



Grant Thornton

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20 January 2010

Dear Policyholder

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

Policyholder:

Policy Number(s):

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 advise you of my intention regarding a further dividend payment.

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 20 January 2010. I shall discuss each of the entries in detail below and provide some further information regarding those of the company's assets which have not yet 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. Shortly following my appointment these funds were transferred to the liquidation bank account at the Gibraltar Savings Bank which is 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. These have been sold for £529,962.58. I was advised by Charles Stanley at that time 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 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

These stocks were sold by me as Liquidator and a total of £501,309.94 was 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

EAI has 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 reducing the balance to nil once more.

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 eventually appointed to act as Special Manager.

A Settlement Agreement was ultimately 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 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 ('the Sotogrande Property'), 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.

Dividend Payment (Preferential Claims)

I have declared and paid a first and final dividend of 100 pence in the £ on agreed preferential claims amounting to £200.68. This dividend was paid in October 2008.

Dividend Payment (Policyholder Claims)

In February 2009, I declared and paid an interim dividend to policyholders of 45 pence in the £. This required a payment of £2,849,320.78.

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

I have paid legal fees to date totalling £222,492, which includes payment for advice provided during the Provisional Liquidation period. This figure includes an amount of £116,943.93 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 fees for acting as Joint Provisional Liquidator have been paid in the sum of £226,914.96

Liquidator's Fees

My firm's fees for acting as Liquidator have been paid in the sum of £136,808.13.

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

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 made an on account payment of €5,000 to the Bristow Property Group ('Bristows'), who were managing the Sotogrande property on my behalf, to cover property maintenance works. The payment of €5,000 amounted to £3,870.80. Any balance remaining now that the property has been sold will be returned to me as Liquidator..

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. I have made payments to them totalling £61,000.

Mortgage Payments (Sotogrande Property)

I have made mortgage payments totalling £113,641.23 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. I will discuss this matter in greater detail below.

Insurance (Sotogrande Property)

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. The cost of cover for the period from 16 May 2009 to 15 May 2010 was £1,631.70. Following the sale of the property in September 2009 I requested a refund of the insurance premium and an amount of £1,042.99 was duly received and is reflected in the attached Receipts and Payments account. Further information is provided in this regard below.

Agents' Fees (Translation Services)

As previously advised, 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 had to 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 to date amount to £6,119.49.

Courier Fees

These fees relate to the collection of a server from the offices of the former Joint Provisional Liquidator Mr Simms' offices. This server is now held in secure storage at the offices of Grant Thornton in Leicester.

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 regret that I am unable to state with any certainty when this will be sold.

BONY B, P, I, & R Pieces

As previously advised, recent 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. These funds are held by my agents in the United States. Again, I regret that I am unable to state with any certainty when I will be able to dispose of these assets.

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 2 September 2009 it had a balance of \$162,900.93. On 4 January 2009 I converted the majority of the balance on the account to sterling and the proceeds were used to part pay the first interim dividend of 45p in the £ to policyholders in February 2009. The balance required to make the payment came from the liquidation account held at the Gibraltar Savings Bank.

OTHER MATTERS

The Wootton Petition

As detailed in my earlier report to policyholders, 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 the Sotogrande property. 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 me as Liquidator having sole conduct of the sale. The sale proceeds, net of the various Petition costs, were 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.

For your information, the Sotogrande property was sold in September 2009 for a price of €1,275,000 and I am currently holding the sum of €934,323.13 which is net of the amount due to the mortgagee, Jyske Bank. These funds were converted to sterling on 29 September 2009 resulting in a receipt of £854,668.07. In accordance with the terms of the Settlement Agreement, all costs and expenses in relation to the sale will now be reimbursed from these funds. The net balance remaining will be split between Lynne Green, EAG and EAI in accordance with the Settlement Agreement.

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 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. As matters stand at present, I believe that EAI is entitled to almost all the 75% net sale proceeds allocated for division between the two companies, however, the Liquidator of EAG has refused to formally relinquish his claim to a greater share of these funds. The latest annual report issued by the Liquidator of EAG suggests that the liquidation is at an end and will shortly be closed, however, should this not happen in the short term, it may be necessary to make an application to Court in order to resolve this matter. Until such time as EAG formally relinquishes its claim to the sale proceeds, whether voluntarily or by virtue of a Court Order to this effect, I am unable to pay the net sale proceeds into the liquidation account so that they can be made available for distribution to policyholders. Should I not receive confirmation from the Liquidator of EAG that he has taken the necessary steps to close the liquidation by January 2010, then I shall initiate the necessary Court application to resolve this matter.

In addition to the Sotogrande property, two shares in the Sotogrande golf club formerly held by David Wootton and Lynne Green were to be transferred to me as Liquidator. I am still attempting to identify a purchaser for these assets but I am hopeful that these will be disposed of in the near future.

ESTIMATED OUTCOME

As policyholders will be aware, I declared and paid an interim dividend of 45p in the £ in February 2009. All policyholders whose claims have been admitted in the liquidation should

now have received their dividend payment. If you have not received the first interim dividend payment please contact me as soon as possible.

In view of the fact that it may take some further time to realise the company's remaining assets it is my intention to declare and pay a second interim dividend to policyholders as soon as possible. If I am able to resolve the position in relation to EAG's alleged claims to the sale proceeds as I anticipate, then this should enable me to declare and pay a second interim dividend in the region of 10p in the £ within the next few months. Should it turn out that it is likely to take significantly longer to resolve this issue, then I will declare and pay a slightly lower second interim dividend using the funds already at my disposal.

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 20 January 2010

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
Insurance Refund		1,042.99
Bank Interest		<u>226,494.05</u>
		4,482,037.32
PAYMENTS		
Special Manager's Fees	18,306.12	
Dividend Payment (Preferential Claims)	200.68	
Dividend Payment (45 p in the £ on agreed Policyholder Claims)	2,849,320.78	
Financial Services Commission (Annual Fees)	40,000.00	
Counsel's Fees	30,700.00	
Bank Charges	25.00	
Legal Fees	222,492.00	
Joint Provisional Liquidator's Fees	226,914.96	
Liquidator's Fees	136,808.13	
Property Maintenance (on account)	3,870.80	
Advertising charges	3,818.00	
Actuarial Fees	61,000.00	
Mortgage Payments (Paseo del Parque)	113,641.23	
Insurance (Paseo del Parque)	3,202.70	
Agent's Fees (Translation Services)	376.04	
Storage Fees	6,119.49	
Courier Fees	70.00	
Valuation Fees (Artwork valuation)	<u>200.00</u>	
		<u>(3,717,065.93)</u>
BALANCE IN HAND		<u><u>764,971.39</u></u>
 Held As : Gibraltar Savings Bank		 <u><u>764,971.39</u></u>