

**CX Reinsurance
Company Limited
(In Administration)**

Joint Administrators' fee
estimate and details of
expenses

Report dated
7 October 2020

CX Reinsurance Company Limited (In Administration) (“the Company” or “CX Re”)

Details of work proposed to be undertaken, fee estimate and statement of expenses

This report should be read in conjunction with the Joint Administrators’ proposals dated 7 October 2020.

Overview

The Joint Administrators’ pre-appointment costs, estimated remuneration, disbursements and expenses in respect of the Company are summarised below.

	Pre-Appointment Costs £ (exc VAT)	Remuneration £ (exc VAT)	Other expenses including Category 1 & 2 disbursements £ (exc VAT)
Costs	49,988	4,608,488	2,949,268

The above estimates of remuneration and expenses of the administration estate may not reflect what will actually be paid as part of the administration. The Company’s affairs are complex, particularly in relation to the Trust Funds and ongoing litigation, which mean there are a number of material uncertainties that will have a significant impact on the level of our work and administration costs. Further information on the assumptions made when preparing these estimates are contained within this document.

Estimate of remuneration to be charged

The Joint Administrators are seeking approval for their remuneration to be fixed on a time cost basis. In accordance with Rule 18.16(4) of the Insolvency (England and Wales) Rules 2016, they set out below their estimate of remuneration to be charged.

The estimate of remuneration is £4,608,488 plus VAT. An explanation of how this sum has been arrived at and a breakdown of the expected costs are detailed below.

Please note that the estimate of remuneration may not reflect what the Joint Administrators will actually be paid as part of the administration. It is early in the Administration and there are a number of material uncertainties which will have a significant impact on the level of our work, administration costs and the dividend prospects for creditors. The extent to which the Joint Administrators settle these fees will be based upon obtaining agreement from the appropriate fee approving body.

The estimate remuneration takes into account the following assumptions:

- We are anticipating that the Administration term will be 30 months in accordance to paragraph 6 of the Financial Services Markets Act 2020 (Administration Orders relating to Insurers) Order 2010, the automatic end of Administration for an insurance company without extension;
- Included below are the actual hours and costs incurred to date together with an estimate for the remaining 28 months;
- It is not clear at this stage of the administration the extent to which any of the remuneration or expenses noted may be chargeable to the Company's Trust Funds as distinct from the general administration estate.
- All statutory and regulatory obligations in relation to the Company and the Administration will be fully complied with;
- There will be no specific regulatory filing requirements to the PRA, FCA or the US regulators. At this stage, the only exception are the submissions of the quarterly reinsurance trust statements to the US regulators which we anticipate being completed in the short to medium term. If any other or further regulatory filing is required, then this will increase costs;
- The Joint Administrators and their team, with the assistance of the retained Company employees, will be responsible for the ongoing run off management of the Company including management of and interactions with suppliers, lawyers, brokers and other agents or parties;
- We have made reasonable and prudent assumptions about the level of work which will be required to implement the strategy set out in our proposals document based on the information available at this time and current status of the administration.
- As outlined in our proposals document, it is anticipated that the purpose of the Administration will be achieved via the implementation of a Scheme of Arrangement pursuant to part 26 of the Companies Act 2006. Our fee estimate includes all of our proposed work in relation to both the Administration and the Scheme. The Administrators believe a Scheme of Arrangement is the best option available to creditors as it is considered the most cost-effective method by which assets available for distribution could be maximised and paid swiftly to creditors, whilst minimising costs of the process;
- We anticipate timely co-operation from creditors and third parties when submitting their claims, and in the provision of supporting documentation to substantiate their claim valuation; and
- The fee approving body, such as the Creditors' Committee (if agreed by the general body of creditors that one should be set up), are supportive of the proposed Scheme in principle and we believe that it will also be supported by creditors and approved by the

Court. However, if a Scheme of Arrangement is not approved by creditors or sanctioned by the Court, subject to further consideration, the Administration may be ended in order to move the Company into liquidation. In the event that a Scheme of Arrangement is not approved this would increase costs, which has not been factored into the fee estimate. The Administrators remain of the view that a liquidation is not a preferable outcome for creditors for the reasons set out in our proposals document.

The following table summarises our anticipated time costs:

	Total hours estimated to 16 Feb 2023	Total fees estimate to 16 Feb 2023 £	Avg hourly run rate for time cost estimate to 16 Feb 2023 £/hour	Total hours incurred to 25 Sept 2020	Total fees incurred to 25 Sept 2020	Avg hourly run rate for time costs incurred to 25 Sept 2020 £/hour
<u>Realisation of assets</u>						
Trust assets	310.0	175,050	565	38.8	28,034	723
Debt purchases	209.0	91,643	438	17.6	8,263	469
Reinsurance and other debtors	209.0	91,643	438	3.9	1,729	443
Treasury management	220.0	101,310	461	29.9	23,167	775
TOTAL	948.0	459,645	485	90.2	61,192	678
<u>Insolvency process</u>						
Initial letters and notices	160.0	76,985	481	159.6	76,914	482
Proposals, decisions procedure and creditor consultation	155.0	79,325	512	82.6	50,116	607
CDDA and SIP2 compliance	125.0	54,375	435	21.6	6,448	298
Creditors' Committee	360.0	191,225	531	1.1	941	855
Reporting to creditors	281.5	132,883	472	2.9	1,775	612
Other statutory and compliance	143.0	61,690	431	20.3	6,483	319
Statement of Affairs	13.0	6,200	477	8.4	4,334	516
Insurance	16.0	6,215	388	2.4	1,135	473
TOTAL	1,253.5	608,898	486	298.9	148,144	496
<u>Dealing with creditors</u>						
Creditor enquiries and management	300.0	135,350	451	16.6	7,794	469
TOTAL	300.0	135,350	451	16.6	7,794	469
<u>Insurance run off</u>						
Employees and Board	246.0	110,530	449	73.6	32,749	445
Receipts and payments	354.5	153,823	434	30.3	13,112	433
Administrators' supervision of run off	357.0	185,785	520	34.0	30,706	903
TOTAL	957.5	450,138	470	137.9	76,566	555

Management of Company's affairs

Accounting and treasury	249.5	106,773	428	17.1	8,402	491
Pensions	115.0	54,290	472	13.0	5,843	449
VAT & Tax	292.5	147,525	504	42.3	23,331	552
Regulatory (UK & US)	315.0	201,775	641	47.1	33,432	710
Chapter 15	317.5	160,663	506	43.1	27,517	638
Claims litigation matters	515.0	275,500	535	161.2	106,976	664
Data & Software	172.5	81,838	474	66.0	28,418	431
TOTAL	1,977.0	1,028,363	520	389.8	233,916	600
<u>Scheme of arrangement</u>	3,155.0	1,750,500	555	-	-	-
TOTAL	3,155.0	1,750,500	555	-	-	-
<u>Strategy and planning</u>						
Project management and administration oversight	252.0	175,595	697	14.2	7,455	525
TOTAL	252.0	175,595	697	14.2	7,455	525
Total hours and fees estimate	8,843.0	4,608,488	521	947.6	535,066	565

The following table summarises our anticipated time costs and hours by grade:

	Hours by grade					Total hours	Total costs £	Avg hourly rate £/hour
	Partner & Associate Partner	Assistant Director & Senior manager	Manager	Executive	Analyst and other staff			
Realisation of assets	51.0	108.0	174.0	270.0	345.0	948.0	459,645	485
Insolvency process	62.5	145.0	244.0	351.0	451.0	1,253.5	608,898	486
Dealing with creditors	15.0	25.0	45.0	90.0	125.0	300.0	135,350	451
Insurance run off	36.0	91.5	185.0	335.0	310.0	957.5	450,138	470
Management of Company's affairs	119.0	263.5	442.0	580.0	572.5	1,977.0	1,028,363	520
Scheme of arrangement	250.0	500.0	750.0	800.0	855.0	3,155.0	1,750,500	555
Strategy and planning	30.0	75.0	65.0	82.0	-	252.0	175,595	697
Total	563.5	1,208.0	1,905.0	2,508.0	2,658.5	8,843.0	4,608,488	521
Total costs £	707,193	1,032,840	1,238,250	965,580	664,625			
Avg hourly rate £	1,255	855	650	385	250			

Explanation of the work proposed to be undertaken

Where work is stated to be expected to provide a financial benefit to creditors, please refer to the section of the fee estimate which deals with the estimated outcome for creditors. At this stage in the administration, it is not possible to quantify the estimated benefit more precisely.

Category of Work	Description	Details of work to be completed
Asset realisations	Trust assets	<ul style="list-style-type: none"> • Understanding and gaining control over Trust assets (Surplus Lines and Reinsurance Trust) • Reviewing and assessing Trust Deed for its intended operation following insolvency • Reviewing and assessing the asset portfolio and ledgers • Corresponding with the Trustee and fund managers • Liaising with the Department of Financial Services, New York Liquidation Bureau and NAIC (US Regulators) • Providing details of the Trust's operation on insolvency and working with US Regulators • Working with the Investment Manager regarding the investment strategy of trust assets • Analysis and calculation of Trust asset coverage vs creditor claims and steps required to enable a working trust arrangement through to eventual closure or an agreed retained state
	Debt purchase	<ul style="list-style-type: none"> • Reviewing, assessing and maintaining the debt purchase ledgers • Corresponding with debtors, agents and relevant parties • Quarterly review of insolvent estate debtors and assessing the quantum and timing of recoverability
	Reinsurance and other assets	<ul style="list-style-type: none"> • Assessing underlying reinsurance contracts to establish validity of reinsurance debtors • Corresponding with reinsurance debtors • Liaising with agents and representatives of the Company to arrange collection of other debtors and assets • Negotiation with pre-appointment litigation attorneys regarding the return of any escrow funds or Company assets owed to the Company
	Treasury management	<ul style="list-style-type: none"> • 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 • Assessment of the appropriateness of investment strategy in light of Administration • Ensuring the currency allocations held in GBP, EUR, USD and any other relevant currency remain appropriate based on the liability profile • Liaising with investment managers, trustees, banks and creditors in respect of any Letters of Credit.
Insolvency process	Initial letters and notices	<ul style="list-style-type: none"> • Preparing and issuing all necessary initial letters and notices regarding the Administration and our appointment • Preparing the creditors listing and revising this as

		information has been provided or additional parties noted
	Proposals and initial meeting of creditors	<ul style="list-style-type: none"> • Drafting and reviewing a statement of Proposals to creditors including preparing receipts and payments accounts and statutory information • Circulating notice of the Proposals to creditors, members and the Registrar of Companies • Issuing notices and associated documentation for seeking decisions of creditors via deemed consent or via a meeting if requested by a qualifying creditor • Engaging with creditors to discuss the status of the Company and to obtain any information they may have relating to the Company
	CDDA submission and SIP2 compliance	<ul style="list-style-type: none"> • Collecting the Company's books and records, including data held on Company servers, where related to statutory work • Reviewing physical and electronic Company books and records • Reviewing specific transactions and liaising with directors regarding certain transactions • Preparing our review work and submitting our findings to the Department for Business, Innovation and Skills
	Creditors' Committee	<ul style="list-style-type: none"> • Discussions with nominated creditors regarding potential involvement with the Creditors' Committee • Establishing a Creditors' Committee • Preparing for and attending virtual Creditors' Committee meetings • Preparing the meeting file, including agenda, attendance register and copy documents for the virtual Creditors Committee meeting • Preparing documents and information for the purpose of obtaining approval of fees and expenses, including category 2 disbursements and other matters in the Administration • Responding to information requests or questions raised by the Creditors' Committee • Maintain ongoing correspondence and holding meetings with members of the Creditors' Committee to discuss the Administration and the proposed Scheme
	Reporting to creditors	<ul style="list-style-type: none"> • Notifying creditors of our Appointment • Reviewing agreements in relation to secured creditors and understanding any implications for the Administration • Notifying Secured creditors of the position regarding Letters of Credit, including monitoring drawdowns of secured positions prior to the expiry of Letters of Credit • Preparing and circulating to creditors a remuneration report giving details of the work we expect to carry out during the case, our fees estimate and the expenses that are likely to be incurred • Preparing and issuing periodic progress reports to creditors and the Registrar • Reporting to creditors on the end of Administration

		and associated steps
	Other statutory and compliance	<ul style="list-style-type: none"> • Correspondence in respect of filing of annual confirmation statements at Companies House • Dealing with the Administrators bonding requirement and the review thereof • Fulfilling requirements under insolvency legislation • Maintaining records of key activities and decisions taken • Responding to any shareholder queries • Withdrawing undertakings not relating to trading and obtaining clearances from third parties • Completing checklists and diary management system • Closing down internal systems where no longer required • Case management overview and review at 6-monthly intervals
	Statement of affairs	<ul style="list-style-type: none"> • Reviewing the Statement of Affairs prepared by the Directors • Discussion regarding the asset and liability assumptions used in the Statement of Affairs • Filing of the Statement of Affairs and Statement of Concurrence at the Registrar of Companies
	Insurance	<ul style="list-style-type: none"> • Arranging open cover and appropriate ongoing insurance through appointed brokers • Identifying potential issues requiring attention of insurance specialists • Reviewing pre-appointment insurance policies • Corresponding with post-appointment insurers regarding initial and ongoing insurance requirements • Realising any value within policies
Dealing with creditors	Creditor enquiries	<ul style="list-style-type: none"> • Setting up a dedicated website for delivery of initial and ongoing communications and reports • Managing creditor enquiries received by email, telephone and post, including responding to and following up on any queries • Reviewing and preparing correspondence to creditors and their representatives • Receipt and filing of proofs of debts received from creditors
Insurance run off	Employees and board	<ul style="list-style-type: none"> • Drafting, issuing and delivering initial communications and announcements • Reviewing employee files and Company's books and records • Reviewing award and payroll structure • Conducting an employee skills assessment on appointment • Determining redundancies and retained staff • Preparing letters to employees advising of their entitlements and options available • Regular dialogue with the Company employees including addressing any employee issues or concerns • Calculating and paying monthly payroll • Ensuring appropriate deductions of PAYE/NIC are

		<p>made and paid over to HMRC</p> <ul style="list-style-type: none"> • Liaising with the Redundancy Payment Service and external agencies • Resolving position regarding employees at the end of the Administration
	Receipts and payments	<ul style="list-style-type: none"> • Entering receipts and payments into accounting system • Review and approval of all payments and receipts • Review and maintain the Receipts and payments account
	Administrators' supervision of run off	<ul style="list-style-type: none"> • Liaising with Company management and staff • Holding meetings to discuss the run off position and progress • Liaising with suppliers and establishing new supplier relationships • Authorising purchases and other commitments and maintaining purchase order records • Preparing budgets and financial reports • Establish the risk committee and undertake quarterly review of the business
Management of Company's affairs	Accounting and treasury	<ul style="list-style-type: none"> • Opening and closing bank accounts and general interactions with the Company's bankers • Carrying out bank reconciliations and managing investment of funds • Corresponding with investment managers, trustees and banks regarding specific transfers • Accounting and treasury specific work related to preparing and paying distributions, once timing and quantum can be agreed
	Pensions	<ul style="list-style-type: none"> • Ensuring compliance with pension regulations and requirements • Calculating and paying monthly pension contributions • Submitting monthly pension statements to the Pension provider • Corresponding with the pension provider
	Tax and VAT	<ul style="list-style-type: none"> • Gathering information for the initial tax and VAT review • Carrying out tax and VAT reviews and dealing with subsequent enquiries • Preparing VAT returns, tax computations and returns • Liaising with HMRC regarding tax and VAT, including arranging the initial notification of the Company's Administration • Liaising with the Company's shareholder and tax advisor with regards to the Company tax and VAT arrangements
	Regulatory	<ul style="list-style-type: none"> • Liaising with the PRA and the FCA on appointment • Liaising with the US regulators on appointment and completing required returns related to the reinsurance trust • Periodic updates to the PRA, FCA and US regulators on the status of the Administration and responding to questions from the PRA, FCA and US regulators regarding the Administration process and strategy

		<ul style="list-style-type: none"> • Filing applications with respect to the Senior Manager Functions requested by the PRA and FCA • Submission of US state returns and updates in certain US states as required related to the reinsurance trust
	Chapter 15	<ul style="list-style-type: none"> • Investigation into the merits of seeking Chapter 15 recognition of the UK Administration in the US • Proceeding with the application and obtaining US Bankruptcy Court recognition • Considering the merits of seeking Chapter 15 recognition of the UK Scheme of Arrangement in the US, and ultimately gaining US Bankruptcy Court recognition • Corresponding with US counsel and other parties regarding the application and considering the implications on live litigation matters • Preparing for and attending the court hearing for the application
	Claims and litigation matters	<ul style="list-style-type: none"> • Identifying litigation matters that the Company was party to and/or involved in at the time of our appointment • Writing to all legal representatives to provide notice of appointment and request for work to be ceased on cases, as appropriate • Ongoing correspondence with legal representatives of the Company and other involved parties regarding live litigation matters where immediate steps and attention are required • Liaising with UK and US counsel representing the Company as to the status of these matters with a view to concluding the Company's participation, where appropriate, at the earliest opportunity • Managing and overseeing various litigation matters
	Data & Software	<ul style="list-style-type: none"> • Collecting physical and electronic Company's books and records, not related to investigatory work • Correspondence relating to the Company's data protection registration and appointment of a data protection officer • Dealing with Company's data backup and the storage and maintenance of electronic data • Systems review to test integrity and transition to stable and simple platform for the purposes of run off • Review and assessment of the current system. Including cost effectiveness of the platform and potential alternatives to manage the commensurate levels of insurance business during the administration • Dealing with records in storage and review the listing of records held
Scheme of arrangement	Scheme of arrangement	<ul style="list-style-type: none"> • Working with UK and US lawyers and the Creditors Committee on the key heads of terms for the proposed Scheme of Arrangement in Administration • Finalising the objectives and terms of the proposed Scheme of Arrangement including documentation to support communications to creditors of the Company • Applying to Court requesting permission to convene

		<p>a Scheme meeting</p> <ul style="list-style-type: none"> • Holding the requisite meetings of creditors to consider and approve the proposed Scheme of Arrangement • Communication with creditors regarding the outcome of the Scheme meetings and next steps • Preparing correspondence to potential creditors inviting lodgement of proof of debt forms • Receiving proofs off debts and maintain claims register • Assessing claims and reviewing information, including requesting further information from claimants • Actuarial services to complete a comprehensive review and valuation of certain direct and cedant claims including understanding policies, review of data and methodology and independent valuation • Agreeing claims with creditors in accordance with the proposed Scheme methodology and valuation principles • Managing claims through the adjudication process that are not possible to be agreed in the normal course • Preparing dividend model(s) reviewing various inputs to assess potential level of distribution(s) available to creditors • Advertising intention to declare dividend • Preparing correspondence to claimants advising on the outcome of the claims assessment and advising of intention to declare dividend(s) • Management and oversight of dividend payment process
Strategy and Planning	Project management and Administration oversight	<ul style="list-style-type: none"> • Considering ethical guidance with respect to engagement acceptance • Completing review of the engagements and tasks relating to job acceptance • Preparing initial fee budgets and monitoring costs • Holding strategic team review meetings critical to achieving the objectives of Administration • Providing updates to required insurance specialists and second Joint Administrators regarding the case strategy • Key litigation strategy set through consultation with legal counsel • Concluding the exit and appropriate mechanism to achieve finalisation of the Administration

Details of expenses incurred and anticipated to be incurred

Expenses comprise sums paid or to be paid to third parties and sums paid or payable to the administrators' firm in respect of out of pocket expenses and costs which include an element of shared or allocated costs. The following 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 at this stage, such as legal costs for US attorneys.

Category of expense	Estimated total expenses £ (exc VAT)	Incurred to 25 Sept 2020 £ (exc VAT)
Employee wages & salaries	765,000	36,398
Employee pension contributions	49,000	4,745
Service & overheads costs - TAL	100,000	-
Service costs - Pro	610,000	-
IT & Finance Systems	125,000	2,321
Insurance	6,000	-
UK Legal fees and expenses - Stevens and Bolton	125,000	9,198
US Legal fees and expenses - Fried Frank	450,000	200,000
US Legal costs - various US attorneys	Uncertain	-
UK Scheme of arrangement legal fees – Stevens & Bolton	250,000	-
US Scheme of arrangement legal fees – Fried Frank	125,000	-
UK Scheme of arrangement legal fees - Counsel	100,000	-
Agent Fees and expenses – Epiq (Notice Agent)	25,000	5,000
Agent Fees – Abacus (Payroll Agent)	6,000	84
Fund manager costs - Blackrock	145,000	-
Bank & Interest Charges	5,000	28
Storage costs	3,000	-
Sundry expenses	5,000	1,745
Public Notices	1,000	95
Total expenses	2,895,000	259,614
Pre-appointment costs		
Pre-Appointment Administrators Fees	49,988	49,988
Total pre-appointment costs	49,988	49,988
TOTAL EXPENSES	2,944,988	309,602
Category 1 & 2 disbursements		
Specific penalty bond	1,280	-
Postage, photocopying and printing	2,000	-
Mileage	1,000	-
Total disbursements	4,280	-
TOTAL DISBURSEMENTS & EXPENSES	2,949,268	309,602

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 distributions to creditors.
- 2 SIP 9 defines disbursements as a type of expense which is met by, and reimbursed to, an office holder in connection with an insolvency appointment. Disbursements fall into two categories: Category 1 and Category 2.
 - Category 1 disbursements are payments to independent third parties where there is specific expenditure directly referable to the appointment
 - Category 2 disbursements are expenses which are directly referable to the appointment but not a payment to an independent third party. They may include shared and allocated costs.

Explanation of expenses

An explanation of the expenses anticipated to be incurred is set out below, and a breakdown of the expected expenses is provided as follows:-

Category of expense	Description of expenses incurred or to be incurred
Employee wages & salaries	Wages and associated costs in connection with retained employees (including National Insurance, PAYE and reasonable travel)
Employee pension contributions	Pension contributions in connection with retained employees
Service & overheads costs – TAL	Recharge of services relating to Treasury, Accounting and Tax services including overheads from Tawa Associates Limited, a connected party and the sole shareholder
Service costs – Pro	Service provided by Pro Insurance Solutions Limited and Pro Insurance Solutions IS, Inc in relation to claims handling, finance and IT systems
IT & Finance Systems	Charges associated with the operation of the Company's IT and finance systems from other service providers, i.e. software
Insurance	Costs to insure the Company's assets and operations during the Administration period
Legal fees and expenses – Stevens and Bolton	Legal advice provided by Stevens and Bolton LLP regarding such matters required to protect and maximise realisations for the Company's estate
Legal fees and expenses – Fried Frank	Legal advice provided by Fried, Frank, Harris, Shriver & Jacobson LLP regarding such matters required to protect and maximises realisations for the Company's estate
Legal costs – various US attorneys	Legal costs provided by various US attorneys in relation to litigation matters in the US
Scheme of arrangement legal fees – Stevens & Bolton	Legal advice provided by Stevens and Bolton LLP regarding such matters required in respect of the Scheme of arrangement
Scheme of arrangement legal fees – Fried Frank	Legal advice provided by Fried, Frank, Harris, Shriver & Jacobson LLP regarding such matters required in respect of the Scheme of arrangement
Scheme of arrangement legal fees – Counsel	Legal advice provided by Counsel regarding such matters required in respect of the Scheme of arrangement
Agent fees and expenses – Epiq	Fees payable to Epiq Corporate Restructuring LLC in connection with the notices and publications required for the Chapter 15 application
Agent fees – Abacus	Fees payable to Abacus Smarter Accountants in connection with the monthly employee payroll and pension calculations during the Administration
Fund manager costs – Blackrock	Fees payable to Blackrock as the investment managers in connection with the trust assets
Bank & interest charges	Bank, interest and letter of credit charges associated with the operation of the Company's bank accounts and letter of creds during the Administration period
Storage costs	Costs to arrange collection and storage of the Company's books and records
Sundry expenses	Other sundry expenses such as stationery
Public Notices	Costs of completing statutory requirements of the Administration, including advertising and filing costs
Scheme of Arrangement costs	Costs associated with the proposed Scheme of arrangement
Category 1 & 2 disbursements	Description of disbursements incurred or to be incurred
Specific penalty bond	A form of insurance required by insolvency law
Postage, photocopying and printing	Third party costs incurred by the Joint Administrators and their staff in respect of printing and posting written communications to creditors, shareholders and other stakeholders (as required)
Mileage	Costs relating to travel by vehicle directly related to work on the Administration

Exceeding estimates of remuneration and expenses

These estimates may be exceeded, in which case an explanation will be provided in the appropriate progress report. The joint administrators will only draw remuneration in excess of the estimate with the prior agreement of the approving body, in accordance with Rule 18.30 the Insolvency (England and Wales) Rules 2016.

Estimate of return for creditors

It is still early in the Administration and there are several material uncertainties which may have a significant impact on the level of our work and the dividend prospects for creditors. As mentioned previously, the amount of any dividend will depend on the final level of admitted claims, future realisations of Company assets, the costs of the Administration and conclusion of various litigation matters based in the United States that the Company is involved with and which impacts on the claims.

The following table illustrates that it is not currently possible to estimate the likely return or timing for the various classes of creditors and we refer you to the contents of our proposals for further information on the Administration.

Creditor Category	Return (p/£)	Timing
Preferential creditors	100p/£	Uncertain
Direct insurance creditors	Uncertain	Uncertain
Cedants	Uncertain	Uncertain
Unsecured creditors	Uncertain	Uncertain

Preferential creditors consists of unpaid holiday pay. Given the current estimate of preferential creditors of £2,500, it is anticipated that preferential creditors will receive 100p in the £, however the timing of such dividend to preferential creditors cannot be confirmed at this stage.

Creditors are reminded that the Insurers (Reorganisation and Winding Up) Regulations 2004 apply to the Company. The effect of which is that direct insurance creditors have priority over other classes of unsecured creditors, including cedants.

Creditors should use the data within this report with caution for estimating the value of their claims or their likely eventual entitlement to payment from the Company's assets. The Joint Administrators, their firm, its members, partners and staff and advisers accepts no liability to any party for any reliance placed upon this report.