

**GREGORY HUGH COLIN KING**  
**(In Bankruptcy by Order of the Supreme Court of Gibraltar)**

**JOINT BANKRUPTCY TRUSTEES' FIRST REPORT**  
**(IN ACCORDANCE WITH RULE 227 OF THE INSOLVENCY RULES)**

We, Edgar Lavarello of PricewaterhouseCoopers Limited, 327 Main Street, Gibraltar, and Adrian Hyde of CVR Global LLP, New Fetter Place West, 55 Fetter Lane, London, EC4A 1AA were appointed Joint Bankruptcy Trustees of Gregory Hugh Colin King ("the Bankrupt") on 31 July 2017 by virtue of an Order by the Supreme Court of Gibraltar under Section 331 of the Insolvency Act 2011.

Our obligations under the Insolvency Rules are to prepare six monthly reports for the benefit of the Court, the Official Receiver and the Creditors stating:-

- a) the receipts and payments for the period;*
- b) details of the assets realised and the assets remaining unrealised during the period and the reasons why the assets remaining unrealised have not been realised;*
- c) the progress of his administration of the bankrupt's estate and any matters in connection with his administration which he considers should be drawn to the Official Receiver's attention;*
- d) such other information as the Official Receiver may require.*

We filed our Preliminary Report in January 2018 having received permission from Ramage Prescott J to file it later than that provided for in the Insolvency Act. This is our First Report prepared in accordance with the Insolvency Rules.

**BACKGROUND**

On 27<sup>th</sup> January 2014, Advalorem Value Asset Fund Limited ("Adval") was placed into Special Administration by the Supreme Court of Gibraltar. The appointment followed a Financial Services Commission ("FSC") investigation which found that Adval had misappropriated more than £7m of investments from UK pension schemes.

Adval was registered with the FSC as an Experienced Investor Fund ("EIF"). The EIF registration allowed Adval to sell investments in collective investment schemes to "experienced investors", as defined in regulation 3 of the Financial Services Regulations 2012. Through its subsidiary, DB Holding Limited, Adval purchased two property holding companies that held 3 plots of land located in Scotland, for £6m ("the Land"). The funds used to make the purchase had been raised by selling shares in Adval, accordingly Adval did not have to secure any other 3rd party financing to make the acquisition.

The purchase price for the Land was grossly in excess of its true market value. The price was based upon valuations that had been made on special assumptions which were incapable of being fulfilled. The assumptions extended as far as to assume that planning permission would be granted for a supermarket, despite the land being on a designated flood plain. Without the benefit of these assumptions, the true value of the land was between £80k and £190k.

The sums paid under the share purchase agreement were paid to Thistle Holdings Limited ("Thistle") which then transferred the funds, by way of loan, to Mr King (who was the beneficial owner of Thistle).

The claim brought against Mr King, by the special administrator, was for knowing receipt and dishonest assistance. Consequently, proceedings were issued against Mr King on 8 September 2015 in the Supreme Court of Gibraltar.

Prior to the proceedings being issued, a without notice freezing injunction was applied for and granted against Mr King. This injunction was extended until further notice on 24th September 2016 and remains in place to this day.

On 7 April 2016, having received no response from Mr King to either the proceedings or the injunction, Adval obtained default judgement for £6.3m.

As a consequence of the judgement debt not being paid, on 31 July 2017, the Supreme Court of Gibraltar ruled that Mr King be adjudged Bankrupt.

## **RECEIPTS AND PAYMENTS**

Detailed below is key information about asset recoveries that have been made to date. I have formulated and worked through a realisation strategy that sought to maximise recoveries net of costs. A summary of my asset realisations are detailed in the enclosed Receipts and Payments account which can be found at Schedule 1.

## **REALISED ASSETS**

### **King & Company Bankers Limited and the proceeds of Shell House**

A company named Union Private Bank Limited was incorporated on 6 November 2006 on the instruction of the Bankrupt for the purposes of making an application to the Financial Services Commission for a banking licence in Gibraltar. In April 2008, the Company changed its name to King & Company Bankers Limited and received £25m as share capital from funds allegedly belonging to the Bankrupt. The entire shareholding of this entity was beneficially owned by Gregory King.

In September 2008, the Company purchased a property known as Shell House ("the Property") from Shell Company of Gibraltar Limited for £2m. The funds used to pay for the purchase were transferred from a company controlled by the Bankrupt and from his legal advisors, Cannons Law LLP.

As a consequence of the Bankrupt failing to obtain a banking licence in Gibraltar, the property was let to a 3rd party. However, the income generated from the tenancy was insufficient to pay the ground rent and rates. Accordingly, the company was incurring liabilities that it couldn't pay without obtaining additional funds.

As previously advised, in 2015, Adval obtained an injunction against Mr King, freezing all of his assets up to a value of £8m. Having been served with a copy of the injunction, Mr King chose not to comply with the terms of the order but also stopped providing instructions to his Gibraltar company managers or paying professional fees. Accordingly, the management company dealing with King & Company Bankers Limited (now Rathdrum Limited) was unable to obtain instructions on how to deal with the increasingly negative position.

Consequently, the Company manager made an application to court, on notice to the Bankrupt and others, seeking directions on how to deal with the Property. It was decided that the Property should be sold, and the proceeds of sale be used to extinguish the liabilities of the Company.

As a consequence of the bankruptcy, it was further ordered that the net proceeds of sale (£1.13m) should be paid to the solicitors of the trustees in Bankruptcy.

These funds were subsequently received into the bankruptcy estate in October 2017.

### **Plot 21, La Zagaleta**

Upon taking office, significant investigations were carried out to identify assets that belonged to the Bankrupt. This was, and remains, a significant exercise as the Bankrupt had a very large number of special purpose vehicles ("SPV's) that he used to transfer funds and purchase assets. The Bankrupt has no known assets in his name.

As a result of these investigations, a property (Plot 21) was identified in Spain that belonged to a company named Rivendel Investments S.L. ("Rivendel"). This was a Spanish company with a single registered director, being the sister of the Bankrupt.

Having exercised Insolvency Act powers in Gibraltar, the legal files of a Gibraltar company were obtained which revealed that this company was the 100% shareholder of Rivendel. Furthermore, the files revealed that the Bankrupt was the ultimate beneficial owner of this entity.

At the date of our appointment as Joint Trustees, this company had been dissolved. We therefore made an urgent application to court for the revocation of the dissolution, and for the immediate appointment of the Joint Trustees as both directors and shareholders of the company.

Upon the order being granted, a written resolution was passed removing the Bankrupt's sister as director of Rivendel and appointing the Joint Trustee, Mr Hyde, as her replacement. As a result of these actions, the Joint Trustees were able to take possession of Plot 21 ("the Property") and working with specialist agents, sell it to an independent 3rd party for €5.5m. Significant tax debts had accrued, so after the payment of this liability and the costs of sale, €3.767m was remitted into the bankruptcy estate on 21 December 2017.

### **Funds held with professional advisors as the date of Bankruptcy**

At the date of bankruptcy, a number of professional advisors were holding funds in their client account that were remitted to them by Gregory King. These funds totalled circa £16k and were received into the bankruptcy estate between September and October 2017.

### **Chattel Assets**

As a consequence of taking possession of Plot 21 in Spain, a number of chattel assets were recovered including watches, cufflinks and other high value items. These items were sold by an independent agent, resulting in net recoveries of circa £14k.

### **Vehicles**

Two vehicles were recovered from Plot 21, a Mercedes-Benz S-Class and a Range Rover. These two vehicles were sold for a combined sum of €22,000, with the funds being

remitted to a Spanish solicitor's client account. A further two vehicles (two Harley Davidson motorcycles) have been recovered but not yet sold.

## **UNREALISED POTENTIAL ASSETS**

### **11 Burnside Road, Glasgow**

As previously advised, the Bankrupt has no known assets in his name. The Bankrupt was the beneficial owner of over 100 special purpose vehicles located in various jurisdictions including Gibraltar, Scotland, Isle of Man, Spain and the British Virgin Islands.

As part of our enquiries, a number of potential assets/claims have been identified. One of the most significant of these is a property located at 11 Burnside Road in Scotland. This property was owned by a company registered in Gibraltar named Belvedere Avenue Properties Limited. Upon receipt of the files relating to this company, it became apparent that this entity was 100% beneficially owned by Gregory King.

However, we have recently been notified by the Bankrupt's wife that this asset was gifted to her by way of a deed of gift. This matter is now subject to legal proceedings in Gibraltar, as such we are unable to comment any further on this matter at the current time.

### **Plot 25, La Zagaleta**

As a result of our enquiries, a further property in Spain has been identified as a potential asset of the Bankrupt (either directly or via a company that was beneficially owned by the bankrupt). This is another significant asset, thought to be worth in the region of €3m net of costs. However, due to the sensitive nature of our investigations, I am unable to provide any further information at the current time.

## **Claims**

Having conducted a review of the Bankrupt's bank statements and having reviewed a large number of files belonging to companies that were beneficially owned by the Bankrupt, I am aware of a number of insolvency claims that could be brought against several 3<sup>rd</sup> parties. Again, due to the sensitive nature of these claims, it is not appropriate for me to detail these causes of action in this report.

## **PROGRESS**

I confirm that the assets realised to date allowed us to declare an interim dividend of £2million. The Notice of Intended Dividend was published in the Gibraltar Gazette in March 2018, and various newspaper publications in Scotland, England, Spain and the Isle of Man.

As advised in the interim report, the Bankrupt has continued to be uncooperative and has chosen not to provide a statement of affairs or any information pertaining to his affairs and business dealings. As a consequence, solicitors have been engaged in numerous jurisdictions to obtain information from third parties. This has also involved three search and seize orders that have been executed at significant cost in an effort to obtain vital information.

**OFFICIAL RECEIVER**

The Official Receiver has not sought any information from us during the time that we have been in office.



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EDGAR C LAVARELLO  
Joint Bankruptcy Trustee

Dated this 31<sup>st</sup> day of July 2018

Schedule 1. - Receipts and payments

	£	€
<b>Receipts</b>		
Real property	1,130,949.38	3,767,000.00
Chattels	20,501.08	-
Motor vehicles		27,000.00
Funds held on accounts	17,801.79	-
Insurance rebates	-	4,622.09
Transfer from EURO account	3,290,828.85	-
<b>Total receipts</b>	<u>4,460,081.10</u>	<u>3,798,622.09</u>
<b>Payments</b>		
Transfer to GBP account	-	(3,721,365.06)
Legal fees	(728,295.74)	(4,837.09)
Trustee fees	(673,776.25)	-
Investigation expenses	(255,250.75)	-
Company management, secretarial & registered office	(29,136.92)	-
Travel expenses	(12,084.29)	-
Insurance	(6,139.67)	-
Sales tax		(5,188.30)
Administration services	(4,953.51)	-
Postage expenses	(4,441.00)	-
Consulting services	(3,899.67)	-
Broker fees	-	(2,229.00)
Bank interest	-	(789.21)
Storage expenses	(485.35)	-
Vehicle tax	-	(386.49)
Bank charges	(135.00)	-
Statutory advertising	(105.00)	-
<b>Total payments</b>	<u>(1,718,703.15)</u>	<u>(3,734,795.15)</u>
Net realisations	2,741,377.95	63,826.94
Dividends	(1,996,148.55)	-
<b>Balance held in non-interest bearing accounts</b>	<b>745,229.40</b>	<b>47,030.73</b>
<b>Balance held in solicitor's client account</b>	<b>-</b>	<b>16,796.21</b>