

Case Ref: 2016-Comp-039

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

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

I, Edgar Lavarello of PricewaterhouseCoopers Limited, 327 Main Street, Gibraltar, and Adrian Hyde of CVR Global LLP, 20 Furnival Street, London, EC4A 1JQ were appointed Joint Bankruptcy Trustees of Gregory Hugh Colin King ("the Bankrupt" or "the Debtor") 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.*

This is our 2nd report prepared in accordance with the Insolvency Rules.

BACKGROUND

As advised in my previous report, on 27th 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 holdings 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 during the reporting period. 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.

In addition, within schedules 2 and 3, I have included a complete breakdown of the receipts and payments incurred from our recoveries in Spain.

Schedule 2 details the proceeds of sale and expenditure from realising Plot 21, La Zagaleta in Spain. It also provides for the next tax payment that will be made after the reporting period. At the current time, our solicitors are holding €127,940.08 in their client account.

Schedule 3 provides a breakdown of the receipts and payments made in respect of Whitelights Investments S.L ("the Company"). This company was beneficially owned by the Bankrupt and held a number of motor vehicles, including a Mercedes Benz and a Range Rover. These vehicles were recovered from Plot 21 and were subsequently sold. The associated costs of returning the Company to good standing and selling the vehicles are included within the schedule. At the current time, our Spanish solicitors are holding €11,585.45 in respect of this matter.

REALISED ASSETS

Funds held with professional advisors as at the date of Bankruptcy

At the date of bankruptcy, several professional advisors were holding funds in their client account that were remitted to them by Gregory King, or a company that belonged to Gregory King. Accordingly, since my last report, a further sum of £9,183.65 has been recovered.

Chattel Assets

As a consequence of taking possession of Plot 21 in Spain, a number of chattel assets were recovered including watches, cufflinks, handbags and other high value items. These items were sold by an independent agent, resulting in further net recoveries during the reporting period of £1,335.

Cash Holding

An amount of £720 (converted from Euro/USD) was recovered in cash from Plot 21 in Spain. These funds were banked into the bankruptcy account on 17 August 2018.

UNREALISED POTENTIAL ASSETS

11 Burnside Road, Glasgow ("the House")

As previously advised, 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 ("the House") in Scotland. This property is owned by a company registered in Gibraltar named Belvedere Avenue Properties Limited ("the Company"). Upon review of the files relating to this company, it is in our view apparent that this entity is 100% beneficially owned by the Bankrupt.

Further to my last report, the Bankrupt's wife continues with her proceedings in Gibraltar, asserting that both the Company and the House belong to her. This position is not accepted by us and the claim is being vigorously contested in Gibraltar.

As part of the ongoing dispute, the Bankrupt's wife was ordered to make a payment of £3,000 in contribution to our solicitors costs. These funds are included within the £7,065 that our solicitors are currently holding. The balance of funds in their client account (£4,065 and €9.36) are made up of payments that have been made from the estate account (Schedule 1) which haven't yet been utilised by the solicitors.

Plot 25, Zagaleta ("the Property")

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). As is common with the Bankrupt, this Property is held in an overseas structure, namely a Spanish entity, which is in turn owned by a Uruguayan company. Furthermore, the Bankrupt's father has asserted his interest to the asset. Accordingly, action is now being taken in both Spain and Scotland to recover this asset for the benefit of creditors. However, due to the sensitive nature of these proceedings, 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 Debtor, I am aware of a number of insolvency claims that could be brought against several 3rd 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.

Motor vehicles

Two Harley Davidson motorcycles have been recovered in Spain and are currently being stored. Advice has been sought from professional agents as to where and how these vehicles should be disposed of. It is however anticipated that they will be sold during the next reporting period and we hope to provide an update on this in our next report.

PROGRESS

As advised in previous reports, 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, which is an offence under the Insolvency Act. Consequently, we have had no option but to engage solicitors in numerous jurisdictions to obtain information from third parties. This is at significant cost to the estate that ought not have to be borne, but is necessary in order to ensure that we recover as much of the Bankrupt's property for the benefit of creditors as possible.

OFFICIAL RECEIVER

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



.....
EDGAR C LAVARELLO
Joint Bankruptcy Trustee

Dated this 31st day of January 2019

SCHEDULE 1

Gregory King - In Bankruptcy (Trustees account)

Receipts and payments for the period 1 August 2018 to 31 January 2019

	GBP	EUR
Receipts		
Real property	-	-
Asset realisations	1,335.11	-
Motor vehicles	-	-
Funds held on accounts	-	-
Insurance rebates	-	-
Trustee fees	9,183.65	-
Cash banked	720.00	-
Unallocated receipts	250.65	-
Total receipts	11,489.41	-
Payments		
Legal fees	(249,979.31)	-
Travel expenses	(1,817.92)	-
Insurance	(291.20)	-
Sales tax	-	-
Administration services	(74.10)	-
Postage expenses	-	-
Consulting services	(1,876.00)	-
Broker fees	-	-
Professional fees	(28,008.87)	-
Bank interest	-	(145.01)
Storage expenses	(488.35)	-
Vehicle tax	-	-
Bank charge	(98.00)	-
Repairs and maintenance	-	-
Dividend	(284.61)	-
Charges	(500.00)	-
Debtor	(15,320.04)	-
Total payments	(298,738.40)	(145.01)
Net Receipts / (Payments)	(287,248.99)	(145.01)
Balance as at 1 August 2018	745,229.40	47,030.73
Balance as at 31 January 2019	457,980.41	46,885.72

SCHEDULE 2**Gregory King - In Bankruptcy (Rivendel S.L.)**

Funds held in the client account of BCP International Law Firm

EUR**Proceeds of Sale of Plot 21, La Zagaleta 5,508,000.00**

Outstanding electricity costs for Plot 21, La Zagaleta	(981.87)
Outstanding water costs for Plot 21, La Zagaleta	(2,077.69)
Outstanding service charges and management fees for Plot 21, La Zagaleta	(29,191.44)
Payment to the Spanish Tax authorities	(681,661.88)
Land registry fees - Plot 21, La Zagaleta	(464.11)
Council rates for Plot 21, La Zagaleta	(16,687.43)
Traffic department fee for vehicle at plot 21, La Zagaleta	(27.00)
Companies House filing fees for Plot 21, La Zagaleta	(90.00)
Outstanding council Tax for Plot 21, La Zagaleta	(32,963.37)
Corporation Tax Payment for Plot 21, La Zagaleta	(545,167.34)
Corporation Tax payment on account for Plot 21, La Zagaleta	(98,130.12)
Corporation Tax payment on account for Plot 21, La Zagaleta	(98,130.12)
Solicitors Fees for conveyance for Plot 21, La Zagaleta	(55,000.00)
VAT on solicitors Fees	(11,550.00)
Agents costs for removals	(125.00)

Transfer to the Gregory King bankruptcy account held at PwC, Gibraltar.	(3,767,000.00)
---	----------------

Funds Held as at 1 August 2018	168,752.63
---------------------------------------	-------------------

Translation fees	(133.10)
Notary public fee	(224.15)
Removal costs	(89.99)
Energy efficiency certificate	(159.00)
Accounting fees in respect of corporation tax, historic accounts and tax returns	(12,387.49)
Companies house filing fees	(182.14)
Penalty fees	(23.11)
Land Registry fees	(886.76)
Motorcycle service costs for two Harley Davidson bikes recovered in Spain	(836.11)
Service charge fees	(1,274.13)
Gas/oil supply to Plot 21	(1,638.00)
Less payments to House Keeper on Plot 25 (1 August 2018 - Jan 2019)	(8,000.00)
Less payments for electricity on plot 25 (1 August 2018 - Jan 2019)	(10,196.86)
Less payments for water on plot 25 (1 August 2018 - Jan 2019)	(4,746.70)
Sundry expenses	(35.01)

Funds held as at 31 January 2019	127,940.08
---	-------------------

SCHEDULE 3**Gregory King - In Bankruptcy (Whitelight Investments S.L.)****Funds held in the client account of BCP International Law Firm**

	EUR
Sale proceeds for Mercedes	14,000.00
Sales proceeds for Range Rover	12,000.00
Total Receipts	26,000.00
Insurance costs for vehicles	(619.07)
Companies House fees	(1,043.51)
Car Tax	(386.49)
Notary fees	(517.58)
Vat Payment re 1st Quarter 2018	(2,603.31)
Withholding tax	(81.37)
Courier fees	(52.22)
Sundry expenditure on vehicles	(157.00)
Accounting fees	(3,950.00)
Solicitors fees for dealing with the sale of vehicles	(2,400.00)
VAT in respect of professional fees	(1,554.00)
Preparation of tax returns	(1,050.00)
Total Payments	(14,414.55)
Funds held as at 31 January 2019	11,585.45