

Marrache & Co (“the Firm”) – No 5 of 2010

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Isaac S Marrache – In Bankruptcy – No 1 of 2010

Benjamin JS Marrache – In Bankruptcy No 2 of 2010

Solomon S Marrache - In Bankruptcy No 3 of 2010

Report to Creditors

20 August 2019

PricewaterhouseCoopers Limited
327 Main Street
Gibraltar

CVR Global LLP
20 Fumival Street
Holborn
London EC4A 1JQ

Dear Creditor,

We write further to our last update of 2 October 2014 to provide you with a summary of developments over the last four years.

In our last report we specifically set-out the most relevant matters at the time, and we can now report on those, and other matters, as follows:

1. Isaac S Marrache

Isaac Marrache was released on parole on 11 November 2016 after serving 1/3 of his 8-year sentence. He undertook to the Supreme Court of Gibraltar that he would not seek to practice law in Gibraltar, and he has now been disbarred by the Bar Standards Board in the United Kingdom. This means he can no longer practice as a Barrister in either jurisdiction.

Personal Assets

We are aware that Isaac Marrache, together with his wife, are the ultimate beneficial owners of Shetaim SL, a (now struck off) Spanish company that owned a property in Duquesa. Mrs Marrache has waived any claim, therefore the asset falls solely into Isaac's estate. We have been working with Spanish solicitors to reinstate the company in order to sell the property, but the corporate shareholders were also struck off in Gibraltar many years ago and they too would require to be reinstated. We understand that the property has charges registered against it and no doubt taxes due. We are holding this claim in abeyance pending further realisations to fund this recovery.

We have also established that Isaac had been a shareholder of a Cigar shop in Mayfair, however he had transferred his share to his brother Abraham Marrache the day before the worldwide freezing injunction was issued against him in 2010. This information came to light during the course of the private examination of Abraham in the Supreme Court. In order to secure the asset, we immediately issued proceedings against Abraham and obtained an injunction prohibiting him from taking any action in relation to the transferred share. Abraham subsequently transferred the share to the Official Trustee. However, after investigation, it became apparent that our claim to the share could not be substantiated, so our interest in the cigar shop was abandoned.

We have not established any other assets save for the "Marrache family assets" (as described below) which we shall address later in this report.

2. Benjamin JS Marrache

Benjamin Marrache was released on parole on 17th November 2017 after serving 1/3 of his 11-year sentence, and was likewise disbarred by the Bar Standards Board. This means that he too can no longer practice as a Barrister.

As you are aware, we reached a settlement with Anjette Marrache, and we believe that we have now realised all of Benjamin's personal assets and those held jointly with Anjette. We are therefore now working to realise his share in the Marrache family assets but if further personal assets come to our knowledge we shall of course take the appropriate action.

3. Solomon S Marrache

Solomon Marrache was released on parole in August 2016 after serving 1/3 of his 7-year sentence. He has been the most cooperative of the Bankrupts, and the only outstanding matter is that of his residential property at Pitmans' Court.

In terms of the residential property, we have issued a Claim seeking that the property be sold in order that we can realise his share in the equity and settle the outstanding mortgage. His wife, Mrs Monica Marrache, is however defending the Claim, and if we are unable to realise the monies due amicably, then we will require to proceed to trial. As this property is mortgaged to Barclays Bank plc and is in a state of disrepair, the potential recovery is expected to be low.

As with Isaac and Benjamin, Solomon has a share in the Marrache family assets.

4. Artwork within the Firm

Our report dated 2 October 2014 confirmed that we had issued an application for possession of a large number of paintings that were within the Firm's premises and which belonged to the Firm. That application was defended by Benjmain, therefore it proceeded to a full hearing which took place on 15th October 2015. Mr Justice Jack, (formerly) of the Supreme Court of Gibraltar, gave judgment in our favour, declaring that the Artwork was indeed owned by the Firm and accordingly vested in the Joint Liquidators. The Artwork was marketed for sale and exhibited at The Mount, with the collection selling at a total price of £205,000.

5. Potential Claims against third parties

We issued claims against Baker Tilly (Gibraltar) Limited and Jyske Bank (Gibraltar) Limited ("Jyske") for dishonestly assisting the Marrache brothers in their enterprises. We also issued a letter before action against Jyske in respect of mortgages granted over four properties.

- The claim issued against Baker Tilly (Gibraltar) Limited was settled on confidential terms and approved by the Court.
- The claim issued against Jyske was tried over a period of 12 days, and was successful at first instance. Mr Justice Jack who heard the case found that an employee of Jyske "did knowingly and dishonestly assist the Marrache brothers to steal client Funds". Jyske however appealed to the Court of Appeal, who found that the finding of dishonesty against the employee could not stand and that the claim must be returned for re-trial before a different Judge. We were ordered to make an immediate payment of £850,000 towards Jyske's costs (which were claimed to be in excess of £1,500,000) and this was paid by our Insurers. However, the costs of funding and insuring a second trial were disproportionate to the value of the claim. Accordingly, even if the retrial had been successful, there would not have been any return to creditors. Consequently, we sought and reached a settlement with Jyske on their costs, which was approved by Mr Justice Dudley, the Chief Justice. As a consequence, neither of our respective Firms received any fees for bringing this action, with CVR writing off over £700,000 of time costs and PwC writing off over £100,000 of time costs.
- The second claim we had formulated against Jyske (but had not issued) was in respect of securities granted over four properties (forming part of the "Marrache family assets"), namely, 197-199 Main Street, 201 Main Street, 3-5 Cannon Lane and Fortress House, 7-9 Cathedral Square. Each of these properties were within holding companies and had been mortgaged to secure the Firm's borrowings, even although the companies themselves never received any monies whatsoever. Jyske had already repossessed and sold three of the four properties (Fortress

House remained in their control but had not been repossessed), but we have now reached a settlement with them. That settlement is also on confidential terms, but part of those terms is that Fortress House has now been transferred, unencumbered, back to Haslaha Limited ("Haslaha") which is a company that we control. Although the settlement agreement must be kept confidential, the agreement was presented to the Court and approved by Mrs Justice Ramagge Prescott.

6. Fortress House ("the Property")

As outlined above, Haslaha now owns the Property in accordance with the settlement with Jyske, and we in turn control Haslaha. We understood that Mrs Rebecca Marrache may reside in the Property with her husband, therefore we contacted them to ask that they vacate the Property by 31 May 2019 and provide us with access to arrange a valuation. We also wrote to "Persons Unknown" to notify any others who reside within the Property to likewise vacate.

Regrettably, we have not been given vacant possession therefore Haslaha issued possession proceedings in the Supreme Court against Rebecca, her husband any other party residing there. The first hearing took place on 7 August 2019 with a defence being filed by Mrs Marrache. We were advised by her Counsel that the application was being defended by Mr Millar, their three children and Raphael. It has been listed for trial on 16 October 2019.

When the Property has been sold, Haslaha shall account to the Firm for payments received plus interest which will amount to over £1million. It will thereafter account to each of Rebecca, Abraham and Joshua Marrache for their share in the net proceeds of sale less the drawings each of them received from the Firm and in the case of Rebecca, less the costs incurred in the possession proceedings. Haslaha will also account to the Official Trustee for the shares of Isaac, Benjamin, Solomon and Raphael Marrache (whose share also vests in the Official Trustee).

7. Claim against Raphael Marrache

Raphael received drawings in excess of £1million from the Firm between the years of 2005 and 2010. Evidence in our possession indicated that this sum reflected a "buyout" by Isaac and Benjamin of his shares in the estates of his late grandfather and mother, however this was disputed by Raphael, who claimed that the sums received reflected salary paid to him for services provided to the Firm, and in any event, some transactions on the ledger we had obtained from the Firm's accounting software had been inaccurately attributed to him. After a six day trial with multiple witnesses, some of whom gave evidence from Israel via video link, Mr Liam Yeats, Acting Puisne Judge (as he was then), declared that Raphael had indeed sold his share in the estates to his brothers Isaac and Benjamin, and on that basis, his share in the estates vested in the Official Trustee. In other words, 4/7 of the family properties have been declared by the Court to be vested in us, the remainder vesting in Rebecca, Abraham and Joshua.

Raphael appealed to the Court of Appeal, who upheld the decision. Dame J Smith, JA, said, "*It appears to me that the prospects of success on the appeal were virtually nil*" and thereafter, "*I have reached the conclusion that the appeal would have virtually no chance of success*". He was ordered to pay our costs, with an interim payment of £15,000, however he has failed to make that payment.

Raphael has now filed an appeal for special permission to appeal to the Judicial Committee of the Privy Council in London. We have filed our Notice of Objections and await the Board's ruling as to whether he has been granted special leave to do so. Whilst we cannot predict how the Board will rule, we believe that we have reasonable prospects of success in defeating the Appeal.

8. AS Marrache & Sons Limited (“ASM”)

ASM was owned jointly by Isaac, Benjamin and Solomon and their siblings. Accordingly, 3/7 of the shares in the company vested in the Official Trustee. Over the course of the bankruptcy, we entered into extensive negotiations with several parties with a view to selling the holding companies in order that we could realise our shares in ASM. The highest offer we received was from the four Marrache siblings, therefore the holding companies (and it follows ASM) were sold to them in August 2018.

9. Other Marrache family assets

There is a plot of land in Las Chapas, Spain, which is held in the name of the late Reina Marrache. In order to realise the Bankrupts' shares, we need to sell the land. We have instructed our Spanish solicitor to obtain a formal valuation of the land (as required by the Spanish Courts) in order that the process may commence. However, initial valuations have estimated that the land may have limited value. Our enquiries in this regard remain ongoing.

There are various other Marrache family assets, for example, the “El Calpense” collection of newspapers. We have received an offer from the Gibraltar Government for the purchase of the entire collection but we do not believe that it is a reflection of the true value of the collection. Of course, the value lies in however much a purchaser is willing to pay and we will need to wait and see what offers are received once we have possession (they are currently within Fortress House which we do not have access to). There is also a Rolls Royce and various paintings within Fortress House which we still need to repossess and sell, but realisations in respect of these assets are not expected to be high.

10. Claims against Rebecca Marrache, Joshua Marrache and Abraham Marrache

The three siblings above also received drawings from the Firm, which they either dispute having received or claim were monies received for work done. They have not repaid those funds therefore their share in the net proceeds of the sale of the Property shall be adjusted to allow for repayment of those drawings.

11. Maclaine Holdings Ltd

Maclaine Holdings Limited held a property at Admiral's Place, and one of the largest creditors had made a direct claim against it. The Property had however been mortgaged to Jyske to secure the borrowings of the Firm, and they too had filed a claim but had not yet repossessed. We reached a settlement with Jyske and the creditor concerned, the result being that we received a cash settlement, Admiral's Place was returned to the creditor, and both he and Jyske withdrew their claims in both the liquidation and bankruptcies in respect of the Property. As with other settlements reached, this was presented to the Court and approved by Mrs Justice Ramagge Prescott.

12. Claim against a former client of the Firm for unpaid legal fees

Part of our investigations into the Firm naturally included a review of unpaid fees owed by clients of the Firm and we identified one such client. When we sought payment of the fees, the former client denied any liability to pay the same. She thereafter claimed that, even if fees were owed, the bill issued was insufficiently particularised and ought to be assessed. We issued proceedings in the

Supreme Court of Gibraltar, and successfully negotiated settlement which brought the matter to an end.

13. Time costs

The Joint Liquidators' outstanding time costs and disbursements now stand at over £1,500,000 for CVR and over £800,000 for PwC although creditors should be aware that these costs are being carried by both firms as no funds have been available to pay any Joint Liquidators costs since December 2012.

A substantial portion of monies recovered from assets sold to date have been used to pay legal fees incurred in defending the bankruptcy appeals and other actions taken against the bankrupts and their families. In addition, we now face ongoing legal costs in the Raphael Marrache appeal in London, together with the costs that will now be incurred in evicting Rebecca Marrache and others from Fortress House.

14. Grouping Order

In view of the overlap between the Firm and the bankruptcy estates, we have taken the view that it is sensible and more cost efficient that the estates essentially be grouped together. All creditors have of course been notified of our intentions in this regard and the reasons for it, therefore we shall proceed to make the necessary application to Court.

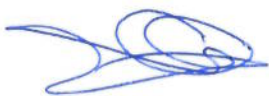
15. Potential distribution to creditors and conclusion

Over nine years have now passed since the Firm was wound up. As creditors are aware, our work has been complex, difficult and arduous on the basis of the conduct of the Bankrupts and other third parties. The significant legal assistance received by the Bankrupts and their families meant that, as and when funds were recovered by us, they were immediately used to fund other actions, whereupon we would inevitably be faced with yet another challenge. The very recent case of Raphael Marrache is simply another example of an unmeritorious defence that is now being appealed in London despite the observations of the Court of Appeal that the appeal has no prospects.

It is difficult to assess the potential value of any distribution to creditors. The next stage is however to sell Fortress House at which point we will be able to confirm what funds are available.

Work therefore continues, and a further report will follow in due course.

Yours sincerely



Edgar C Lavarello
Joint Liquidator