

EUROLIFE ASSURANCE (INTERNATIONAL) LIMITED ('EAI')
(In Liquidation by the Court)

REPORT TO THE CREDITORS

10 December 2019

As previously, advised, a Winding Up Order was made against the above company in the Supreme Court of Gibraltar on 14 November 2007 and I was appointed to act as Liquidator.

The purpose of this report is to update you regarding the progress of the liquidation and the remaining outstanding issues prior to a further distribution and completion of the liquidation.

Receipts and Payments Account

Attached to this report is a copy of my Receipts and Payments Account for the period from 14 November 2007 to 30 November 2019. I have provided details of these matters in my previous reports, but for ease of understanding, I have also included them in this my latest report. The Receipts and Payments account has been prepared in £ GBP. Transactions and balances in \$ US or € EURO have been converted to £ GBP at the date prevailing at either the date of the transaction, the exchange rate at 30 November 2019 or at an appropriate average rate.

RECEIPTS

Balance from Provisional Liquidator (as at 14 November 2007)

As at the date of my appointment as Liquidator of the company on 14 November 2007, the balance in the Provisional Liquidation bank account stood at £3,192,533.48. Following my appointment, these funds were transferred to the liquidation bank account at the Gibraltar Savings Bank, which is under my sole control.

Balance at Jyske Bank, Gibraltar

A balance of £7,334.04 that was held for the benefit of EAI at Jyske Bank, Gibraltar was transferred to the liquidation account at the Gibraltar Savings Bank subsequent to the sale of the Sotogrande property.

Barclays Bank US \$ Account

Prior to the appointment of the Joint Provisional Liquidators, EAI held a US Dollar account at Barclays Bank, Gibraltar. Specific sanction of the Supreme Court in Gibraltar was obtained to enable the Joint Provisional Liquidators to take control and retain this US Dollar account at Barclays Bank.

As Liquidator, I retained this account under my control and as at the date of appointment, it held a balance equivalent to £471,612. This account was closed, and all funds converted to sterling and transferred to the liquidation account at the Gibraltar Savings Bank.

Sale of Trinidad & Tobago 12.25% Government Issued Loan Stocks

As at the date of the Provisional Liquidation, the company held Trinidad & Tobago 12.25% Government Issued Loan Stocks with an estimated value of £579,626. These were sold for £529,962.58. Advice provided by Charles Stanley at the time indicated that this offer represented the only realistic alternative to holding the stocks to redemption.

Sale of Stocks held by Arc Capital & Income PLC

As at the date of the Provisional Liquidation the following stocks, with a value at that date of £438,637, were held by Nvesta PLC, a company within the Eurolife group, on behalf of EAI: -

ASIF AAA

Bayerland AAA

Bear Stearns - Momentum Tracker

Morgan Stanley ELN1 - Quad Tracker

Morgan Stanley ELN2 - Super 30

Post appointment these stocks were sold and a total of £501,309.94 was received from their sale.

Cash at Bank / Dividend on Trinidad & Tobago Bonds

EAI received dividend payments totalling £30,957.60 from its holding of Trinidad & Tobago loan stocks. As at 5 June 2008, there was a balance on the account of £30,542.40 net of bank charges, which was transferred to the liquidation account at the Gibraltar Savings Bank.

Sale of Shares in OIL Well MFC Production Corp

A purchaser was found for EAI's shares in MFC Production Corp whose underlying asset consisted of rights to an oil well in the USA. The net proceeds of the sale amounted to £535,899. An independent expert valuation was carried out, previously, to ascertain the market value of the shares.

BONY B, P, R Pieces, & I

Interest received during the liquidation period attached to these financial instruments amounts to £572,558. Interest of £16,831 was received during the period 1 December 2018 to 30 November 2019. These assets are referred to in more detail below, in setting out the issues affecting a potential disposal.

Colorado Land Parcel B

A deposit of US\$ 180,000 before expenses and tax was received by my agents in the US in respect of a land contract sale of the above parcel of land. In addition, the US agents have received interest payments of \$3,000 per month in respect of the balance of funds due under this contract. The net amount received by the liquidator was £50,899.

Bank Interest Received

Interest received over the Liquidation period to 30 November 2019 on interest bearing bank accounts amounted to £303,766.

The Wootton Petition and Sotogrande Property

As detailed in my earlier reports, shortly before the hearing of the Wootton Petition, a Settlement Agreement was reached with the executors of the estate of the late David Wootton and Lynne Green.

Prior to presentation of the Petition, the Joint Provisional Liquidators had identified one particular asset in which the late David Wootton appeared to have been interested jointly with Ms Green before his death, namely the property in Sotogrande, Spain. This property was not an asset of the company and as such was not included in the company's accounts.

Under the terms of the Settlement Agreement, the property was to be sold, with the Liquidator having sole conduct of the sale. The sale proceeds, net of the various Petition costs, were to be divided between Eurolife Assurance Group Limited ("EAG") an English company the Liquidator of which purported to have a claim against the estate of the late David Wootton, EAI and Lynne Green. It had been agreed that 75% of the net sale proceeds would be divided between EAI and EAG by reference to the size of their respective claims against the estate of David Wootton. The remaining 25% of the net sale proceeds was to be paid to Lynne Green.

The Sotogrande property was sold in September 2009 for a price of €1,275,000 with net proceeds of £880,934.07 arising from the sale. In accordance with the terms of the Settlement Agreement, all costs and expenses in relation to the sale were reimbursed from these funds.

In order to determine the correct allocation of the sale proceeds between EAI and EAG a Protocol was put into place, in accordance with which EAG was given a period of just over three months within which to produce evidence to support its alleged claims against the estate of David Wootton and or Lynne Green.

In simple terms, if EAG were able to substantiate claims with a reasonable prospect of success equal to or in excess of the claims put forward by EAI, then EAG would be entitled to an equal share of the net sale proceeds allocated to EAI / EAG. If EAG was only able to evidence claims for a lesser amount, then the 75% of net sale proceeds would be divided pro rata by reference to the size of those respective claims.

EAG failed to comply with the terms of the Protocol and was unable to provide evidence of claims, which would entitle it to more than a minor share of the net sale proceeds. The Liquidator of EAG refused to formally relinquish his claim to a share of these funds. On 21st April 2010, an Order was obtained from the Supreme Court of Gibraltar permitting a second interim dividend to be paid to the Long-Term Policyholders of EAI and in determining the amount of this second dividend permitted the inclusion of the 75% of the net proceeds of the sale of the Sotogrande property.

In addition to the Sotogrande property, two shares in the Sotogrande golf club formerly held by David Wootton and Lynne Green were transferred to the Liquidator. These were sold and the sale proceeds net of costs and the 25% portion due to Lynne Green amounted to £20,731.75. These proceeds were received on 9 July 2015. The remainder of receipts are self-explanatory.

PAYMENTS

Special Manager's Fees

During the period of Provisional Liquidation, as a result of detailed investigations into the company's trading history and the conduct of the company's Directors and after taking specific legal advice, a petition was presented jointly with Eurolife Assurance Group Limited ("EAG"), an English company, for the insolvent administration of David Wootton's estate ("the Wootton Petition"). David Wootton was formerly a Director of both EAG and EAI.

At the time the Petition was presented, an application was made to have the English Official Receiver appointed as interim receiver of the estate, and to have a Special Manager appointed. James Earp of Grant Thornton in London was appointed to act as Special Manager.

A Settlement Agreement was concluded between the Petitioners, the Executors of David Wootton's estate and Lynne Green meaning that the Wootton Petition was withdrawn. Under the terms of this Agreement, EAI and EAG were to receive a proportion of the net sale proceeds resulting from the sale of the property at 132 Paseo del Parque, Sotogrande, Cadiz, Spain (the Sotogrande Property), previously owned by David Wootton and Lynne Green. Details of the disposal of this property and the outcome of the Settlement Agreement are set out above.

The Special Manager received a total payment of £18,306.12 in respect of his time in office.

Dividend Payment (Preferential Claims)

A first and final dividend of 100 pence in the pound on agreed preferential claims amounting to £200.68. This dividend was paid in October 2008.

Dividend Payment (Policyholder Claims)

Between 14 November 2007 and 30 November 2019, an amount of £4,808,516 was paid out by way of interim dividends, representing 64.75 pence in the pound to those policyholders whose claims were admitted in the Liquidation. Of the funds held at 30 November 2019, the amount of £228,624.35 is due for payment to the Financial Services Compensation Scheme ("FSCS") in the United Kingdom as dividends relating to claims assigned by policyholders to the FSCS in return for compensation paid from the scheme.

Financial Services Commission

Although it is in liquidation, EAI continues to be licensed by the Financial Services Commission ("FSC"), and as such annual licence fees were payable to the FSC, which fell as an expense of the liquidation. As the liquidation is substantially complete bar the disposal of a few remaining assets it has been agreed with the FSC that no further fees will be charged.

Counsel's Fees

Payments totalling £30,700 in respect of the fees of David Marks, have been made. Mr Marks assisted principally with the preparation and service of the Wootton Petition. EAG and EAI were jointly responsible for the costs incurred in respect of the Wootton Petition.

Legal Fees

Legal fees totalling £289,090 have been paid to date, which includes payment for advice provided during the Provisional Liquidation period. This figure includes payments to Gibraltar lawyers - Hassans, London lawyers Addleshaw Goddard and Counsel, Glen Davis QC, who assisted with the Wootton Petition and provided advice on various technical matters arising in the Liquidation and Provisional Liquidation.

Joint Provisional Liquidator's Fees

The fees of the Joint Provisional Liquidators have been paid in the sum of £261,476.

Liquidator's Fees

My firm's fees submitted to 30 November 2019 for acting as Liquidator have been paid in the sum of £566,573.

In accordance with best practice, the above legal fees, the Joint Provisional Liquidator's fees, and Liquidator's fees paid to date have been approved by the Registrar of the Supreme Court in Gibraltar following submission of a detailed report in accordance with the Court Practice Statement on the Remuneration of Office Holders.

As further background to the fees incurred to date, it is worth re-emphasising that the nature of EAI's business means that its insolvency is governed by special provisions applicable to a Gibraltar insurer.

The technical rules relating to an insolvent insurer, the need to have regard to European legislation as it relates to Gibraltar legislation, and the priority given to insurance creditors - which is a departure from the normal priorities and the *pari passu* rule mean that different considerations arise from those which would normally apply in a conventional provisional liquidation or liquidation scenario.

My appointments to EAI represent the first time that the insolvency of an insurer writing long-term business has arisen in Gibraltar. Consequently, several specific technical issues arose which required extensive consideration, input and advice from the relevant professional advisers.

Advertising

Advertising charges to date of £8,057 have been incurred regarding the advertising of statutory notices and procedures in the liquidation in the Gibraltar Gazette, and local Gibraltar and United Kingdom national newspapers.

Actuarial Fees

As previously, advised, specific sanction of the Supreme Court in Gibraltar was obtained, to instruct Messrs Barnett Waddingham, to assist in the preparation of actuarial information in order to properly determine the liability to EAI's policyholders. Payments of £64,410 were made to them.

Mortgage Payments (Sotogrande Property)

Mortgage payments totalling £113,641.23 were made in respect of the mortgage over the property at Paseo del Parque. Under the terms of the Settlement Agreement, all such payments were reimbursed in full upon the sale of the property.

Payments to Lynne Green

A Settlement Agreement was concluded between the Executors of David Wootton's estate and Lynne Green. Under the terms of this Agreement, EAI and EAG received 75% of the net sale proceeds resulting from the sale of the property at 132 Paseo del Parque, Sotogrande, Cadiz, Spain ('the Sotogrande Property'), previously owned by David Wootton and Lynne Green. The remaining 25% of the net sale proceeds, £194,843 was paid to Lynne Green in accordance with the terms of the Settlement Agreement.

Details of the disposal of the Sotogrande property and the outcome of the Settlement Agreement are set out above.

Storage Fees

As Liquidator I took possession of the company's trading records and these were placed in safe storage. Storage costs during the period of the liquidation to date amount to £37,852.

Valuation Fees

The company had a collection of approximately 20 paintings both in their offices at 1 Corral Road and in the penthouse in the Eurolife Building. In order to establish whether these paintings were of any value, a local agent was instructed who advised that only three of the paintings had a potential resale value. The paintings were sold for £300 attracting sales commission of £75. The remaining pictures were abandoned.

OTHER ASSETS NOT YET REALISED

Colorado Land Parcel B

Since my last report a land contract has been agreed for the disposal of the Colorado land for a sum of USD 900,000. A deposit of USD 180,000 (before costs) was received and in addition interest payments of USD 3,000 per month are due until April 2020 when the contract completes. The net amount received by the liquidator at the date of this report was USD 57,697 (representing £50,899). If the purchaser defaults the land reverts to the liquidator.

BONY B, P, I, & R Pieces

As previously advised, problems experienced in the US sub-prime lending market adversely affected the liquidity of this asset. It is unclear at present what realisation can be expected. In the meantime, however, these bonds continue to generate monthly interest receipts, which accrue for the benefit of creditors. Again, I regret that I am unable to state with any certainty when I will be able to dispose of these assets.

OTHER MATTERS

ESTIMATED OUTCOME

As policyholders will be aware, four interim dividends have been declared and paid during my period in office. All policyholders whose claims have been admitted in the liquidation should have received their dividend payments. If you have not received these interim dividend payments, please contact me as soon as possible.

Total interim dividends of 64.75p in the pound have been paid. If realisation of the remaining US assets occurs, there may be a possibility of a final dividend with the conclusion of the liquidation.

Unfortunately, it has proved problematic to achieve a sale of the remaining assets namely the Colorado land and the Bank of New York Bonds. During the period since my last report, interest has continued to accrue from the Bank of New York Bonds and the costs of the liquidation have been minimised. I am currently reviewing all matters relating to these assets. Due to the lack of a secondary market for these Bank of New York Bonds, the best realisation of value for the liquidation estate has been achieved by the continued holding of the bonds and the resultant income receipts. As at 31 July 2006, the internal accounts of EAI recorded a value of £684,487 attributable to these bonds. Up to 30 November 2019, interest on the bonds of £572,558 has been received by the liquidation estate, including £16,861 in the year ended 30 November 2019. I believe the policy of holding the bonds to continue to receive interest payments has been the appropriate strategy to maximise value for the estate.

The costs of the liquidation are now minimal. I believe it remains in the interest of creditors for the liquidation estate to continue to receive the, albeit reducing, income from the bonds while continuing to attempt to complete a sale of the Colorado land in 2020. If further interest is received coupled with the completion of the land contract a further fifth and final distribution to policyholders may be possible.

A website for the liquidation of Eurolife Assurance (International) Limited has been established on which a copy of this report and all subsequent reports will be posted. The website address is www.eurolifegibraltar.com

Should you have any queries on this report or require any further information please do not hesitate to contact me.

Yours faithfully

Frederick White
Liquidator