

TO ALL KNOWN CREDITORS

16 March 2022

Ref: RB/MC/EG/KH/JM/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**

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 August 2021 to 16 February 2022 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 and 16 September 2021.

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 February 2022

Run off Operating model

The Joint Administrators continue to monitor the Company’s operating model and make amendments as necessary. Since my last report, changes to the outsourcing providers continue to be implemented as explained in a later section of the report.

Employees

The Company continues to employ two members of staff, one full time and one part time. As advised previously, it is not expected that there will be any additional employee roles during the course of the administration. However, this is subject to the Company’s operational needs and will continue to be monitored by the Joint Administrators.

During this reporting period, a total of £156,881 has been paid in respect of the Company's staff, consisting of salaries, employer taxes and pension contributions.

Outsource providers

As previously reported, the Company had a services agreement with its shareholder, Tawa Associates Limited ("TAL") which was terminated as at 31 December 2020. During the period of this report, £984 has been paid to TAL in respect of storage recharge costs incurred prior to transferring books and records to the Company's account.

Pro Insurance Solutions Limited and Pro IS, Inc. (together "Pro") have continued to provide services to the Company during the period which included claims management, hosting of the Company's claims management system, and input into the new claims management system from specific Pro employees with detailed knowledge of the current claims management system. A total of £65,407 was paid to Pro in this reporting period, of which c.£35,000 relates to a recharge of specific third party IT and software licensing costs incurred following the Joint Administrators' appointment.

Upon launch of the Company's new claims management system, it is envisaged that Pro will provide assistance with historic claims information, trade debtor and reinsurance debtor information, as required.

As part of the transition of operations from Pro, claims management services transitioned to SNL Consultants ("SNL") (UK claims) and Raphael Associates ("Raphael") (US Claims) during the period. Given the limited claims received during the administration period, no costs have been incurred in the period by either SNL or Raphael.

Espire Infolabs Limited ("Espire") have continued to assist the Company during the period in respect of the development of and transition to the new claims management system. In this period, £91,689 has been paid to Espire. The system development and transition is now near completion and the system is expected to launch in the coming weeks.

Additionally, Credor Point Limited ("Credor") continue to assist the Company to project manage the development of the new claims management system and transition of data from Pro. A total of £9,938 was paid to Credor in this reporting period.

Lee-Anne van Heusden Limited ("LVHL") have been engaged by the Company to assist with the preparation of the quarterly management accounts of the Company, the VAT and Corporation tax computations and return filings, and also the input into the development of the management information system as part of the systems transformation. In this period, £29,942 was paid to LVHL.

In line with statutory requirements, the Joint Administrators took control over the Company's books and records which are being retained by a storage management facilitator, Restore Plc ("Restore"). In this period, £10,772 was paid to Restore.

In addition to the above costs a further c.£7,000 has been paid in this reporting period to various providers in relation to additional support costs including payroll advisors, tax advisor, IT support, open cover insurer and US notifying agents.

VAT

During the period of this report, input VAT of £193,607 has been paid by the Company, and VAT returns for the relevant periods have been filed with HMRC based on the Company's historic recovery rate.

HMRC have confirmed that the Company can continue to recover VAT at the partial recovery rate used prior to the Joint Administrators' appointment, being 61.5%. To date, we have received refunds totalling £285,016 in respect of the VAT returns filed for the periods to 31 August 2021, and we are working with our tax team to follow up with HMRC for the refund due in respect of our most recent return for the period ending 30 November 2021.

Given there are US costs incurred by the Company, an element of USD costs are subject to UK VAT reverse charge costs which have been allocated as an expense of the estate, alongside irrecoverable GBP amounts. Further details regarding the amounts incurred and recovered are provided in the table below.

| VAT Return Period End | Input VAT Incurred (£) | VAT Recovered (£) | Irrecoverable VAT (£) | US VAT Reverse Charge Costs (£) |
|-----------------------|------------------------|----------------------------|----------------------------|---------------------------------|
| 31 May 2021 | 257,393 | 183,952 | 72,401 | 1,040 |
| 31 August 2021 | 169,465 | 101,064 | 65,428 | 2,974 |
| 30 November 2021 | 183,090 | Awaiting HMRC confirmation | Awaiting HMRC confirmation | Awaiting HMRC confirmation |
| Total | 609,948 | 285,016 | 137,829 | 4,014 |

Corporation Tax

A Corporation Tax return for the post-appointment period 17 August 2020 to 31 December 2020, being the first covering the Administration period, will be filed with HMRC shortly. The Joint Administrators are working with LVHL, the Company staff, the tax advisors and EY tax with regards to the computation and filing of this first tax return.

As previously reported, the Company surrendered losses totalling £1,865,648 in respect of the period ending 16 August 2020 and received a payment of £177,237 for the losses during this period.

Asset Recoveries

Debt Purchase Assets and Reinsurance Debtors

A total of £151,827 was recovered from debt purchase assets in the reporting period.

As previously reported, estimates for the potential future debt purchase recoveries are refreshed on a quarterly basis and as new information becomes available. It is estimated that potential future debt purchase recoveries could be in the region of c.\$3.3m, of which c.\$2.5m may be recovered by the end of 2022. The matters that impact the recoverability of these 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.

Recoveries amounting to £25,480 relating to Reinsurance Debtors were made during the reporting period. As creditors may recall, prior to the administration appointment, the Company had commuted a significant proportion of its outwards Reinsurance. As noted in my previous report, there remains an outstanding invoiced reinsurance debtor balance of \$700k, of which \$500k is in dispute with the relevant

reinsurer. In the event that the dispute can be resolved, we understand that the balance of \$500k would be subject to offset as the reinsurer also has claims against the estate and, therefore, no cash would be expected to be recovered.

The future recoverable reinsurance balances are now mainly in the longtail APH classes and the Company staff have gathered information and are currently preparing proposals in order to approach the Company's largest remaining reinsurers to discuss potential commutation.

Escrow and other recoveries

During the period of this report, funds in the amount of £21,229 were recovered from escrow accounts of legal firms that had been acting on behalf of the Company prior to the Joint Administrators' appointment. No significant further recoveries are anticipated in this respect.

Treasury Management

As of 31 January 2022, investments comprising bonds and cash, with a net book value of \$3,877,439 were held by the Company's custodian, State Street Corporation ("State Street"). The bonds will be realised as they mature, unless it is deemed more cost effective to realise them early.

During the period, a cash balance of \$1m was transferred from State Street to the Company's administration bank accounts following maturity of some investments, of which an element of this balance is the interest earned up to maturity date. A further cash balance of c.\$0.4m will be transferred in due course.

It is expected that c.\$2.5m of investments will mature by end of 2022, alongside a further c.\$20k in 2023 Q1, with the remaining investments maturing beyond the current timeline for the conclusion of the administration.

Interest totalling c.\$22k has accrued against the Company's investments which have yet to mature and which will be recoverable upon maturity of the investment.

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, which hold investment portfolios with combined assets valued at USD c.\$17.8m as of 31 January 2022.

The Joint Administrators are continuing to liaise with the New York State Department of Financial Services ("DFS") in respect of the proposed strategy for dealing with the trust funds in the context of the administration.

In this period, US Trust and Non-Trust related fees of c.\$58k (c.£43k) were paid to State Street, who act as Custodian to the Company, and Blackrock, who provide asset management and accounting services to the Company.

In the period, we have also received a repayment of c.\$10k for an unrepresented cheque and paid costs of c.£1k in relation to US trust regulatory related fees.

Liability Management

Litigation

The Company remains party to a number of active 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. 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) | 18 |
| Not pursued further by the claimant | 6 |
| Stayed | 2 |
| Awaiting final outcome (from either trial or settlement discussions) | 10 |
| Live | 2 |

For the avoidance of doubt, with exception to the matters discussed below, all matters that have been classed as having been concluded through settlement are done so without the involvement of the Company, and claims are anticipated to be submitted in due course 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.

Lead Paint

As previously reported, the Company was party to five key litigation matters, all relating to insurance claims arising from lead paint exposure in the US.

As previously advised, there is a key litigation matter that is material to the outcome for creditors currently in the US Courts. Given the significant impact the litigation could have on the level of claims anticipated in the estate, we are seeking to resolve the matter prior to finalising our exit strategy. The litigation is progressing, and a hearing in The Court of Appeals of Maryland is scheduled to take place in April 2022.

In January 2021, the Joint Administrators reached a consensual settlement on one lead paint matter through a court approved mediation. I am pleased to report the terms of this settlement have now been finalised and formal approval of the settlement from the US Bankruptcy Court, in accordance with Chapter 15 Bankruptcy requirements, was received shortly after the reporting period end.

We continue to communicate with the relevant legal advisors to conclude the Company's participation in the remaining cases in a manner that is considered most beneficial for the creditors as a whole.

Legal fees

Legal fees in the sum of £67,550 have been paid in the period to UK and US Counsel, and various other US attorneys for advice relating to the significant litigation matters referenced above and other active matters, ongoing advice regarding Chapter 15 requirements and the US Trust funds.

Regulatory Engagement

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

Creditors' Committee

There have been no changes to the constitution of the Creditors' Committee in the reporting period. Third and fourth meetings of the Creditors' Committee took place virtually on 17 November 2021 and 8 March 2022, respectively. A fifth meeting is anticipated to be arranged in Q3/Q4 2022.

Proposed Administration Exit

As previously advised, the Company's involvement in and the outcome of litigation, predominately related to lead paint liabilities, could have a material impact on ultimate liabilities. Until such time that the litigation is concluded, which is anticipated to take at least a further 6-9 months, it is unlikely that the Joint Administrators will be able to take any significant steps to resolve the estate.

Upon reaching finality of the major ongoing litigation, the Joint Administrators will be in a position to consider the most appropriate means of enabling conclusion of the administration. The Joint Administrators remain of the view that it is probable that a Scheme of Arrangement pursuant to Part 26 of the Companies Act 2006 is the process most likely to bring finality to the run-off and discussions with the Creditors Committee regarding a potential draft scheme methodology have taken place.

Given the need to resolve the Company's litigation matters prior to launching a Scheme of Arrangement, it is likely that the Joint Administrators may need to apply to the Court for an extension of the administration beyond its current end date of 16 February 2023 in due course.

We continue to discuss the proposed exit strategy with the Creditors' Committee and will provide updates to creditors in future progress reports as matters develop.

Receipts and payments account

A summary of the Joint Administrators' receipts and payments for the reporting period from 17 August 2021 to 16 February 2022 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 the Creditors Committee resolutions approved on 10 August 2021, the Joint Administrators have drawn fees in the amount of £2,062,811 from the estate, representing 85% of the Joint Administrators' time incurred to 13 August 2021, of which £741,218 was drawn in the period. The remaining 15% of the Joint Administrators' time costs, in the sum of £367,582, are subject to Creditors' Committee approval at a later date.

During the period covered by this report, the Joint Administrators have incurred time costs of £620,160. The Joint Administrators intend to raise an invoice in respect of 85% of these costs in the next reporting period.

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

| Reporting period | 17 Aug 2020 to 16 Feb 2021 | 17 Feb 2021 to 16 Aug 2021 | 17 Aug 2021 to 16 Feb 2022 | Total |
|-------------------------|-----------------------------------|-----------------------------------|-----------------------------------|------------------|
| Time incurred (£) | 1,554,816 | 875,577 | 620,160 | 3,050,552 |
| Fees drawn (£) | 1,321,593 | 741,218 | - | 2,062,811 |

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.

To date, the Joint Administrators have incurred Category 1 and 2 expenses of £15,075, of which £12,254 have been drawn to date. An analysis of the expenses paid to date is set out in Appendix C of this report.

It is not currently expected that the Joint Administrators' remuneration for the period to the current end date of the administration in February 2023 will exceed the amount provided for in the fee estimate.

Joint Administrators' statement of expenses incurred

During the period covered by this report, expenses totalling £414,007 (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.

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.

At this time, material uncertainties remain in relation to the quantum of liabilities that could arise from the ongoing court proceedings, and therefore, it is not possible to estimate the value and timing of distributions to any class of creditors at this point. We will write to creditors with an update in this regard when the position is clearer.

Next report

I will report to you again in six months' time by 16 September 2022. 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.

Appendix B

Joint Administrators' Summary of Receipts and Payments from 17 August 2021 to 16 February 2022

| | Notes | Statement of Affairs GBP £ | Consolidated GBP amounts as at 16 August 2021 GBP £ | FX movement on opening balances GBP £ | Restated GBP amounts as at 16 August 2021 GBP £ | Movement in period to 16 February 2022 GBP £ | Movement in period to 16 February 2022 USD \$ | Movement in period to 16 February 2022 EUR € | Consolidated GBP Movement in period to 16 February 2022 GBP £ | Consolidated amounts GBP as at 16 February 2022 GBP £ |
|--|-------|-------------------------------|---|--|--|---|--|---|---|---|
| RECEIPTS | | | | | | | | | | |
| Assets subject to fixed charge | 4 | 18,364,117 | - | - | - | - | - | - | - | - |
| LOC Surplus | | - | 382,999 | 7,898 | 390,897 | - | - | - | - | 390,897 |
| Surplus from Trust Assets | | - | 488,584 | - | 488,584 | - | - | - | - | 488,584 |
| Cash at Bank | 3 | 745,513 | 718,107 | 11,653 | 729,760 | - | - | - | - | 729,760 |
| Investments | 4 | 9,277,715 | 5,273,910 | (16,916) | 5,256,994 | - | 1,000,000 | - | 736,485 | 5,993,479 |
| Debt Purchase | | 2,362,893 | 316,589 | 6,019 | 322,608 | 482.08 | 203,232 | 1,993 | 151,827 | 474,435 |
| Reinsurers share of technical provisions | | 361,888 | - | - | - | - | 10,843 | 20,904 | 25,480 | 25,480 |
| Trade Debtors | | 2,582,193 | 303,095 | (1,254) | 301,840 | - | - | - | - | 301,840 |
| Escrow Fund Recoveries | | - | 32,435 | 655 | 33,090 | - | 28,825 | - | 21,229 | 54,319 |
| Prepayments and accrued interest | 4 | 172,549 | - | - | - | - | - | - | - | - |
| Refund of Pre-Appointment Legal Fees | | - | 4,287 | 88 | 4,376 | - | - | - | - | 4,376 |
| Payment for surrendered losses | | - | - | - | - | 177,237 | - | - | 177,237 | 177,237 |
| Bank Interest | | - | 248 | - | 248 | 121 | - | - | 121 | 369 |
| Total Receipts | | 33,866,868 | 7,520,255 | 8,142 | 7,528,397 | 177,840 | 1,242,900 | 22,897 | 1,112,380 | 8,640,777 |
| PAYMENTS | | | | | | | | | | |
| Staff Costs | | - | (332,649) | - | (332,649) | (156,881) | - | - | (156,881) | (489,530) |
| Outsource Providers | | - | (248,299) | (514) | (248,813) | (102,013) | (1,304) | - | (102,973) | (351,786) |
| Systems Transformation | | - | (245,093) | - | (245,093) | (101,627) | - | - | (101,627) | (346,720) |
| Software Licensing | | - | (2,321) | - | (2,321) | (7,136) | - | - | (7,136) | (9,457) |
| IT Systems | | - | (10,773) | - | (10,773) | (4,000) | - | - | (4,000) | (14,773) |
| Storage Charges | | - | (7,336) | (127) | (7,463) | (10,772) | - | - | (10,772) | (18,235) |
| US Legal fees & Expenses | | - | (349,181) | (2,527) | (351,708) | - | (64,083) | - | (47,196) | (398,904) |
| UK Legal fees & Expenses | | - | (23,451) | - | (23,451) | (12,850) | - | - | (12,850) | (36,301) |
| Legal Costs - Various Attorneys | | - | (132,986) | (2,454) | (135,441) | - | (5,714) | (3,938) | (7,504) | (142,944) |
| US Chapter 15 Bankruptcy Noticing Agent | | - | (28,013) | (578) | (28,590) | - | - | - | - | (28,590) |
| US Trust & Non-Trust Fees | | - | (60,613) | (1,250) | (61,863) | - | (49,055) | - | (36,129) | (97,991) |
| Pre-Appointment Administrators' Fees | | - | (45,000) | - | (45,000) | - | - | - | - | (45,000) |
| Post-Appointment Administrators' Fees | | - | (1,321,593) | - | (1,321,593) | (741,218) | - | - | (741,218) | (2,062,811) |
| Post-Appointment Administrators' Disbursements | | - | (11,543) | - | (11,543) | (711) | - | - | (711) | (12,254) |
| Sundry Expenses | | - | (2,923) | - | (2,923) | (1,623) | - | - | (1,623) | (4,545) |
| Corporation Tax Penalty | | - | - | - | - | (100) | - | - | (100) | (100) |
| Input VAT Incurred | 6 | - | (427,333) | (505) | (427,839) | 100,846 | (12,817) | - | 91,407 | (336,431) |
| Bank Charges | | - | (1,150) | (20) | (1,170) | (35) | (901) | (1) | (698) | (1,868) |
| Total Payments | | - | (3,250,257) | (7,975) | (3,258,232) | (1,038,119) | (133,874) | (3,938) | (1,140,011) | (4,398,243) |
| Net Receipts/(Payments) | | 33,866,868 | 4,269,999 | 167 | 4,270,166 | (860,279) | 1,109,026 | 18,959 | (27,631) | 4,242,535 |
| INTER-ACCOUNT CROSS CURRENCY PAYMENTS | | | | | | | | | | |
| Transfer to GBP Account from EUR Account | 5 | - | 2,332,567 | - | 2,332,567 | - | - | - | - | 2,332,567 |
| EUR Transfer to GBP Account | 5 | - | (2,234,963) | 36,099 | (2,198,864) | - | - | - | - | (2,198,864) |
| Cash Balances | | | 4,367,603 | 36,266 | 4,403,869 | (860,279) | 1,109,026 | 18,959 | (27,631) | 4,376,238 |
| Represented By: | | | | | | | | | | |
| RBS Current Account- GBP | | | | | | | | | | 1,734,297 |
| RBS Current Account- USD | | | | | | | | | | 2,618,141 |
| RBS Current Account- EUR | | | | | | | | | | 23,799 |
| Net Receipts/(Payments) | | | | | | | | | | 4,376,238 |

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 1.3578 and GBP 1: EUR 1.1949). An element of the movements within certain accounts is due to FX movements rather than cash movement which can be seen in the FX movement column.
3. Cash at bank is held in bank accounts controlled by the Joint Administrators. The receipts and payments reflect the Joint Administrators' bank account transactions 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 January 2022:
 - i. Assets subject to a fixed charge – USD 17,844,319
 - ii. Unencumbered investments – USD 3,877,439
 - b. Assets held with Natixis, valued as at 31 August 2021
 - iii. Assets subject to a fixed charge – EUR 350,009
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.
6. The Input 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.

Appendix C

Summary of the Joint Administrators' expenses incurred for the period to 16 February 2022

Payments made from the estate which are not expenses

| Category of Expense | Per estimate dated 7 October 2020 £ (exc VAT) | Paid as at 16 August 2021 £ (exc VAT) | Paid in period to 16 February 2022 £ (exc VAT) | Total paid to 16 February 2022 £ (exc VAT) |
|---|---|---|--|--|
| Payments made from the estate which are not expenses (see notes 1 and 2) | | | | |
| Employee wages & salaries | 765,000 | 311,404 | 145,331 | 456,735 |
| Employee pension contributions | 49,000 | 21,245 | 11,550 | 32,795 |
| Service & overhead costs- TAL | 100,000 | 69,678 | 984 | 70,662 |
| Service costs- Pro | 610,000 | 130,708 | 65,407 | 196,115 |
| Specialist Contractors | - | 3,279 | - | 3,279 |
| IT & Finance Systems | 125,000 | 294,745 | 112,763 | 407,508 |
| Tax & Accounting Service Contractors | - | 7,784 | 36,215 | 43,999 |
| Insurance | 6,000 | 860 | 433 | 1,293 |
| UK Legal fees & Expenses- Stevens & Bolton | 125,000 | 23,451 | 12,850 | 36,301 |
| US Legal fees & Expenses- Fried Frank | 450,000 | 349,181 | 47,196 | 396,377 |
| US Legal costs- various US attorneys | Uncertain | 132,986 | 7,504 | 140,490 |
| UK Scheme of arrangement legal fees | 250,000 | - | - | - |
| US Scheme of arrangement legal fees | 125,000 | - | - | - |
| UK Scheme of arrangement legal fees- Counsel | 100,000 | - | - | - |
| Agent Fees and expenses- Epiq (Notice Agent) | 25,000 | 28,013 | 215 | 28,228 |
| Agent Fees- Abacus (Payroll Agent) | 6,000 | 292 | 153 | 445 |
| Bank & Interest Charges | 5,000 | 1,150 | 719 | 1,868 |
| Fund manager costs- Blackrock & State Street | 145,000 | 60,613 | 36,129 | 24,484 |
| Storage Costs | 3,000 | 7,336 | 10,772 | 18,108 |
| Sundry expenses | 5,000 | 2,063 | 2,056 | 7 |
| Corporation Tax Penalty | - | - | 100 | 100 |
| Total | 2,894,000 | 1,444,787 | 414,007 | 1,858,794 |
| 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 | 1,489,787 | 414,007 | 1,903,794 |
| Category 1 expenses | | | | |
| Specific penalty bond | 1,280 | 1,280 | - | 1,280 |
| External photocopying, printing & courier | 2,000 | 7,028 | 711 | 7,739 |
| Public Notices | 1,000 | 95 | - | 94.50 |
| Category 2 expenses | | | | |
| Printing, postage & shipping | - | 3,140 | - | 3,140 |
| Mileage | 1,000 | - | - | - |
| Total category 1 & 2 expenses | 5,280 | 11,543 | 711 | 12,254 |
| TOTAL EXPENSES | 2,949,268 | 1,501,330 | 414,718 | 1,916,048 |

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 estimated at £2,949,268 plus VAT, comprising pre-administration costs and expenses of the administration. Please note, there are some costs that we are unable to estimate, such as legal costs for US attorneys.
- The costs detailed in the table are reported as at the date incurred and these figures are subject to FX fluctuations.

4. At present, total expenses have not exceeded the original estimate provided. However, for those expenses which were either not included in or have individually exceeded the estimate to 16 February 2022, an explanation is provided below.

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

As highlighted in my previous report, 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.

- ***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.

- ***Storage Costs***

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

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.

Summary of the Joint Administrators' time costs incurred for the period from 17 August 2021 to 16 February 2022 and cumulative to date

| | Previous reporting period 17 Aug 2020 to 16 Aug 2021 | | This reporting period 17 Aug 2021 to 16 Feb 2022 | | | | | | | | | | Cumulative Total | | Per Estimate dated 7 Oct 2020 | |
|--|---|------------------|--|--------------|-----------------------|---------------|---------------|---------------|----------|----------------|----------------|------------------------|------------------|------------------|----------------------------------|-----------------------------|
| | Total hours | Total Cost (£) | Partner/ Associate Partner | Director | Assistant director | Manager | Executive | Analyst | Intern | Total hours | Time Cost (£) | Average Hourly Rate | Total hours | Total Cost (£) | Total Estimated hours | Total Estimated Cost (£) |
| Realisation of assets | | | | | | | | | | | | | | | | |
| Trust assets | 169.2 | 93,921 | 6.2 | 23.7 | - | 11.8 | 1.4 | 7.8 | - | 50.9 | 33,063 | 650 | 220.1 | 126,984 | 310.0 | 175,050 |
| Debt purchases | 111.0 | 46,710 | - | 0.2 | - | 6.2 | 11.6 | 8.8 | - | 26.8 | 10,288 | 384 | 137.8 | 56,998 | 209.0 | 91,643 |
| Reinsurance and other debtors | 75.0 | 29,580 | 0.5 | 1.1 | - | 6.7 | 0.7 | 10.4 | - | 19.4 | 7,875 | 406 | 94.4 | 37,455 | 209.0 | 91,643 |
| Treasury management | 215.6 | 108,911 | 0.6 | 1.1 | 8.0 | 9.2 | 11.6 | 11.4 | - | 41.9 | 18,845 | 450 | 257.5 | 127,756 | 220.0 | 101,310 |
| Subtotal | 570.8 | 279,121 | 7.3 | 26.1 | 8.0 | 33.9 | 25.3 | 38.4 | - | 139.0 | 70,071 | 504 | 709.8 | 349,192 | 948.0 | 459,645 |
| Insolvency process | | | | | | | | | | | | | | | | |
| Initial letters and notices | 158.4 | 66,557 | - | - | - | - | - | - | - | - | - | - | 158.4 | 66,557 | 160.0 | 76,985 |
| Proposals, decisions procedure and creditor consultation OR Statement of Affairs | 157.8 | 78,970 | - | - | - | - | - | - | - | - | - | - | 157.8 | 78,970 | 155.0 | 79,325 |
| CDDA and SIP2 compliance | 93.8 | 36,107 | - | - | - | - | - | - | - | - | - | - | 93.8 | 36,107 | 125.0 | 54,375 |
| Creditors' Committee | 289.6 | 141,969 | 6.9 | 12.8 | - | 23.4 | 11.0 | 2.4 | - | 56.5 | 34,102 | 604 | 346.1 | 176,071 | 360.0 | 191,225 |
| Reporting to creditors | 200.9 | 84,264 | 3.9 | 6.5 | - | 22.7 | 24.9 | 48.4 | - | 106.4 | 42,967 | 404 | 307.3 | 127,231 | 281.5 | 132,883 |
| Other statutory and compliance | 65.3 | 26,133 | - | - | - | 0.0 | - | 8.1 | - | 8.1 | 2,025 | 250 | 73.4 | 28,158 | 143.0 | 61,690 |
| Statement of Affairs | 9.9 | 4,633 | - | - | - | 0.0 | - | - | - | - | - | - | 9.9 | 4,633 | 13.0 | 6,200 |
| Insurance | 4.5 | 1,717 | - | - | - | 0.8 | 0.1 | - | - | 0.9 | 479 | 532 | 5.4 | 2,196 | 16.0 | 6,215 |
| Subtotal | 980.2 | 440,349 | 10.8 | 19.3 | - | 46.9 | 36.0 | 58.9 | - | 171.9 | 79,573 | 463 | 1,152.1 | 519,922 | 1,253.5 | 608,898 |
| Dealing with creditors | | | | | | | | | | | | | | | | |
| Creditor enquiries and management | 212.5 | 73,390 | 0.5 | - | - | 2.2 | 8.0 | 15.2 | - | 25.9 | 8,600 | 332 | 238.4 | 81,990 | 300.0 | 135,350 |
| Subtotal | 212.5 | 73,390 | 0.5 | - | - | 2.2 | 8.0 | 15.2 | - | 25.9 | 8,600 | 332 | 238.4 | 81,990 | 300.0 | 135,350 |
| Insurance run off | | | | | | | | | | | | | | | | |
| Employees and Board | 210.3 | 91,324 | 0.0 | 0.7 | - | 2.6 | 24.2 | 7.9 | - | 35.4 | 13,382 | 378 | 245.7 | 104,706 | 246.0 | 110,530 |
| Receipts and payments | 290.9 | 114,649 | 0.2 | 0.2 | - | 7.1 | 6.7 | 132.8 | - | 147.0 | 40,060 | 273 | 437.9 | 154,709 | 354.5 | 153,823 |
| Administrators' supervision of run off | 740.6 | 404,027 | 21.3 | 11.4 | - | 84.3 | 62.9 | 48.0 | - | 227.9 | 111,696 | 490 | 968.5 | 515,723 | 357.0 | 185,785 |
| Subtotal | 1,241.8 | 610,000 | 21.5 | 12.3 | 0.0 | 94.0 | 93.8 | 188.7 | - | 410.3 | 165,138 | 402 | 1,652.1 | 775,138 | 957.5 | 450,138 |
| Management of Company's affairs | | | | | | | | | | | | | | | | |
| Accounting and treasury | 111.3 | 46,272 | 3.4 | 1.2 | 7.9 | 0.4 | 78.3 | 3.9 | - | 95.1 | 40,790 | 429 | 206.4 | 87,061 | 249.5 | 106,773 |
| Pensions | 22.9 | 9,428 | - | - | - | 0.4 | - | - | - | 0.4 | 220 | 550 | 23.3 | 9,648 | 115.0 | 54,290 |
| VAT & Tax | 258.2 | 118,273 | 3.3 | 2.6 | 60.8 | 61.2 | 85.8 | 41.1 | - | 254.8 | 120,501 | 473 | 513.0 | 238,774 | 292.5 | 147,525 |
| Regulatory (UK & US) | 237.5 | 127,766 | 0.4 | 2.4 | - | 8.2 | 5.5 | 12.6 | - | 29.1 | 12,029 | 413 | 266.6 | 139,795 | 315.0 | 201,775 |
| Chapter 15 | 57.6 | 31,673 | 0.1 | - | - | 2.3 | 1.4 | - | - | 3.8 | 1,905 | 501 | 61.4 | 33,578 | 317.5 | 160,663 |
| Claims litigations matters | 978.0 | 455,487 | 6.1 | 14.5 | - | 47.6 | 4.4 | 124.8 | - | 197.4 | 75,995 | 385 | 1,175.4 | 531,482 | 515.0 | 275,500 |
| Data & Software | 242.8 | 124,933 | 0.8 | 0.0 | - | 4.5 | 0.0 | 9.8 | - | 15.1 | 5,677 | 376 | 257.9 | 130,610 | 172.5 | 81,838 |
| Subtotal | 1,908.3 | 913,831 | 14.1 | 20.7 | 68.7 | 124.6 | 175.4 | 192.2 | - | 595.7 | 257,117 | 432 | 2,504.0 | 1,170,947 | 1,977.0 | 1,028,363 |
| Scheme of arrangement | | | | | | | | | | | | | | | | |
| Scheme of arrangement | 33.3 | 21,195 | 4.0 | 0.5 | 1.0 | 7.0 | - | - | - | 12.5 | 8,620 | 690 | 45.8 | 29,815 | 3,155.0 | 1,750,500 |
| Subtotal | 33.3 | 21,195 | 4.0 | 0.5 | 1.0 | 7.0 | - | - | - | 12.5 | 8,620 | 690 | 45.8 | 29,815 | 3,155.0 | 1,750,500 |
| Strategy and planning | | | | | | | | | | | | | | | | |
| Project management and administration oversight | 174.1 | 92,509 | 1.5 | 2.5 | - | 24.4 | 22.4 | 22.2 | - | 73.0 | 31,041 | 425 | 247.1 | 123,550 | 252.0 | 175,595 |
| Subtotal | 174.1 | 92,509 | 1.5 | 2.5 | - | 24.4 | 22.4 | 22.2 | - | 73.0 | 31,041 | 425 | 247.1 | 123,550 | 252.0 | 175,595 |
| Grand Total Hours | 5,121.0 | 2,430,392 | 59.7 | 81.4 | 77.7 | 333.0 | 360.9 | 515.6 | - | 1,428.3 | | | 6,549.3 | 3,050,552 | 8,843.0 | 4,608,488 |
| Grand Total Time Cost (£) | | | 56118 | 62678 | 48563 | 183150 | 140751 | 128900 | - | | 620160 | | | | | |
| Average Hourly Rate (£) | | | 940 | 770 | 625 | 550 | 390 | 250 | - | | | 434 | | | | |
| | | | Category 1 Disbursements (£) | | | | | | | | | | | 129 | | |
| | | | Category 2 Disbursements (£) | | | | | | | | | | | 38 | | |
| | | | | | | | | | | | | | | 168 | | |

Summary narrative of Joint Administrators' time costs incurred for the period from 17 August 2021 to 16 February 2022

Detailed fee reporting packs have been provided to the Creditors' Committee covering all time costs incurred to 31 December 2021 in order to assist them in considering the Joint Administrators' fees incurred and approve the level of fees which may be drawn from the estate.

The Joint Administrators' time costs incurred during the reporting period totals £620,160 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, agents and relevant parties
- Reviewing, assessing and maintaining the debt purchase ledgers
- Liaising with agents and the Company staff to arrange collection of other debtors and assets
- Working with the Investment Manager regarding the investment strategy of trust assets
- DFS/NYLB engagement on US Trust Assets, including communication regarding the exit strategy of the trust held funds
- Liaising with the Company staff with regards to the reinsurance contracts and consideration of commutation proposals
- Review of the investment portfolio and taking decisions to convert investments into cash to support the operations and consider appropriate investments, for example into money market deposits
- 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, the 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

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 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 and onboarding of various outsource providers assisting with the Systems transformation
- Arranging payments to outsource service providers, suppliers and third-party agents
- Maintaining records for all receipts and payments for the purpose of reporting and entering them into the accounting systems

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
- Correspondence with the relevant parties with regards to the payment for the surrendered tax losses
- 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 payments
- Periodic updates to the PRA, FCA and US 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 and relevant FCA regulatory submissions
- Liaising with US bankruptcy Counsel and the US notifying agent with regards to Chapter 15 requirements, updating the US creditor distribution list, and arranging the required US filing and publication
- Strategic discussions 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
- Review and assessment of the current claims system, including cost effectiveness of the platform and arranging alternatives to manage the commensurate levels of insurance business during the administration
- 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

- Discussions regarding the planning of the Scheme of arrangement, including the timeline
- Drafting the Scheme of arrangement methodology

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 per the revised 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 |