieve the objectives of administration
- Preparation in regards with issuing fees and maintaining budget

Statement of Joint Administrators' charging policy for remuneration and disbursements pursuant to Statement of Insolvency Practice No.9

Joint Administrators' charging policy for remuneration

The Joint Administrators have engaged managers and other staff to work on the Administration. The work required is delegated to the most appropriate level of staff taking account of the nature of the work and the individual's experience. Additional assistance is provided by accounting and treasury executives dealing with the Company's bank accounts and statutory compliance diaries. Work carried out by all staff is subject to the overall supervision of the Joint Administrators.

All time spent by staff working directly on case-related matters is charged to a time code established specifically for this engagement. Time is recorded in units of six minutes. Each member of staff has a specific hourly rate, which is subject to change over time. The hourly rate for each category of staff over the period in accordance with resolutions passed by the Creditors Committee on 10 August 2021 is shown below:

Grade Description	Hourly Rate (£)
Partner	940
Director	770
Senior Manager	625
Manager	550
Executive	390
Analyst	250
Staff & Support	150