



Grant Thornton

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4 September 2008

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Dear Policyholder

**Eurolife Assurance (International) Limited ('EAI')(In Liquidation by the Court)
Policy Numbers:**

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. A copy of the Court Order is attached for your information.

The purpose of this report is to update you on the progress of the liquidation to date and to notify you of my proposed strategy for dealing, *inter alia*, with the claims of policyholders to enable me to make an interim distribution in the near future.

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 1 September 2008. I shall discuss each of the entries in detail below and provide some further information regarding those of the company's assets which have yet not been realised and which do not appear on the attached Account.

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.

A copy of the Joint Provisional Liquidator's Receipts and Payments Account for the period 23 August 2006 to 14 November 2007 is attached for your information. You should already have received the Joint Provisional Liquidator's report to accompany this Receipts and Payments Account.

As Liquidator I arranged for the balance in the Provisional Liquidation account to be transferred to the liquidation bank account at the Gibraltar Savings Bank which is held under my sole control.

Sale of Trinidad & Tobago 12.25% Government Issued Loan Stocks

As at the date of Provisional Liquidation the company held Trinidad & Tobago 12.25% Government Issued Loan Stocks with an estimated value of £579,626.

Shortly following my appointment as Liquidator I contacted Charles Stanley, stockbrokers, to seek their advice regarding the disposal of these loan stocks. Whilst I was advised that the stock was illiquid and unattractive to a potential institutional investor, I eventually received an offer for the entire holding which resulted in a payment of £529,962.58 to me as Liquidator. I was advised by Charles Stanley that due to the market conditions prevalent at that time this offer represented the only alternative to holding the stocks to redemption.

Sale of Stocks held by Arc Capital & Income PLC

As previously advised, as at the date of Provisional Liquidation the following stocks, with a value 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

During the course of the Provisional Liquidation, Nvesta PLC was purchased by Arc Capital & Income PLC ('Arc') who continued to hold these assets on behalf of EAI.

Following my appointment as Liquidator, I instructed Arc to sell these stocks and a total of £501,309.94 has been received from their sale. I can confirm that all of the above holdings have now been sold.

Cash at Bank / Dividend on Trinidad & Tobago Bonds

As advised in my report as Joint Provisional Liquidator, EAI's Term Deposit account with Barclays Bank, Gibraltar was left open with a nil balance in order to receive maturity proceeds and dividends from EAI's investment holdings. EAI has received further 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 reducing the balance to nil once more. As all of EAI's investments have now been sold I shall take the appropriate steps to formally close this account.

The remainder of receipts are self-explanatory.

PAYMENTS

Special Manager's Fees

As previously advised 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 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 eventually appointed to act as Special Manager.

Ultimately a Settlement Agreement was concluded between the Petitioners and 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 are to receive a proportion of the net sale proceeds resulting from the sale of a property at 132 Paseo del Parque, Sotogrande, Cadiz, Spain, previously owned by David Wootton and Lynne Green. I shall discuss the terms of this Agreement in further detail below.

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

Counsel's Fees

I have made payments totalling £30,700 in respect of the fees of David Marks in this matter. Mr Marks has assisted principally with the preparation and service of the Wootton Petition. EAG and EAI are jointly responsible for the costs being incurred in respect of the Wootton Petition and any fees which have been met by EAI which are more properly attributable to EAG will be deducted from the net sale proceeds from the sale of the property which is the subject of the Settlement Agreement to which I shall refer in detail below.

Legal Fees

Since the date of liquidation I have paid legal fees totalling £149,948.75. This figure includes an amount of £67,643.75 paid to my Counsel, Glen Davis, who has assisted with the Wootton Petition and has provided advice on various technical matters arising in the Liquidation and Provisional Liquidation.

Joint Provisional Liquidator's Fees

My firm's further fees for acting as Joint Provisional Liquidator have been paid in the sum of £218,307.29.

In accordance with best practice, the above legal fees and the Joint Provisional 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.

As previously stated, this is believed to be the first time that an insolvency of an insurer writing long-term business has arisen in Gibraltar. Consequently, a number of specific technical issues have arisen which have required extensive consideration, input and advice from the relevant professional advisers.

Property Maintenance (on account)

I have made a payment of 5,000 EUROS to the Bristow Property Group ('Bristows'), who are managing the property at 132 Paseo Del Parque on my behalf, to cover future property maintenance works. The payment of 5,000 EUROS amounted to £3,870.80.

Actuarial Fees

As previously advised, I received the specific sanction of the Supreme Court in Gibraltar, to instruct Messrs Barnett Waddingham, to assist in the preparation of actuarial information in order to properly determine the liability to EAI's policyholders. This information formed a significant part of the Provisional Liquidators' report to the Supreme Court at the hearing of the winding up petition. The cost of preparing this report was £49,000.

Mortgage Payments (Paseo del Parque)

I have made mortgage payments totalling £49,721.30 in respect of the mortgage over the property at Paseo del Parque. Under the terms of the Settlement Agreement all such payments will be reimbursed in full upon the sale of the property.

Insurance (Paseo del Parque)

Insurance cover has been put in place in relation to the above property until such time as the property is sold. The cost of cover for the period from 16 May 2008 to 15 May 2009 was £1,571.



Agents' Fees (Translation Services)

In accordance with Article 17 of Directive 2001/17/EC of the European Parliament and of the Council, notices sent to creditors informing them of the opening of winding-up proceedings must be provided in the official language or one of the official languages of the home Member State in which the creditor has his normal place of residence. Whilst most creditors are resident in the UK, it has been necessary to translate the notices sent to creditors located in other Member States. A total of £376.04 has been paid for translation services.

Storage Fees

As Liquidator I have taken possession of all of the company's trading records and these have been placed in safe storage. Storage costs during the period of the liquidation amount to £1,660.68.

Courier Fees

Upon the making of the winding-up Order I took steps to take possession of the company's server which had previously been in the possession and control of my Joint Provisional Liquidator, Richard Simms. I instructed couriers to remove the server from Mr Simms' offices and it is now held in secure storage at the offices of Grant Thornton in Leicester. I have paid courier fees in this regard of £70.

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, I instructed a local agent to give his opinion. I am advised that only three of the paintings may have a resale value and these are currently being marketed. I made a payment of £200 for this opinion. The remaining pictures have been abandoned.

OTHER ASSETS

Colorado Land Parcel B

This asset is still being marketed by my agents Virchow Krause with a view to securing a purchaser. I understand that a potential buyer has been found and that negotiations are continuing. I am advised by my agents that the buyer may seek to complete 12 months after exchange but this has not yet been confirmed.

BONY B, P, I, & R Pieces

As previously advised, recent well publicised problems experienced in the US sub-prime lending market has adversely affected the liquidity of this asset. My agents are continuing to identify an appropriate disposal strategy and it is unclear at present what realisation can be expected, if any. In the meantime, however, these bonds continue to generate an income of approximately \$7,000 per month which accrues for the benefit of creditors.



US Dollar Account

Creditors will be aware that 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 have retained this account under my control and as at 27 August 2008 the account had a balance of \$1,397,120.98. This includes an amount of \$699,962.44 received from Virchow Krause in respect of the sale of the company's shares in Oil Well MFC Production Corp. This figure is net of my agents' costs in conducting the sale.

OTHER MATTERS

The Wootton Petition

As referred to above, shortly prior to 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 a villa at 132 Paseo del Parque, Sotogrande, Cadiz, Spain. For the avoidance of doubt, 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 this property is to be sold, with me as Liquidator having sole conduct of the sale. At present I have given separate instructions to Bristows and Holmes Property Services to market the property.

The sale proceeds, net of the various Petition costs, are to be divided between EAG, EAI and Lynne Green. It has been agreed that 75% of the net sale proceeds will 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 net sale proceeds is to be paid to Lynne Green.

In addition to the property at Paseo del Parque, two shares in the Sotogrande golf club formerly held by David Wootton and Lynne Green are to be transferred to me as Liquidator. I will seek to realise the maximum possible amount for these shares for the benefit of creditors.

In accordance with the terms of a Protocol put in place between EAI and EAG, EAG was given a period of just over three months within which to adduce evidence to support its alleged claims against the estate of David Wootton and or Lynne Green.

In simple terms, if EAG was 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. In the event that 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.

As far as I am concerned, EAG has failed to comply with the terms of the Protocol and has been unable to provide evidence of claims which would entitle it to more than a very minor share of the net sale proceeds. I am currently engaged in correspondence with the solicitors acting for EAG in this regard and am hopeful that a resolution will be reached in the near future. As matters stand at present, I believe that EAI is entitled to almost all of the 75% net sale proceeds allocated for division between the two companies.

For your information, the property is currently being marketed by two separate estate agents in Sotogrande at EUR1.75 million. Jyske Bank have a legal mortgage over the property and are owed just less than £300,000. This amount would have to be satisfied first in the event of a sale. As shown in the attached Receipts and Payments Account I am continuing to meet the required payments under the terms of the mortgage, however, these payments will be reimbursed in full upon the sale of the property.

I will continue to market the property with a view to achieving a sale in the near future.

Whilst the property is being marketed, Bristows have been able to secure several lucrative short term rentals over the summer months. These rental payments help to cover the mortgage payments and the cost of maintaining the property in a saleable condition. For the avoidance of doubt, these monies are held in my agents clients account and are not included in the attached Receipts and Payments Account.

ESTIMATED OUTCOME

As stated above, the actuarial exercise to determine the company's liability per individual policyholder has now been completed. In view of the fact that some of the company's assets may take some further time to realise, it is my intention to make an interim distribution to creditors without further delay.

With this in mind, I am in the process of preparing an application to the Supreme Court in Gibraltar for directions covering, *inter alia*, the various administrative matters arising from such a distribution. A hearing is now scheduled for 17 September 2008, and assuming the Court looks favourably upon my application and my proposed methodology, I am hoping to be able to make an interim distribution in October this year. A decision regarding the precise level of this distribution will be made in due course.

The information available at the time of the Provisional Liquidation indicated that there could be a return to policyholders of approximately 50p in the £ however this did not take into account any return received from the sale of the property at Paseo del Parque as the Settlement Agreement had not been concluded at that time. I am hopeful, therefore, that creditors will ultimately receive a total final dividend in excess of 50p in the £.



Should creditors have any queries on this report or require any further information they should contact me or Christopher Smith of this office.

Yours sincerely

FDJ White
Liquidator

Eurolife Assurance (International) Limited
(In Liquidation by the Court)

Liquidator's Receipts and Payments Account for the Period
14 November 2007 to 1 September 2008

RECEIPTS	£	£
Balance from Provisional Liquidator (as at 14 November 2007)		3,192,533.48
Sale of Trinidad & Tobago 12.25% Government Issued Loan Stocks		529,962.58
Sale of Stocks held by Arc Capital & Income PLC		501,309.94
Cash at Bank / Dividend on T & T Bonds		30,542.40
Cancelled cheque		151.88
Bank Interest		<u>117,557.21</u>
		4,372,057.49
PAYMENTS		
Special Manager's Fees	18,306.12	
Counsel's Fees	30,700.00	
Legal Fees	149,948.75	
Joint Provisional Liquidator's Fees	218,307.29	
Property Maintenance (on account)	3,870.80	
Actuarial Fees	49,000.00	
Mortgage Payments (Paseo del Parque)	49,721.30	
Insurance (Paseo del Parque)	1,571.00	
Agent's Fees (Translation Services)	376.04	
Storage Fees	1,660.68	
Courier Fees	70.00	
Valuation Fees (Artwork valuation)	<u>200.00</u>	
		<u>(523,731.98)</u>
BALANCE IN HAND		<u><u>3,848,325.51</u></u>
Held As : Gibraltar Savings Bank		<u><u>3,848,325.51</u></u>