

TO ALL KNOWN CREDITORS

16 March 2023

Ref: RB/MC//KH/EE/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 August 2022 to 16 February 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 and 16 September 2022.

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 2023

During the period, progress has continued to be made in respect of realising assets of the Company, resolving litigation matters to which the Company is a party and enhancing the Company’s claims management systems. Significant progress has also been made in planning for a proposed Scheme of Arrangement to enable a conclusion of the run-off and future distribution for creditors. The Joint Administrators expect to communicate further with creditors in this respect in the next 6 months.

Administration Extension

In accordance with Paragraph 6 to the Schedule of The Financial Services and Markets Act 2000 (Administration Orders Relating to Insurers) Order 2010, the automatic end of the administration without an extension was due to be 30 months from the administration commencement date. In this case, the relevant date was 16 February 2023.

The Joint Administrators considered that it was necessary and appropriate for the administration to be extended to allow time to agree and implement an appropriate exit strategy. During the reporting period, the Joint Administrators, having consulted with the Creditor's Committee, made an application to the Court for an extension of the administration beyond its end date of 16 February 2023. The Court hearing took place on 31 January 2023 and an order extending the administration period for a period of 24 months to 16 February 2025 was granted. A copy of the Court order is available to view on the website (link above).

Further details in respect of progress in the period are provided below.

Asset Recoveries

Debt Purchase Assets and Reinsurance Debtors

A total of £79,012 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. The Joint Administrators estimate that potential future debt purchase recoveries remain in the region of \$3.7m, of which c\$2.2m is expected to be recovered in the period to 16 August 2023 and a further \$0.5m by the end of 2023.

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 insurance related funds from agents and brokers to the Company remain under review and correspondence is ongoing with certain reinsurers with regards to concluding open outwards positions through commutation and these discussions remain ongoing.

Other recoveries

Refunds in the sum of £251,796 were collected during the period in respect of special claim refunds, loss funds and premium held by certain agents and brokers on behalf of the Company.

Treasury Management

As of 31 January 2022, non-trust investments comprising bonds and cash, with a net book value of \$885,177 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, instructions were made to transfer cash balances totalling c.\$2.95m (c.£2.46m) from State Street to the Company's administration USD bank account, following maturity of certain non-trust investments. This balance includes c.\$2.9m principal and c.\$50k interest earned up to maturity date (net of applicable tax charges).

Shortly after the reporting period end, a further c.\$20k of the non-trust investments have matured. No other non-trust investment maturities are expected in 2023. With the exception of a c.\$294k investment maturity during 2024, all other remaining non-trust investments mature beyond the current timeline for the conclusion of the administration. We will review available options in terms of withdrawing further amounts and realising cash for these assets as part of the proposed exit strategy.

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.\$16.8m as of 31 January 2023.

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 US Trust Funds in the context of the administration.

In this period, US Trust and Non-Trust related fees of \$82,858 (£68,985) 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

The Company is party to SICAV arrangements with Natixis Bank based in France which holds security over cash set aside for certain creditors within France. As of 31 January 2023, the cash held totalled c.€351k (c.£312k). The Joint Administrators are in contact with Natixis Bank with regards to the closure of these arrangements and release of the security held, as appropriate.

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)	17
Not pursued further by the claimant	6
Stayed	5
Awaiting final outcome (from either trial or settlement discussions)	10
Live	-
Total Matters	38

For the avoidance of doubt, with exception to the matters discussed below and in our previous progress reports, 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

The five key litigation matters, all relating to insurance claims arising from lead paint exposure in the US, that the Company was party to have either concluded or are stayed by the Chapter 15 proceedings.

As previously reported, it is considered that the potential exposure to US Lead Paint creditor claims has been significantly reduced further to the conclusion of the Court of Appeals in Maryland on one of the significant lead paint matters.

The Joint Administrators continue to assess whether they can conclude the Company's participation in the remaining litigation matters, should it be more beneficial to the Company's creditors as a whole. Otherwise, it is anticipated that all other matters will be concluded as part of a Scheme of Arrangement, if it is determined that this is the appropriate exit route.

Legal fees

Legal fees in the sum of £155,378 have been paid in the period to UK and US Counsel engaged to advise on matters relating to the administration and various other US attorneys and EU Counsel for advice relating to the litigation matters, Chapter 15 requirements and the US Trust funds. In addition, legal fees in the sum of £38,346 have been paid in the period to UK counsel in relation to consultation in respect of planning for a proposed Scheme of Arrangement.

Run off Operating model

The Joint Administrators 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. As advised previously, it is not expected that there will be any additional employee roles during the course of the administration. 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 £157,495 has been paid in respect of the Company's staff consisting of salaries, employer taxes and pension contributions.

Outsource providers

Various outsource providers provide services to the Company in respect of the ongoing operations of the run off. Total costs of £55,265 have been paid in the period in this regard. Of this amount, £30,721 relates to tax & accounting services provided by Lee-Anne van Heusden Limited ("LVHL") to meet the Company's accounting and reporting requirements and £18,474 related to support provided by Pro Insurance Solutions ("Pro"), Credor Point Limited ("Credor") and SNL Consultants Limited ("SNL") in finalising the development and launch of the new claims management system.

As previously reported, the Company's new claims management system was partially launched in early 2022, with exception to the US claims management which had certain improvements being implemented prior to its launch. During the period, the system has fully launched and now forms part of the day-to-day operations of the runoff. Espire Infolabs Limited ("Espire") have continued to assist the Company during the period in respect of the development and launch of the system, as well as technical support and back up of the new system. Total costs of £22,400 have been paid in this regard in the period, and further costs of c.£67k are anticipated over the next two years 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 £12,563 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 £132,632 has been incurred by the Company in respect of expenses incurred and paid in the period.

VAT returns for all administration periods to 30 November 2022 have been filed with HMRC and VAT refunds in the amount of £285,016, relating to periods to 31 August 2021, have been received to date. Based on the Company's historic recovery rate of 61.5% and recent confirmation from HMRC, the Company was due to recover a further £277,555 of input VAT plus £5,053 repayment supplement in respect of the filed periods. These funds were received after the end of the reporting period.

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

Corporation Tax

A Corporation Tax return for the period 1 January 2021 to 31 December 2021, being the second post administration period, has been filed with HMRC during this reporting period. No tax liability arose in respect of this return as the Company incurred a trading loss in the period. The Joint Administrators are 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.

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.

Creditors' Committee

There have been no changes to the constitution of the Creditors' Committee in the reporting period. A fifth meeting of the Creditors' Committee took place virtually on 17 November 2022 followed by a sixth meeting shortly after the end of the reporting period.

Proposed Administration Exit

As previously mentioned, the judgment of the Court of Appeals of Maryland brought a conclusion to the major litigation that was creating the largest uncertainty for the Joint Administrators in being able to consider the most appropriate means of enabling conclusion of the Administration.

During the period, the Joint Administrators have analysed potential exit strategies with both UK and US legal advisors and counsel; as well as obtained the views of the Creditors' Committee.

Based on the outcome of this work, the Joint Administrators remain of the view 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 enable a distribution to creditors.

The Joint Administrators have discussed the key terms of a proposed Scheme of Arrangement with the Creditors' Committee and, following those discussions, have instructed UK legal advisors to commence drafting of the Scheme documentation. It is anticipated that further discussions on the terms of the Scheme of Arrangement will take place with the Creditors' Committee, UK regulators and the DFS prior to an anticipated formal launch of the Scheme in Q3 of 2023.

Receipts and payments account

A summary of the Joint Administrators' receipts and payments for the reporting period from 17 August 2022 to 16 February 2023, and cumulatively from the commencement of the Administration 17 August 2020 to 16 February 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, the Joint Administrators have drawn fees in the amount of £3,186,566 from the estate to date, of which fees in the amount of £393,528 were drawn in this reporting period. Time costs in the sum of £599,702, representing 15% of the Joint Administrators' total time incurred to date, are subject to further Creditors' Committee approval.

During the period covered by this report, the Joint Administrators have incurred time costs of £547,610, of which £257,120 was drawn in the period. A further sum of £208,349 of these costs will be drawn in the next reporting 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	17 August 2022 to 16 February 2023	Total
Time incurred (£)	3,450,400	-	547,610	3,998,010
Fees drawn (£)	2,793,038	136,408	257,120	3,186,566
To be drawn (£)	136,780	-	208,349	211,742
Subject to Creditors' Committee approval	517,560	-	82,142	599,702

To date, the Joint Administrators have incurred Category 1 and 2 expenses of £15,370, of which £12,400 have been invoiced to the estate. Further Category 2 expenses of £2,787 are subject to Creditors' Committee approval at a later date. An analysis of the expenses paid to date is set out in Appendix C of this report.

The Joint Administrators' total remuneration remains within the overall fee estimate dated 7 October 2020 ("fee estimate"). The table and narrative explanation in Appendix D details how the time has been incurred within each work area.

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

As the administration period has now been extended for a further two-year period it is expected that our time costs are likely to exceed the current fee estimate. The Joint Administrators will be preparing a revised fee estimate to discuss with the Creditors' Committee and will be subject to their approval. The outcome of these discussions will be communicated with the general body of creditors in due course. For the avoidance of doubt, remuneration in excess of the fee estimate will not be drawn without the necessary prior approvals.

Joint Administrators' statement of expenses incurred

During the period covered by this report, expenses totalling £515,547 (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.

As anticipated previously, our expenses have exceeded the estimate contained in the statement of expenses dated 7 October 2020, primarily due to the additional costs incurred in respect of the claim system transformation and US attorney fees which were unknown or uncertain to us at the time of preparing the estimate. Details to why these costs have been incurred are provided in Appendix C and also described in our previous reports.

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 mentioned above, we have made progress in planning for a proposed Scheme of Arrangement that will allow for a distribution to creditors in due course. However, given the lack of market updates on claims 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, it is not possible to estimate the value and timing of distributions to any class of creditors at this point. Further information in this respect will be included within the Scheme of Arrangement documentation.

Next report

I will report to you again in six months' time by 16 September 2023. 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 August 2022 to 16 February 2023

	Notes	Statement of Affairs GBP £	Consolidated GBP amounts as at 16 August 2022 GBP £	FX movement on opening balances GBP £	Restated GBP amounts as at 16 August 2022 GBP £	Movement in period to 16 February 2023 GBP £	Movement in period to 16 February 2023 USD \$	Movement in period to 16 February 2023 EUR €	Consolidated GBP Movement in period to 16 February 2023 GBP £	Consolidated GBP amounts as at 16 February 2023 GBP £
RECEIPTS										
Assets subject to fixed charge	4	18,364,117	-	-	-	-	-	-	-	-
LOC Surplus	2	-	438,826	3,069	441,895	-	-	-	-	441,895
Surplus from Trust Assets		-	488,584	-	488,584	-	-	-	-	488,584
Cash at Bank	3	745,513	804,173	6,726	810,900	-	-	-	-	810,900
Investments	4	9,277,715	6,131,223	129,473	6,260,696	-	2,899,769	-	2,414,261	8,674,957
Prepayments and accrued interest	4	172,549	69,804.59	488	70,293	-	50,231	-	41,821	112,113
Debt Purchase	2	2,362,893	607,600	8,756	616,355	-	55,720	36,708	79,012	695,368
Reinsurers share of technical provisions		361,888	-	-	-	-	-	-	-	-
Trade Debtors		2,582,193	-	-	-	-	-	-	-	-
Escrow Fund Recoveries	2	-	61,517	449	61,966	-	-	-	-	61,966
Loss Fund & Premium Recoveries	2	-	42,687	1,159	43,846	1,680	4,120	277,595	251,796	295,642
Refund of Pre-Appointment Legal Fees		-	4,912	34	4,947	-	-	-	-	4,947
Recoveries from surrendered losses		-	388,850	-	388,850	-	-	-	-	388,850
Pre-appointment VAT refunds		-	13,814	-	13,814	-	-	-	-	13,814
Bank Interest		-	603	-	603	328	-	-	328	931
Total Receipts		33,866,868	9,052,594	150,154	9,202,748	2,008	3,009,841	314,303	2,787,218	11,989,966
PAYMENTS										
Staff costs		-	(596,086)	-	(596,086)	(157,495)	-	-	(157,495)	(753,581)
Outsource Providers		-	(609,849)	(212)	(610,061)	(55,265)	-	-	(55,265)	(665,326)
Systems Transformation		-	(410,082)	-	(410,082)	(22,400)	-	-	(22,400)	(432,482)
Software Licensing		-	(9,457)	-	(9,457)	(2,603)	-	-	(2,603)	(12,060)
IT Systems		-	(21,871)	-	(21,871)	(1,238)	-	-	(1,238)	(23,109)
Storage Charges		-	(24,725)	(49)	(24,774)	(9,691)	(3,449)	-	(12,563)	(37,337)
US Legal fees & Expenses		-	(544,668)	(1,353)	(546,020)	(123,737)	-	-	(123,737)	(669,758)
UK Legal fees & Expenses		-	(52,248)	-	(52,248)	(25,031)	-	-	(25,031)	(77,279)
Legal Costs - Various Attorneys		-	(225,624)	(2,393)	(228,017)	-	(1,860)	(5,695)	(6,609)	(234,627)
UK Scheme of Arrangement Fees & Expenses		-	(11,362)	-	(11,362)	(38,346)	-	-	(38,346)	(49,708)
US Legal Settlement payment		-	(142,924)	(1,000)	(143,924)	-	-	-	-	(143,924)
US Chapter 15 Bankruptcy Noticing Agent		-	(51,072)	(357)	(51,430)	-	(335)	-	(279)	(51,709)
US Trust & Non-Trust Fees		-	(148,199)	(1,036)	(149,235)	-	(82,858)	-	(68,985)	(218,220)
Pre-Appointment Administrators' Fees		-	(45,000)	-	(45,000)	-	-	-	-	(45,000)
Post-Appointment Administrators' Fees		-	(2,793,039)	-	(2,793,039)	(393,527)	-	-	(393,527)	(3,186,566)
Post-Appointment Administrators' Disbursements		-	(12,400)	-	(12,400)	-	-	-	-	(12,400)
Sundry Expenses		-	(3,774)	-	(3,774)	(539)	-	-	(539)	(4,313)
Corporation Tax		-	(200)	-	(200)	(100)	-	-	(100)	(300)
Input VAT Incurred	6	-	(577,559)	(271)	(577,830)	(132,632)	-	-	(132,632)	(710,462)
Bank Charges		-	(2,591)	(19)	(2,610)	(22)	(398)	(2)	(355)	(2,965)
Total Payments		-	(6,282,729)	(6,689)	(6,289,419)	(962,629)	(88,900)	(5,697)	(1,041,707)	(7,331,125)
Net Receipts/(Payments)		33,866,868	2,769,865	143,465	2,913,330	(960,621)	2,920,941	308,607	1,745,511	4,658,841
INTER-ACCOUNT CROSS CURRENCY PAYMENTS										
Transfer to GBP Acc from EUR Acc	5	-	2,332,567	-	2,332,567	241,407.11	-	-	241,407	2,573,975
Transfer to GBP Acc from USD Acc	5	-	-	-	-	759,077.04	-	-	759,077	759,077
EUR Transfer to GBP Account	5	-	(2,211,263)	(123,601)	(2,334,864)	-	-	(280,000)	(248,823)	(2,583,687)
USD Transfer to GBP Account	5	-	-	-	-	-	(900,000)	-	(749,313)	(749,313)
Cash Balances			2,891,169	19,864	2,911,033	39,863	2,020,941	28,607	1,747,859	4,658,892
Represented By:										
RBS Current Account- GBP										218,964
RBS Current Account- USD										4,394,229
BOS Current Account- USD										917
RBS Current Account- EUR										44,782
Net Receipts/(Payments)										4,658,892

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 1.2011 and GBP 1: EUR 1.1253). 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.
3. Cash at bank is held in bank accounts in the Company's name controlled by the Joint Administrators. 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 January 2023:
 - i. Assets subject to a fixed charge – USD 16,778,364
 - ii. Unencumbered investments – USD 885,177
 - b. Assets held with Natixis, valued as at 31 January 2023
 - iii. Assets subject to a fixed charge – EUR 350,871
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 2023

Category of Expense	Per estimate dated 7 October 2020 £ (exc VAT)	Total paid to 16 August 2022 £ (exc VAT)	Paid in period to 16 February 2023 £ (exc VAT)	Total paid to 16 February 2023 £ (exc VAT)
Payments made from the estate which are not expenses (see notes 1 and 2)				
Employee wages & salaries	765,000	555,041	145,945	700,986
Employee pension contributions	49,000	41,045	11,550	52,595
Service & overhead costs - TAL	100,000	70,662	-	70,662
Service costs - Pro	610,000	355,677	8,646	364,323
Specialist Contractors	-	70,556	15,145	85,701
IT & Finance Systems	125,000	476,738	26,241	502,979
Tax & Accounting Service Contractors	-	75,165	31,240	106,405
Insurance	6,000	1,804	539	2,343
UK Legal fees & Expenses - Stevens & Bolton	125,000	51,573	25,031	76,604
UK Legal fees & Expenses - Other Law firms	-	675	-	675
US Legal fees & Expenses- Fried Frank	450,000	521,017	123,737	644,754
US Legal costs - various US attorneys	Uncertain	201,335	1,549	202,884
US Legal Settlement	-	0	-	-
UK Scheme of arrangement legal fees	250,000	11,362	38,346	49,708
US Scheme of arrangement legal fees	125,000	-	-	-
UK Scheme of arrangement legal fees - Counsel	100,000	-	-	-
EU Legal costs - various attorneys	-	5,597	5,061	10,658
Agent Fees and expenses- Epiq (Notice Agent)	25,000	46,963	279	47,242
Agent Fees- Abacus (Payroll Agent)	6,000	522	234	756
Bank & Interest Charges	5,000	2,382	355	2,737
US Trust Fund - Regulator Fees	-	4,150	-	4,150
Fund manager costs- Blackrock & State Street	145,000	50,341	68,985	119,326
Storage Costs	3,000	23,829	12,563	36,392
Sundry expenses	5,000	47	-	47
Corporation Tax Penalty	-	200	100	300
Total	2,894,000	2,566,679	515,547	3,082,228
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	2,611,679	515,547	3,127,228
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	-	94.50
Category 2 expenses				
Printing, postage & shipping	-	3,140	-	3,140
Mileage	1,000	-	-	-
Total category 1 & 2 expenses	5,280	12,400	-	12,400
TOTAL EXPENSES	2,949,268	2,624,079	515,547	3,139,628

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.

▶ ***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***

Service 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.

▶ ***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.

▶ ***Legal costs***

Legal costs incurred for the ongoing key litigation matters that the Company is involved in and that have yet to reach finality, the apostilling of the Administration documents, court application for the extension of the administration period, communication with the US regulators with regards to the scheme design and implementation, and Chapter 15 Bankruptcy impact on US litigation matters.

▶ ***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 August 2022 to 16 February 2023 and cumulative to date

	Previous reporting period 17 Feb 2020 to 16 Aug 2022		This reporting period 17 Aug 2022 to 16 February 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	254.4	145,290	10.5	10.3	9.2	6.9	15.1	5.2	57.2	34,535	604	311.6	179,825	577	310.0	175,050	565
Debt purchases	153.7	63,675	0.6	-	3.4	0.5	13.6	0.7	18.8	8,443	449	172.5	72,118	418	209.0	91,643	438
Reinsurance and other debtors	111.8	43,027	0.8	-	1.0	0.7	3.5	13.3	19.3	6,452	334	131.1	49,479	377	209.0	91,643	438
Loss fund and premium refunds	-	-	0.2	-	0.7	0.6	9.3	2.2	13.0	5,133	395	13.0	5,133	395	209.0	91,643	438
Treasury management	276.7	135,418	1.4	0.8	2.6	0.9	10.8	0.2	16.7	8,314	498	293.4	143,732	490	220.0	101,310	461
Subtotal	796.6	387,409	13.5	11.1	16.9	9.6	52.3	21.6	125.0	62,877	503	921.6	450,285	489	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	383.9	197,698	4.5	4.8	28.3	0.8	48.6	3.2	90.2	45,808	508	474.1	243,505	514	360.0	191,225	531
Reporting to creditors	449.3	178,842	3.8	2.5	10.0	23.5	59.2	39.6	138.6	57,660	416	587.9	236,502	402	281.5	132,883	472
Other statutory and compliance	73.6	28,208	-	-	-	-	-	-	-	-	-	73.6	28,208	383	143.0	61,690	431
Statement of Affairs	9.9	4,633	-	-	-	-	-	-	-	-	-	9.9	4,633	468	13.0	6,200	477
Insurance	6.8	2,780	-	-	-	0.2	0.6	-	0.8	344	-	7.6	3,124	411	16.0	6,215	388
Subtotal	1,333.5	593,794	8.3	7.3	38.3	24.5	108.4	42.8	229.6	103,812	452	1,563.1	697,605	446	1,253.5	608,898	486
Dealing with creditors																	
Creditor enquiries and management	298.0	98,596	-	-	1.3	0.7	2.8	51.5	56.3	15,165	269	354.3	113,760	321	300.0	135,350	451
Subtotal	298.0	98,596	0.0	0.0	1.3	0.7	2.8	51.5	56.3	15,165	269	354.3	113,760	321	300.0	135,350	451
Insurance run off																	
Employees and Board	279.9	117,052	0.1	-	1.6	0.4	7.7	8.8	18.6	6,517	350	298.5	123,569	414	246.0	110,530	449
Receipts and payments	555.6	184,552	-	-	-	-	26.5	70.8	97.3	28,035	288	652.9	212,587	326	354.5	153,823	434
Administrators' supervision of run off	1,117.1	585,375	3.7	-	32.9	7.3	91.7	16.1	151.7	67,844	447	1,268.8	653,219	515	357.0	185,785	520
Subtotal	1,952.6	886,979	3.8	0.0	34.5	7.7	125.9	95.7	267.6	102,396	383	2,220.2	989,374	446	957.5	450,138	470
Management of Company's affairs																	
Accounting and treasury	301.7	129,891	3.7	1.6	4.8	-	94.3	4.0	108.4	45,487	420	410.1	175,378	428	249.5	106,773	428
Pensions	24.9	10,288	-	-	-	0.3	-	-	0.3	165	550	25.2	10,453	415	115.0	54,290	472
VAT & Tax	577.6	272,674	3.5	-	34.8	79.6	41.2	23.5	182.6	90,763	497	760.2	363,437	478	292.5	147,525	504
Regulatory (UK & US)	272.6	142,091	0.2	-	0.4	-	0.6	1.0	2.2	922	419	274.8	143,013	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	1,297.9	585,251	10.9	1.0	40.4	13.9	39.5	52.4	158.1	72,416	458	1,456.0	657,667	452	515.0	275,500	535
Data & Software	269.7	135,267	-	-	1.6	-	9.6	-	11.2	4,744	424	280.9	140,011	498	172.5	81,838	474
Subtotal	2,806.0	1,309,149	18.3	2.6	82.0	93.8	185.2	80.9	462.8	214,497	463	3,268.8	1,523,646	466	1,977.0	1,028,363	520
Scheme of arrangement																	
Scheme of arrangement	51.3	33,679	10.9	6.5	18.8	-	25.6	-	61.8	36,985	598	113.1	70,664	625	3,155.0	1,750,500	555
Subtotal	51.3	33,679	10.9	6.5	18.8	-	25.6	-	61.8	36,985	598	113.1	70,664	625	3,155.0	1,750,500	555
Strategy and planning																	
Project management and administration oversight	289.1	140,796	0.2	0.8	3.6	-	20.9	2.7	28.2	11,880	421	317.3	152,676	481	252.0	175,595	697
Subtotal	289.1	140,796	0.2	0.8	3.6	-	20.9	2.7	28.2	11,880	421	317.3	152,676	481	252.0	175,595	697
Grand Total Hours	7,527.1	3,450,400	55.0	28.3	195.4	136.3	521.1	295.2	1,231.3			8,758.4	3,998,010	456	8,843.0	4,608,488	521
Grand Total Time Cost (£)			51,700	21,791	122,125	74,965	203,229	73,800	547,610								
Average Hourly Rate (£)			940	770	625	550	390	250			445						
			Category 1 Expenses (£)						183								
			Category 2 Expenses (£)						48								
									231								

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 August 2022 to 16 February 2023

The Joint Administrators' time costs incurred during the reporting period totals £547,610 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 the loss and premium refunds
- Working with the Investment Manager regarding the investment strategy of trust assets and maintenance of the trust accounts
- 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
- Liaising with legal representatives of the Company with regards to the collection of escrow held
- Review of the investment portfolio and arranging the cash withdrawals in respect of matured investments, including of interest net of local applicable tax
- 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
- Liaising with the UK lawyers in respect of the court application for the extension of the administration period, and arranging the relevant notices and filings to the creditors, the UK Registrar of Companies, the UK High Court, and the US Bankruptcy Court further to receiving the Court Order confirming the effective extension period
- 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 between various outsource providers in respect of the new claims management system
- 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
- 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 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

- 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 heads of terms and proposed timeline
- Present updates and liaise with the Creditors Committee with regards to the Scheme design and implementation

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
- Correspondence with our legal advisors to prepare for the UK Court application for the extension of the administration

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