

IN THE SUPREME COURT OF GIBRALTAR
CHANCERY DIVISION

IN THE MATTER OF MARRACHE & CO
("AN UNREGISTERED COMPANY")

(In Liquidation by Order of the Court)

AND

IN THE MATTER OF THE COMPANIES ACT

JOINT LIQUIDATORS' PRELIMINARY REPORT
(IN ACCORDANCE WITH SECTION 233 OF THE COMPANIES ACT)

MARRACHE & CO ("AN UNREGISTERED COMPANY")

(In Liquidation by Order of the Court)

JOINT LIQUIDATORS' PRELIMINARY REPORT

(IN ACCORDANCE WITH SECTION 233 OF THE COMPANIES ACT)

We, Adrian C Hyde of Chantrey Vellacott DFK LLP and Edgar C Lavarello of PricewaterhouseCoopers Limited, 10th Floor, International Commercial Centre, Casemates Square, Gibraltar were appointed Provisional Joint Liquidators and subsequently Joint Liquidators of **Marrache & Co ("the firm")** on 15 February 2010 and 17 March 2010 respectively by virtue of Section 235(1) and 231(3) of the Companies Act.

BRIEF HISTORY

The firm operated as an international law firm with offices in Gibraltar, London, Spain, Portugal, Luxembourg and Czech Republic. The firm specialised in the provision of legal and corporate services to both corporate and private clients. It also operated a Trust Company by the name of Cabor Trustees Limited ("Cabor") and a Corporate Management business by the name of Gibland Secretarial Services Limited ("Gibland").

Following an investigation by the Financial Services Commission into the affairs of Cabor and Gibland, all licenses held by Cabor, Gibland and its directors were revoked and Mr Frederick White from Grant Thornton (Gibraltar) Limited was appointed Authorised Administrator. Simultaneously, the Chief Justice of the Supreme Court revoked the practising certificates of the firm's Managing Partner, Benjamin Marrache, and of the firm's senior partner Isaac Marrache. Shortly after, the premises of the firm, Gibland and Cabor were taken over by the RGP and Benjamin Marrache, together with his brother Solomon Marrache, the firm's finance director, was arrested on suspicion of false accounting. Isaac Marrache was later arrested and charged with similar offences upon his arrival at Gibraltar.

STATEMENT OF AFFAIRS

The partners of the firm have not complied with their statutory duty to furnish us with a Statement of Affairs as prescribed by Law.

ASSETS

Our investigations have revealed that the firm had very few liquid assets with very limited funds at bank. Following a worldwide freezing injunction secured by T & T Trustees Limited (as trustees for The Lamotte and The Greene Settlement, two former clients of the firm who have had substantial amounts of monies misappropriated) all personal and firm accounts were frozen.

Within the premises occupied by the firm we have been able to locate a substantial collection of art and other historical artefacts including an important collection of paintings by local artist Jacobo Azaguri. These have been valued by a local artist at circa £200,000. These assets are being claimed by the Marrache Family Foundation Trust and we have made an application to Court to set aside this claim.

Our investigations have also revealed that the partners of the firm had substantial means in the form of property and other assets. On the basis that they are personally liable for the debts of the firm a petition was made by a former client of the firm, Portino Commercio Internationale S.A, to adjudge them bankrupt. This resulted with Edgar Lavarello and Adrian Hyde being appointed Interim Trustee and Interim Special Manager, and subsequently Trustee in Bankruptcy and Special Manager. At this moment in time our efforts are continuing with the task of realising assets, held by the partners of the firm, for the benefit of creditors.

LIABILITIES

The firm has substantial liabilities due to clients of the firm as well as amounts due to trade creditors and secured creditors. These are shown in Appendix B and total £27,831,995.28. Furthermore bank borrowings total £12,846,802.70 making total liabilities of £40,678,797.98.

ACCOUNTING INFORMATION

The firm's accountant/auditors were Baker Tilly (Gibraltar) Limited ("Baker Tilly") and the last set of unaudited accounts prepared were for the year ended 30 June 2007. From these accounts we can see that the firm had net assets of £130,369 as at 30 June 2007.

On the basis that we do not have up to date accounting information we are unable to determine what the firm's financial position would be as at the date of liquidation.

CONCLUSION

As can be seen, this liquidation is very complex with a number of available leads. Accordingly, we are unable to estimate at this moment in time what level of recoveries creditors are likely to receive in both the bankruptcy estates and the liquidation.



Edgar C Lavarello
Joint Liquidator

Dated this 1st day of August 2011

APPENDIX A

MARRACHE & CO (“AN UNREGISTERED COMPANY”)

(In Liquidation by Order of the Court)

No of Company:	not applicable
Date of Incorporation:	16 May 1988
Partners:	Isaac S Marrache (Senior Partner) Benjamin J Marrache (Managing Partner) Solomon S Marrache (Finance Director)
Registered Office:	5 Cannon Lane Gibraltar
Change of Situation: Filed: 17/03/10	10 th Floor International Commercial Centre Casemates Square Gibraltar
Nature of Trade:	Law firm
Date of Appointment of Provisional Joint Liquidators:	15 February 2010
Date of Appointment of Joint Liquidators:	17 March 2010
Date of last Annual Return:	16 May 2008
Date of Last Accounts filed with Income Tax Office:	30 June 2007

Schedule of unsecured claims received

Name of creditor	Proof of Debt Received £
3 Stone Buildings	15,940.00
Abegon Fitters	11,690.60
Adela & Maria Abrines	418,568.51
Adela Abrines	134,106.17
Admiral Security (Gib) Ltd	1,200.00
Ahron Frenkel	1,800.00
AI International Couriers	4,237.80
Anglo-German Limited	2,060.18
Anne-Marie Lopez & Dustin Horrillo	1,079.53
BFA Valuers	1,120.00
BPP Professional Education Limited	1,130.00
Campbell, JO & AM	4,533.50
Capio Nightingale Hospital	9,138.92
Carol Haw	80,000.00
Charles & Barbara Durante	6,300.00
Chelsea Manor Limited	1,250.00
C-Law Solicitors Systems	1,807.77
CTS	30,637.20
Currency Centre Limited	5,217.70
Danielle del Agua	828.99
David Doyle	10,000.00
Derek & Deirdre Kemp	2,087.32
Dimple Sadhwani, Nature Trail 9th Floor	195.00
E J Hammond & Sons Limited	617.95
Emilio Luise	1,448,212.82
Euro Franchise Management Limited	337.96
Ferrous Metal Company Limited	7,000.00
Form-a-Trust Limited (trustees of the Gladdis Foundation)	832,513.00
Gary M McManus	2,289.62
Ghadamis, Joseph	888,158.37
Gib Exchange Centre	12,466.50
Gibraltar Chronicle	1,800.00
Gibraltar Maritime Admiral	28,671.08
Gibsat Limited	872.76
Gibtelecom	12,283.41
Glass House	122.10
Harold Perloff	18,505.00
Hogan Family Trust (Mrs Hogan)	756,814.10
Image Graphics (Gibraltar) Limited	32,474.52
Insight Publications Ltd	2,390.00
Jennifer and Kenneth Gladis	590,611.00
John Robbins	150,000.00
Kenneth Herbert Ling	500,000.00
Lee O'Connor	13,179.00
Legal Document Logistics	607.50
Line Trust Corporation Limited - Max Moryoussef Trust	609,503.45

Linetime Limited	4,795.00
Mark Steyne	17,185.90
Martin Louis Posso & Kerisse Emille Munoz	226.00
Mary Callaghan	60,000.00
Med Cleaning Services Ltd	2,600.00
Mike Flannery	15,148.25
Mr and Mrs Rumbak	5,351.00
Mr John Wardle and Mrs Jane Wardle	33,748.84
Mrs Vivienne McManus	2,289.62
MRW Business Centre	3,834.00
Ms Anna Maria Risso	127,836.49
Nicholas Azopardi	32,617.98
Nigel Hughes	25,401.50
O'Callaghan Elliott Hotel	2,056.00
OFI Foundation	1,089,972.30
Oliver Withoeft	18,500.00
Paul & Yvonne Alexander	545.58
Pavilion Settlement (The)	96,670.64
Paxton Properties Limited - Amos Pickel	739,214.68
Pedro Escalante Parra	33,229.50
Peter Bonde Nielsen	25,000.00
Portino Comercio Internacional SA	1,674,037.30
Prester (International) Limited - Mr & Mrs Edge	7,679.18
Queensway Quay Management Ltd	14,416.68
Ramperey Jaganath Gujar and Ramadhar Yadav	2,758.50
Robert Kampf	34,938.00
Romina Sciortino	301.00
Roy Sharma	35,135.00
Sefat Distributions	1,452.69
SG Hambros Bank	42,763.88
Siobhan Pettit	45,788.38
Stephen Andrews	1,320.25
T & T Trustees Limited	9,413,318.02
The Executors of Peter Frederick Burrett	72,766.10
The Little Rock Café	1,695.16
The Loan Centre	3,829.00
The PC Clinic	479.00
The Salisbury Trust	100,883.13
The Severn Trust	334,432.53
The Trustee of the Woodlands Trust (Lorraine Pedder & Ors)	104,235.85
The Wood Bigland and Bowen Family Trust	725,000.00
Timeloft Limited	5,637,206.10
Timothy Peter Ellis	225.00
Tomas Kosicka	170,000.00
Tradewinds Management Ltd	3,771.40
Waterlow Legal and Regulatory Ltd	1,838.52
William Preston	132,000.00
Yael Erbs	277,942.00
Total proved claims received	27,830,795.28
Millhouse, Stella Marta Paola (New Claim)	1,200.00
Total as per Preliminary Report	£27,831,995.28



Chantrey Vellacott DFK

TO ALL KNOWN CREDITORS
Address per envelope

15 April 2011

Dear Sir/Madam

Marrache & Co ("the firm") - In Compulsory Liquidation

The purpose of this letter is to provide you with a brief update of our work over the past 12 months since our appointment as Provisional Joint Liquidators of the firm on 15 February 2010 and later as Joint Liquidators on 17 March 2010.

The first meeting of creditors was held on 13 April 2010 at which the following were appointed to the Committee of Inspection.

- T & T Trustees Limited- represented by Charles Simpson of Messrs Triay & Triay
- Mr Jim Magner - represented by himself
- Portino Comercio International SA - represented by Mr Charles Salter from Messrs Phillips & Co
- Ms Adela Abrines & Ms Maria Abrines - represented by Mr Stephen Bossino from Messrs Bullock & Co
- Gibland Secretarial Services Limited ("in Liquidation") & Cabor Trustees Limited ("in Administration") - represented by Mr Freddie White from Grant Thornton

The role of the Committee of Inspection is to assist the Joint Liquidators who will consult with the committee and report progress whenever required. The Committee also has the power to question any matter of relevance and provide specific or general advice on certain areas and thus reduces the need of the Joint Liquidators having to revert to the general body of creditors every time there is an important matter at hand.

Shortly after the order appointing the Provisional Liquidators to the firm bankruptcy proceedings were commenced against Isaac Marrache, Benjamin Marrache and Solomon Marrache ("the Marrache brothers"). Ultimately this resulted in the Marrache brothers being adjudged bankrupt by the Supreme Court on 26 November 2010 and Edgar Lavarello being appointed Trustee in Bankruptcy and Adrian Hyde being appointed Special Manager to their respective estates. In practical terms this means that all of their personal assets now vest with the Trustee in Bankruptcy and the Special Manager and these can be realised in accordance with the provisions of Gibraltar law. However, at the current time, Isaac Marrache continues to appeal one of the interim orders, which is awaiting a hearing date before the Privy Council, and all 3 of the Marrache Brothers claim to be appealing the bankruptcy orders. With regard to the appeals against the bankruptcy orders, whilst they have served notices upon us and the petitioners, their appeals have not been accepted by the Court as having been properly issued.

Our initial findings revealed that the firm itself had substantial liabilities and very few assets. However, our investigations have identified a number of assets as belonging to the partners of the firm. We have concentrated our efforts on the recovery of these assets, which has not been easy as we have had to

contend with claims from family members and other business partners all of whom seemed to be claiming the same assets. Nevertheless on a number of these we have made good progress and are close to the realisation of some major assets but this has come at a huge cost in litigation fees and related expenses. It has to be noted that most of the issues we are facing are substantially complex and have involved many counter claims and appeals from other parties, which have resulted in additional complications and further delays.

At this moment in time a number of the claims are at a sensitive stage and it would not be appropriate for us to provide detailed information. However, we will do so in a future report in relation to any claims that are settled or otherwise concluded. It is also difficult to provide you with an estimate at this time of the level of recoveries which we can expect to achieve from the liquidation and bankruptcy proceedings. This will very much depend on the actions that are currently underway, and others that are contemplated.

We will continue to work towards the recovery of the assets we have identified and hope to be in a position to provide you with further information as progress is made.

Yours sincerely



Adrian Hyde
Joint Liquidator
Chantrey Vellacott (Gibraltar) Limited
85 Main Street
Gibraltar



Edgar Lavarello
Joint Liquidator
PricewaterhouseCoopers Limited
10th Floor, International Commercial Centre
Casemates Square
Gibraltar