

**TO ALL KNOWN CREDITORS**

16 September 2021

Ref: RB/MC/KH/JM/LM

Email: [CXRe@uk.ey.com](mailto: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.

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

Statutory information about the Company, the administration and the office holders is 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](https://www.ey.com/en_uk/ey-cx-reinsurance-company-administration).

## **Summary of progress to 16 August 2021**

### **Run off Operating model**

Since my last report, changes have been made to the Company's outsourcing providers which are explained in a later section of the report. The Joint Administrators will continue to monitor the Company's operating model and make amendments as necessary.

### **Employees**

The Company continues to employ two members of staff, one full time and one part time. One employee has been made redundant in the period of this report. The Joint Administrators contracted one former employee to provide assistance to them on one particular litigation matter where corporate knowledge and relationships with the parties involved were considered beneficial. This was a one-off agreement and no longer-term contracts have been put in place with former employees.

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 £111,677 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, a total of £51,349 has been paid to TAL of which £39,986 relates to services provided prior to termination, £4,840 related to a recharge of tax advisors costs for completing the Company's pre-appointment corporation tax return to 31 December 2020 and the remaining amounts were in respect of recharged storage costs and additional support from TAL employees for accounting services in early 2021.

The Company has entered into a contract for the provision of certain accounting services necessary for the administration of the Company's run-off. A total of £7,784 has been paid in respect to these services in the period.

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 and hosting of the Company's claims management system. During the period, specific individuals from Pro with detailed knowledge of the current claims management system have also provided input into the development of a new claims management system to support the Company's run-off. A total of £82,309 was paid to Pro in the period.

As previously reported, Pro provided notice of their intention to cease supporting the Company's claims management systems from 1 April 2021, following the transfer of Pro's IT support function to Atech UK Limited ("Atech"). The Joint Administrators have been in discussions with Atech to agree the support required for the Company's claims management system until the launch of the new system in October 2021.

In addition, as part of the transformation of the Company's operations in the administration period, the claims management services are being transitioned from Pro to SNL Consultants (UK claims) and Raphael Associates (US Claims).

SNL Consultants Limited ("SNL") is a consulting firm with specialised knowledge of UK claims handling, who have been engaged by the Company to assist with the management of new and existing UK claims and input into the creation of the new claims management system. £5,962 was paid to SNL in the period.

The payroll advisor, Abacus 155 Limited ("Abacus"), continues to assist the Joint Administrators in respect to the Company's monthly payroll. £124 was paid to Abacus in the period.

Additional IT support is provided by an outsource provider, IT-Eye Limited, in respect of the Microsoft user licenses and employee laptop IT support services. £133 was paid to IT-Eye in the period.

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"). £1,192 was paid to Restore in the period. In addition, records relating to US legal cases were stored with BlueStar Case Solutions, Inc. ("BlueStar"). \$8,514 was paid to BlueStar in the period.

Additional agent fees and expenses of \$341 were paid to Epiq Corporate Restructuring LLC in the period, for monitoring returned mail in connection with the US Bankruptcy Court Chapter 15 process.

### ***Outsource providers – Systems transformation***

Espire Infolabs Limited (“Espire”) is an IT consulting firm with specialised knowledge of insurance data systems. Espire have been engaged by the Company to develop a new claims management system that will have the capability to support a Scheme of Arrangement as well as the day to day management of claims. £198,815 was paid to Espire in the period with a further c.£200k expected to be paid to conclude the systems development and launch.

Credor Point Limited (“Credor”) is a consulting firm with specialised knowledge of insurance and systems transitions. Credor have been engaged by the Company to assist with the project management of the development of the new claims management system and transition of data from Pro. £60,654 was paid to Credor in this reporting period and it is anticipated a further £10k will be incurred by Credor to complete the project.

### **VAT**

In the period 17 August 2020 to 16 August 2021, input VAT of £427,333 has been paid.

As previously reported, the Company was a former member of the TAL VAT Group and had prior agreement with HM Revenue and Customs (“HMRC”) to recover 61.4% of input VAT. The Company was removed from the TAL VAT Group, effective from the date of the appointment of the Joint Administrators and an application was submitted for a standalone registration. HMRC provided confirmation on 21 April 2021 that the Company was registered for VAT on a standalone basis. A VAT return for the period 17 August 2020 to 31 May 2021 was filed with HMRC following the receipt of the standalone VAT registration and recorded a VAT refund of £183,952 based on the Company’s historic recovery rate. The Joint Administrators await repayment and/or a response to the VAT return from HMRC.

Subsequent returns will be submitted on a quarterly basis.

### **Corporation Tax**

Since my last report, a Corporation Tax return for the final pre-appointment period 1 January 2020 to 16 August 2020 has been filed with HMRC.

At the date of my last report, it was not expected that any of the losses incurred by the Company for the final period would be of use to the group company that previous years’ losses had been surrendered to. However, the group company contacted the Joint Administrators to offer payment for a proportion of the Company’s tax losses in line with previous years. Following the filing of the final pre administration return, the Company surrendered losses totalling £1,865,648 in respect to the period ending 16 August 2020 and should receive a payment of £177,237 for the losses in the next reporting period.

### **Asset Recoveries**

#### **Debt Purchase Assets and Reinsurance Debtors**

A total of £16,601 was recovered from debt purchase assets in the reporting period.

Estimates for the potential future debt purchase recoveries are refreshed on a quarterly basis and as new information becomes available. It is estimated that future recoveries in this respect could be up to \$3.5m. However, 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.

No recoveries relating to Reinsurance Debtors were made during the reporting period. As at the end of Q2 2021 there was a net recoverable balance of \$700k in respect of invoiced reinsurance debtors, of which we understand \$500k is in dispute with the relevant reinsurer. The Company's staff continue to pursue recovery of these reinsurance debtors.

In the years prior to administration, the Company had commuted a significant proportion of its reinsurance contracts. The residual non-commuted reinsurance contracts from which there may be future recoverable balances are mainly in the longtail APH classes and any recoveries will be dependent on uncertain future claims developments. Accordingly, it is not possible to provide an estimate of the potential future reinsurance recoveries at this stage but consideration will be given to all potential recovery options including approaching reinsurers for commutation where appropriate.

Once the new claims management system has been launched, the Company will undertake a comprehensive review of the reinsurance position.

### **Escrow and other recoveries**

Funds in the amount of £32,435 were recovered from escrow accounts of legal firms that had been or are still acting on behalf of the Company. The Joint Administrators continue to communicate with all remaining legal firms holding escrow accounts in the Company's name to recover those funds. Further escrow realisations of c.£20k are anticipated.

In addition, an amount totalling \$5,941 was received in the period representing a refund of legal fees that were overpaid by the Company on a litigation matter prior to the commencement of the administration.

### **Treasury Management**

As of 16 August 2021, investments comprising bonds and cash, with a net book value of \$4,938,559 were held in an account with State Street. The bonds will be realised as they reach their contractual maturity date unless it is deemed more cost effective to realise them early.

The above balance includes a cash balance of \$1,032,846 that will be transferred to the administration accounts shortly. It is expected that a further c.\$379k of securities will mature by the end of 2021 and c.\$2,565k will mature by end of 2022, with the remaining securities maturing beyond the current timeline for the administration.

During the period, the Company received \$530,760 from Barclays Bank PLC, being the surplus funds realised from assets held as collateral for a letter of credit issued in favour of Liberty Mutual Insurance Company prior to administration, which was drawn in November 2020.

### **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 c.\$18.2m as of 16 August 2021.

The Joint Administrators having taken legal advice in respect of the terms of the trust deeds and continue to liaise with the Department of Financial Services in New York ("DFS") in respect of the proposed strategy for dealing with the trust funds in the context of the administration and the Joint Administrators' proposals.

In this period, US Trust and Non-Trust related fees of \$83,997 were paid to State Street, who act as Custodian and Blackrock who provide asset management and accounting services to the Company.

## **Liability Management**

### **Litigation**

The Company remains party to a significant number of active litigation cases in the US Courts, and, therefore, the US Bankruptcy Court Chapter 15 Order granted on 8 October 2020 remains in place to protect the Company's US estate.

As previously reported, the Company was involved in 29 active litigation matters on the date of our appointment, all in US Courts with the exception of one matter in the German Courts. Through communication with legal advisors, the Joint Administrators have since been made aware of a further 9 litigation matters that the Company is associated with. Of these 38 matters, 16 have been concluded either through settlement, dismissal, a final judgement or cessation of litigation proceedings, 6 have been classed as gone away, 4 are stayed, 6 are awaiting a final outcome from either a trial or settlement discussions and 6 remain active live 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 lead paint exposure in the US. In January 2021, the Joint Administrators reached a consensual settlement on one lead paint matter through a court approved mediation. The terms of this confidential settlement are being finalised by the legal representatives of all parties.

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.

As previously advised, it is anticipated that at least one of the cases which is material to the outcome to creditors will need to proceed through the US Courts and may not be concluded within the next 12 months.

#### Legal fees

Legal fees in the sum of £189,437 have been paid in the period to Stevens & Bolton LLP (UK Counsel), Fried, Frank, Harris, Shriver & Jacobson LLP (US Counsel), and various other US attorneys for advice relating to the significant litigation matters referenced above and other active matters, ongoing advice regarding US Bankruptcy Court Chapter 15 recognition and strategy on 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. A second meeting of the Creditors' Committee took place virtually on 1 April 2021. A third meeting will be arranged for October/November 2021.

## **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 12 months, it is unlikely that the Joint

Administrators will be able to take any significant steps to resolve the estate. However, where it is clear that steps will be beneficial or necessary for any subsequent exit route, for example the need to implement a revised claims management system, the Joint Administrators are taking such action now to mitigate any delay to exit in due course.

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. The benefits and appropriateness of which were detailed in the previous progress report.

Given the need to resolve the Company's litigation matters prior to launching a Scheme of Arrangement, it is possible 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 progress.

### **Receipts and payments account**

A summary of the Joint Administrators' receipts and payments for the reporting period from 17 February 2021 to 16 August 2021 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.

As previously reported, the Creditors' Committee passed a resolution on 14 December 2020 to fix the Joint Administrators' remuneration on a time incurred basis, and that the Joint Administrators be authorised to draw 80% of their time costs (plus VAT and expenses) on a monthly basis with the remaining 20% being subject to approval of the Creditors' Committee.

A revised set of resolutions were approved by the Creditors' Committee on 10 August 2021 in relation to the remuneration of the Joint Administrators as follows:

1. That the Joint Administrators' remuneration be based on a time incurred basis, and the applicable rates for each grade of staff are those set out in the time cost analysis attached at Appendix D; and
2. that the Joint Administrators be authorised to draw 85% of their time costs (plus VAT and disbursements) on a monthly basis with the remaining 15% subject to the approval of the Creditors' Committee.

In accordance with the above resolutions, the Joint Administrators have drawn fees in the amount of £1,321,593 from the estate, representing 85% of the Joint Administrators' time incurred in the period 17 August 2020 to 16 February 2021, of which £721,593 was drawn in the period.

During the period covered by this report, the Joint Administrators have incurred time costs of £875,577. 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 from the estate. Please note that the total time costs to 16 February 2021 of £1,833,572 reported in the previous progress report was based on different hourly rates than those subsequently agreed by the Creditors' Committee in August 2021. These have, therefore, been adjusted and reflected in the table below in line with above revised set of resolutions.

Reporting period	17 Aug 2020 to 16 Feb 2021	17 Feb 2021 to 16 Aug 2021	Total
Time incurred (£)	1,554,816	875,577	<b>2,430,393</b>
Fees drawn (£)	1,321,593	NIL	<b>1,321,593</b>

An analysis of the time spent in the period, and a comparison with the fee estimate dated 7 October 2020 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 disbursements.

To date, the Joint Administrators have incurred disbursements of £14,812 of which £11,543 have been drawn to date. An analysis of the disbursements paid to date is set out in Appendix C of this report.

It is not currently expected that the Joint Administrators' remuneration will exceed the amount provided for in the fee estimate but this will remain under review and in the event that it is envisaged that fees may exceed the estimate, this will be discussed with the creditors' committee.

### **Joint administrators' statement of expenses incurred**

During the period covered by this report, expenses totalling £779,477 (net of VAT and excluding Joint Administrators' fees and disbursements) 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**

Insurance policyholders were informed that the administration of the Company does not terminate or cancel a current 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, whilst material uncertainties continue to exist in relation to the quantum of liabilities that could arise from the ongoing court proceedings, it is not possible to estimate the value and timing of distributions to any class of creditors at this point.

### Next report

I will report to you again in six months' time by 16 March 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](mailto: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, 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 Administrator's appointment. The Office Holder Data Privacy Notice can be found at [www.ey.com/uk/officeholderprivacy](http://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 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 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:	<a href="mailto:CXRe@uk.ey.com">CXRe@uk.ey.com</a>
Prescribed Part	The Administrators have established that there are no valid fixed or floating charges registered against the Company. In the absence of a floating charge, there are no monies required to be set aside to creditors under s176A of the Act being under the 'Prescribed Part' formula.

### Statement concerning the EC Regulation

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

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

	Notes	Statement of Affairs GBP £	Consolidated GBP amounts as at 17 February 2021 GBP £	FX movement on opening balances GBP £	Restated GBP amounts at 17 February 2021 GBP £	Movement in period to 16 August 2021 GBP £	Movement in period to 16 August 2021 USD \$	Movement in period to 16 August 2021 EUR €	Consolidated GBP Movement in period to 16 August 2021 GBP £	Consolidated amounts GBP as at 16 August 2021 GBP £
<b>RECEIPTS</b>										
Assets subject to fixed charge	4	18,364,117	-	-	-	-	-	-	-	-
LOC Surplus		-	-	-	-	-	530,760	-	382,999	382,999
Surplus from Trust Assets		-	488,584	-	488,584	-	-	-	-	488,584
Cash at Bank	3	745,513	702,824	(967)	701,857	16,251	-	-	15,283	718,107
Investments	4	9,277,715	5,319,030	(45,120)	5,273,910	-	-	-	(45,120)	5,273,910
Debt Purchase		2,362,893	300,097	(108)	299,989	23	3,776	16,286	16,493	316,589
Reinsurers share of technical provisions		361,888	-	-	-	-	-	-	-	-
Trade Debtors	2	2,582,193	304,734	(1,639)	303,095	-	-	-	(1,639)	303,095
Escrow Fund Recoveries		-	-	-	-	-	44,411	456	32,435	32,435
Prepayments and accrued interest		172,549	-	-	-	-	-	-	-	-
Refund of Pre-Appointment Legal Fees		-	-	-	-	-	5,941	-	4,287	4,287
Bank Interest		-	53	-	53	195	-	-	195	248
<b>Total Receipts</b>		<b>33,866,868</b>	<b>7,115,322</b>	<b>(47,835)</b>	<b>7,067,487</b>	<b>16,469</b>	<b>584,889</b>	<b>16,741</b>	<b>404,934</b>	<b>7,520,255</b>
<b>PAYMENTS</b>										
Staff Costs		-	220,972	-	220,972	111,677	-	-	111,677	332,649
Outsource Providers		-	66,900	(4)	66,896	166,408	20,781	-	181,400	248,299
Systems Transformation		-	17,500	-	17,500	227,593	-	-	227,593	245,093
Software Licensing		-	2,321	-	2,321	-	-	-	-	2,321
IT Systems		-	10,773	-	10,773	-	-	-	-	10,773
Storage Charges		-	-	-	-	1,192	8,514	-	7,336	7,336
US Legal fees & Expenses- Fried Frank		-	226,623	-	226,623	-	169,841	-	122,558	349,181
UK Legal fees & Expenses- Stevens & Bolton		-	22,589	-	22,589	863	-	-	863	23,451
Legal Costs - Various Attorneys		-	66,970	(43)	66,927	-	81,953	8,138	66,017	132,986
US Chapter 15 Bankruptcy Noticing Agent		-	27,776	(10)	27,766	-	341	-	236	28,013
US Trust & Non-Trust Fees		-	-	-	-	-	83,997	-	60,613	60,613
Pre-Appointment Administrators' Fees		-	45,000	-	45,000	-	-	-	-	45,000
Post-Appointment Administrators' Fees		-	600,000	-	600,000	721,593	-	-	721,593	1,321,593
Post-Appointment Administrators' Disbursements		-	-	-	-	11,543	-	-	11,543	11,543
Sundry Expenses		-	2,178	-	2,178	744	-	-	744	2,923
Input VAT Incurred	1	-	188,971	-	188,971	213,850	33,968	-	238,362	427,333
Bank Charges		-	709	(0)	709	23	529	42	440	1,150
<b>Total Payments</b>		<b>-</b>	<b>1,499,282</b>	<b>(57)</b>	<b>1,499,225</b>	<b>1,455,486</b>	<b>399,925</b>	<b>8,180</b>	<b>1,750,975</b>	<b>3,250,257</b>
<b>Net Receipts/(Payments)</b>		<b>33,866,868</b>	<b>5,616,040</b>	<b>(47,778)</b>	<b>5,568,262</b>	<b>(1,439,017)</b>	<b>184,964</b>	<b>8,562</b>	<b>(1,346,041)</b>	<b>4,269,999</b>
<b>INTER-ACCOUNT CROSS CURRENCY PAYMENTS</b>										
Transfer to GBP Account from EUR Account	5	-	2,332,567	-	2,332,567	-	-	-	-	2,332,567
EUR Transfer to GBP Account	5	-	(2,332,567)	97,604	(2,234,963)	-	-	-	-	(2,234,963)
<b>Cash Balances</b>		<b>33,866,868</b>	<b>5,616,040</b>	<b>49,826</b>		<b>(1,439,017)</b>	<b>184,964</b>	<b>8,562</b>	<b>(1,346,041)</b>	<b>4,367,603</b>
<b>Represented By:</b>										
RBS Current Account- GBP										2,594,576
RBS Current Account- USD										1,764,963
RBS Current Account- EUR										8,063
<b>Net Receipts/(Payments)</b>										<b>4,367,603</b>

## Appendix B

### Notes

1. Receipts and payments are stated net of VAT. The percentage of VAT which is recoverable cannot be confirmed until we have had confirmation of the relevant VAT repayments from HMRC and hence all VAT paid in the period is shown as an expense of the estate and will be adjusted in subsequent periods for any HMRC repayments.
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 1.3858 and GBP 1: EUR 1.1756). 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 16 August 2021:
    - i. Assets subject to a fixed charge – USD 18,192,818
    - ii. Unencumbered investments – USD 4,938,559
  - b. Assets held with Natixis, valued as at 31 August 2021
    - iii. Assets subject to a fixed charge – EUR 345,709
5. As part of treasury management, the inter-account cross currency receipts and payments reflect the transfer of funds held within the foreign currency bank accounts into the Sterling account.

## Appendix C

### Summary of the Joint Administrators' expenses incurred for the period to 16 August 2021

#### Payments made from the estate which are not disbursements

Category of Expense	Per estimate dated 7 October 2020 £ (exc VAT)	Paid as at 16 Feb 2021 £ (exc VAT)	Paid in period to 16 August 2021 £ (exc VAT)	Total paid to 16 August 2021 £ (exc VAT)
Employee wages & salaries	765,000	207,977	103,427	311,404
Employee pension contributions	49,000	12,995	8,250	21,245
Service & overhead costs- TAL	100,000	18,329	51,349	69,678
Service costs- Pro	610,000	48,403	82,305	130,708
Specialist Contractors	-	-	3,279	3,279
IT & Finance Systems	125,000	30,594	264,151	294,745
Tax & Accounting Service Contractors	-	-	7,784	7,784
Insurance	6,000	433	426	860
UK Legal fees & Expenses- Stevens & Bolton	125,000	22,589	863	23,451
US Legal fees & Expenses- Fried Frank	450,000	226,623	122,558	349,181
US Legal costs- various US attorneys	Uncertain	66,970	66,017	132,986
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	27,776	236	28,013
Agent Fees- Abacus (Payroll Agent)	6,000	168	124	292
Bank & Interest Charges	5,000	709	440	1,150
Fund manager costs- Blackrock	145,000	-	60,613	60,613
Storage Costs	3,000	-	7,336	7,336
Sundry expenses	5,000	1,745	318	2,063
Public Notices	1,000	95	-	95
<b>Total Expenses</b>	<b>2,895,000</b>	<b>665,405</b>	<b>779,477</b>	<b>1,444,882</b>
<b>Pre-Appointment Costs</b>				
Pre-Appointment Administrators Fees	49,988	45,000	-	45,000
<b>Total pre-appointment costs</b>	<b>49,988</b>	<b>45,000</b>	<b>-</b>	<b>45,000</b>
<b>TOTAL EXPENSES</b>	<b>2,944,988</b>	<b>710,405</b>	<b>779,477</b>	<b>1,489,882</b>
<b>Category 1 disbursements</b>				
Specific penalty bond	1,280	-	1,280	1,280
External photocopying, printing & courier	2,000	-	7,028	7,028
<b>Category 2 disbursements</b>				
Printing, postage & shipping	-	-	3,140	3,140
Mileage	1,000	-	-	-
<b>Total disbursements</b>	<b>4,280</b>	<b>-</b>	<b>11,448.72</b>	<b>11,449</b>
<b>TOTAL DISBURSEMENTS &amp; EXPENSES</b>	<b>2,949,268</b>	<b>710,405</b>	<b>790,925</b>	<b>1,501,330</b>

## Notes

Expenses comprise of 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 at this stage, such as legal costs for US attorneys in relation to legal proceedings which are currently stayed.

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 August 2021, an explanation is provided below.

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

IT & Finance Systems costs relate to the costs payable to Espire and other software firms in relation to the development of the new claims management system as mentioned above. These costs have increased as a result of Pro ceasing services to the Company and, therefore, would not have been foreseen at the time of the fee estimate.

### ***Specialist Contractors***

Service costs incurred by an external contractor in relation to the development of the new IT system as mentioned above. These costs have arisen as a result of Pro ceasing services to the Company and, therefore, would not have been foreseen at the time of the fee estimate.

### ***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 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 defined as specific expenditure relating to the administration of the insolvent's affairs and referable to payment to an independent third party. Such disbursements 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 disbursements drawn but not to seek approval for their payment. We are prepared to provide such additional information as the Committee require to support the disbursements drawn.
  - Category 2 disbursements 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 disbursements 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 disbursement before they are drawn.



**Statement of 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:

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