



# Harlequin Property (SVG) Limited - in Bankruptcy

First report to the creditors

**PRIVATE AND CONFIDENTIAL**

May 19, 2017

# Important notice

This report has been prepared solely for the purpose of providing an update to all creditors pursuant to Section 209 of the Bankruptcy and Insolvency Act of the St. Vincent and the Grenadines.

The report has been prepared using the information available to the Bankruptcy Trustee as at May 17, 2017. Investigations are ongoing and new information is continuing to be received. Such new information may result in material changes to matters set out in this report.

The particulars contained in this report are based on information provided to Mr. Brian Glasgow and/or KPMG by Harlequin Property (SVG) Limited and its advisors. Whilst the particulars in this report have been presented with all due care, Mr. Brian Glasgow and/or KPMG do not warrant or represent that information provided is free from errors or omissions. Mr. Brian Glasgow and KPMG make no warranty as to the content, accuracy or completeness of the information provided to them.

All currencies in this report are expressed in United States Dollars unless specifically expressed otherwise.



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## First report to the creditors

# Glossary

|                                      |   |
|--------------------------------------|---|
| <b>Bankruptcy Trustee or Trustee</b> | Brian Glasgow of KPMG Barbados                                    |
| <b>BBRL</b>                          | Buccament Bay Resorts Limited                                     |
| <b>BCQS</b>                          | BCQS International Limited  |
| <b>BIA</b>                           | Bankruptcy and Insolvency Act of Saint Vincent and the Grenadines |
| <b>Company/Harlequin SVG</b>         | Harlequin Property (SVG) Limited                                  |
| <b>Court/SVG Court</b>               | High Court of Justice St. Vincent                                 |
| <b>Harlequin Group</b>               | All companies under the ultimate control of Mr. David Ames        |
| <b>SIPP providers</b>                | Self invested personal pension providers                          |
| <b>SVG</b>                           | Saint Vincent and the Grenadines                                  |
| <b>UK Court/English Court</b>        | High Court of Justice of England and Wales                        |
| <b>USD</b>                           | United States Dollars   |
| <b>VINLEC</b>                        | St. Vincent Electricity Services Limited                          |
| <b>WK</b>                            | Wilkins Kennedy   |

May 19, 2017

# Letter to creditors

Harlequin Property (SVG) Limited

**Dear Creditor**

I am pleased to provide you with the First report to creditors (the "Report") of the Estate of Harlequin Property (SVG) Limited (Harlequin SVG). Harlequin SVG was placed under Bankruptcy on March 3, 2017 and my appointment as Bankruptcy Trustee was affirmed after the first day of the First creditors meeting on March 31, 2017.

Prior to my appointment as Bankruptcy Trustee, I was appointed as Proposal Trustee following the Company filing a notice of intention to submit a proposal. As Proposal Trustee, my duties were to assist the Company in preparing the proposal as well as ensuring the creditors rights were not prejudiced through the process.

In December 2016, the resort at Buccament Bay closed due to the electricity and water supplies being disconnected due to non payment as well as staff ceasing to work due to arrears in wages and salaries.

Following the closure of the Resort, I was appointed Interim Receiver of Harlequin SVG on December 17, 2016 in order to protect the assets at Buccament Bay, which were being looted, as well as to protect the funds received from the Wilkins Kennedy Judgement monies.

On February 24, 2017 the SVG Court refused the Company a third extension of time to file a proposal which led to the automatic assignment of the assets and ultimately my appointment as Bankruptcy Trustee pursuant to the BIA.



**Brian Glasgow**  
Bankruptcy Trustee

The Report seeks to give you an overview of Harlequin SVG and to highlight the issues related to the estate to Harlequin SVG. I hope you find this Report useful in explaining the current status of the both Buccament Bay and Merricks resorts.

The Report also seeks to highlight the Bankruptcy process and provide the steps that my team and I will need to take.

I will continue to keep creditors informed throughout the Bankruptcy process through formal reports or notices uploaded to the website at the following link [www.kpmg.com/harlequin](http://www.kpmg.com/harlequin).

All queries relating to Harlequin SVG should be addressed to [harlequin\\_trustee@kpmg.bb](mailto:harlequin_trustee@kpmg.bb).

Yours truly,

A handwritten signature in black ink, appearing to read 'B Glasgow', with a horizontal line extending to the right.

**Brian Glasgow**

Bankruptcy Trustee of the  
Estate of Harlequin Property  
(SVG) Limited  
(And not in his personal capacity)

# Overview of Harlequin Property (SVG) Limited

## Summary

Harlequin Property (SVG) Limited (“Harlequin SVG” or the “Company”) was incorporated under the Laws of Saint Vincent and the Grenadines. The Company’s registered office is First Floor, Saint Vincent Building & Loan Association Building, 108 Halifax Street, Kingstown, Saint Vincent and the Grenadines.

Harlequin SVG is one of the companies which comprise the Harlequin Group of Companies (“the Harlequin Group”). The Harlequin Group is made up of several entities throughout the Caribbean (Saint Vincent, Saint Lucia, Barbados, Dominican Republic and the Cayman Islands) which are beneficially owned and controlled by David Ames.

Prior to being placed in bankruptcy, Harlequin SVG operated as a property developer. The Company purchased a property situated on the West Coast of Saint Vincent of approximately 37 acres (Buccament Bay) as well as a property situated on the East Coast of Barbados of approximately 70 acres (Merricks).

Harlequin SVG planned to sell either land with fully constructed cabanas or fully furnished hotel rooms in a resort-style setting to individuals who were largely based in the United Kingdom. These were frequently sold as long-term investments and held in Self-Invested Pension Plans (SIPPs).

The Company entered into sale and purchase agreements with investors who went on to make payments towards their property. Sale and purchase agreements were executed and stage payments were made. The sale and purchase agreement contemplated in particular that upon transfer of title of the cabana or hotel room, the owner would be required to enter into an agreement with the resort’s management company; Buccament Bay Resorts Limited (“BBRL”).

By the terms of the management contract, an owner would be entitled to have exclusive use of that property for a period of up to four weeks each year.

Approximately 2,900 persons entered into agreements with Harlequin SVG to purchase cabanas or rooms. Although some people sought to purchase these properties directly from Harlequin SVG, many sought to purchase them through a self-invested personal pension provider which was regulated by the Financial Conduct Authority in the United Kingdom (“SIPP providers”).

Harlequin’s intentions for the Buccament Bay and Merrick’s properties were never fully realized.

## Key assets of the Company

### *Buccament Bay – Saint Vincent and the Grenadines*



At the Buccament Bay property, construction commenced in or around 2007 and came to a halt in 2014. By that time, there were 116 fully completed cabanas, approximately 60 partially completed cabanas, and a large number of lots for which the construction of cabanas had not yet started. In addition, two of the envisaged five residential blocks were constructed, but only one of these blocks was partially operational. Certain of the planned resort amenities (such as a pool and restaurants and cafes) were also constructed. Notwithstanding the failure to complete construction, the hotel resort at Buccament Bay had been operating on a limited basis with 20 hotel rooms and 116 cabanas available.

The hotel resort operation at Buccament Bay was closed on December 14, 2016 due to the inability of BBRL to pay its staff wages and the electricity invoices owed to the Saint Vincent electricity company, VINLEC resulting in the electricity to the entire Buccament Bay property being disconnected.

### *Merricks – Barbados*



Limited construction took place at the Merrick’s property comprising a sales office and show units.

### *Wilkins Kennedy – United Kingdom*



The Company was successful in a claim against their previous financial advisors and monies awarded in the sum of approximately £10.5m to Harlequin SVG on December 12, 2016 in suit number HT-2014-000038, Harlequin Property (SVG) Limited and Harlequin Hotels and Resorts Limited v. Wilkins Kennedy (a Firm) in the High Court of England and Wales.

### *Intercompany debts - Global*

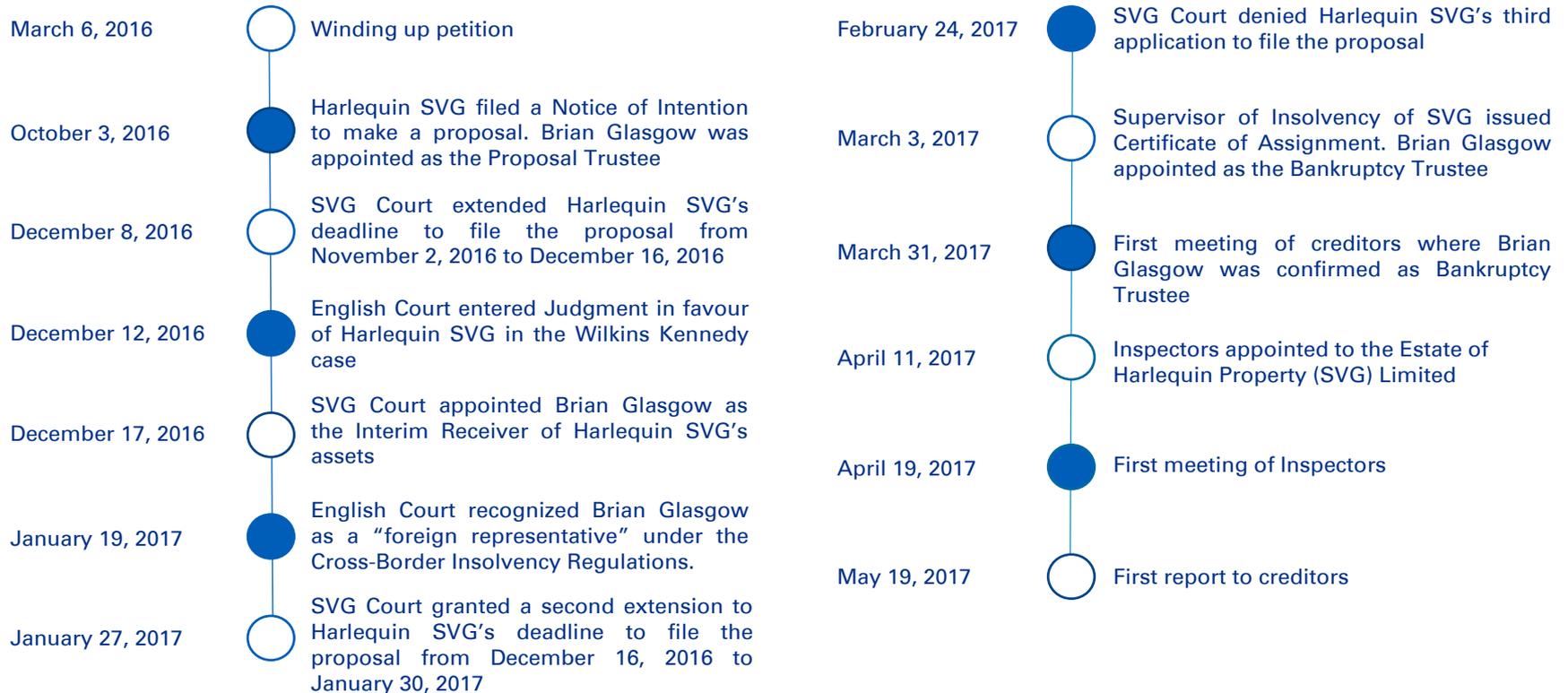


Debts from other entities within the Harlequin Group which arose from intercompany positions.

## First report to the creditors

# Summary of key dates

The timeline below is an overview of key developments with respect the Bankruptcy of the Estate.



### Notes

1) The timeline does not include the filing dates of Court applications made in the United Kingdom, Saint Vincent and Saint Lucia or the dates of every Court hearing. It does not reference the filing dates of Brian Glasgow's respective reports to the Court or to the Supervisor of Insolvency.





# Bankruptcy process

## First report to the creditors

# Bankruptcy process

### The Bankruptcy Process

Harlequin SVG entered into bankruptcy on March 3, 2017 after a certificate of assignment was issued by the Supervisor of Insolvency.

Brian Glasgow, a licensed insolvency practitioner in SVG, was appointed as Bankruptcy Trustee and affirmed at the first meeting of creditors held on March 31, 2017.

The Trustee is an officer of the Court and as such has a duty to the Court and other stakeholders, including creditors.

In addition, the Trustee has certain powers which can be used upon receiving the requisite approval from the Inspectors as required by Section 212 of the BIA. These powers are outlined on page 15.

### Trading the Buccament Bay Resort

The Trustee has received several requests that the Buccament Bay Resort be reopened. The Trustee has considered his ability to operate Buccament Bay Resort, which would likely require engaging a management company to operate the hotel and the business.

The option of trading the resort is not viable at this stage because of the significant capital injection that would be required to trade the business.

During the proposal process, the Proposal Trustee was informed by a management company, selected by Harlequin to manage the development, that a capital injection of circa \$5m would be required before the resort could be reopened.

This investment was required to undertake the reconnection of the electricity and water supply, installation and commissioning of the sewerage system, and ongoing working capital support for operations.

The Estate does not have the necessary cash resources to make the required capital investment.

### Notice of Motion for leave to appeal

On February 24, 2017 the High Court of Saint Vincent and the Grenadines refused a further extension of time to file a Proposal, this decision led to the Bankruptcy of Harlequin SVG.

Following the High Court's decision, Harlequin SVG made an application the Court of Appeal for leave to appeal on March 10, 2017. If granted this would allow the Company the right to appeal the decision made by the High Court on February 24, 2017.

The hearing for the application for leave to appeal has been adjourned until June 29, 2017.

The Trustee will provide further updates following this Court hearing.



# The team

## First report to the creditors

# The team - KPMG

**Brian Glasgow of KPMG Barbados was affirmed as Bankruptcy Trustee on March 31, 2017 at the first meeting of creditors. Brian leads a cross border team of restructuring specialists based in Saint Vincent, Barbados and the United Kingdom. The team comprises:**



**Brian Glasgow**, Bankruptcy Trustee

Brian has over 31 years' post-qualification experience in assurance and financial advisory services, as well as the private sector, in financial management and corporate secretarial matters. Brian also has a wealth of insolvency experience and has acted as the Proposal Trustee and Interim Receiver in the most complex restructuring assignments throughout the Caribbean. Brian is a fellow of the Association of Chartered Certified Accountants, FCCA (UK), a member of the American Bankruptcy Institute and holds an insolvency trustee license in Saint Vincent and the Grenadines.

### Caribbean



**Craig Waterman**, Partner

Craig brings over 15 years' experience in restructuring services throughout the Caribbean and Latin America. Craig has specific experience in conducting business reviews to assess financial viability, recovering assets in foreign jurisdictions and acting as court-appointed liquidators and receivers to wind up estates. Craig holds an insolvency trustee license in Barbados.



**David Collins**, Senior Manager

David has over 10 years' professional services in the full range of restructuring services, including formal insolvency appointments, independent business reviews, cash and working capital management, options reviews and corporate led turnarounds in the UK and the Caribbean. David is a qualified accountant and holds the Joint Insolvency Examination Board of England and Wales (JIEB) designation.

### United Kingdom



**David Standish**, Partner

David has over 23 years of Transactions and Restructuring experience with KPMG. He is the head of the national contentious insolvency practice and has extensive experience and expertise working in a number of offshore jurisdictions. David has carried out many varied joint restructuring and forensic accounting assignments. David is a Licensed Insolvency Practitioner, FIPA.



**James Bennett**, Director

James specializes in complex and cross-border insolvency matters and has worked for KPMG in the UK, Japan, Cyprus, Bermuda and the Eastern Caribbean advising on all aspects of corporate recovery, formal and informal restructuring and insolvency work. James is a Chartered Accountant and holds the Joint Insolvency Examination Board of England and Wales (JIEB) designation.

## First report to the creditors

# The team - Legal counsel

### Lex Caribbean



#### **Garth Patterson, Q.C.** – Regional Managing Partner

Garth Patterson Q.C. is the Regional Managing Partner of Lex Caribbean as well as the Managing Partner for the Barbados office. He currently leads the Commercial Litigation, Restructuring and Insolvency Group. He is admitted and qualified to practice at the Bars of Jamaica, Barbados, Trinidad & Tobago, Saint Lucia, Saint Vincent and the Grenadines and New York. The focus of his practice is on commercial matters, with a strong emphasis on corporate law, bankruptcy and insolvency receiverships, securities law and commercial litigation. Garth was appointed as Queens Counsel in 2007 and is a member of INSOL International.

### Jones Day



#### **Barnaby Stueck** – Partner

Barnaby Stueck is a solicitor of the Senior Courts of England and Wales and is an Attorney at Law in the Grand Court of the Cayman Islands. Barnaby leads the firm's offshore dispute sub-practice. His practice is concentrated on multijurisdictional commercial litigation and arbitration with a specific emphasis on complex fraud, contentious insolvency and investment fund disputes. Barnaby's cases have involved a broad spectrum of jurisdictions with exposure to the following Caribbean territories: St. Vincent and the Grenadines, Cayman Islands, British Virgin Islands, Bermuda, Bahamas and St. Kitts and Nevis.



#### **Lalita Vaswani** – Senior Associate

Lalita Vaswani is a Senior Associate in the Commercial Litigation, Restructuring and Insolvency Group. She was called to the Bars of England and Wales, Barbados, Saint Lucia and Saint Vincent and the Grenadines. Lalita has played a pivotal role on legal advisory teams in various high profile restructuring and insolvency matters involving regional and international entities. Her practice encompasses bankruptcy and insolvency, receivership, custodianship of international financial institutions arising from corporate mismanagement, judicial management of insurance companies, the enforcement of security interests and debt recovery matters.



# The Inspectors

## First report to the creditors

# The Inspectors

### The inspectors

As well as the affirmation of the Bankruptcy Trustee at the First meeting of creditors, all creditors with proven claims were given the opportunity to nominate and vote for the inspectors of the estate.

The Bankruptcy and Insolvency Act of Saint Vincent and the Grenadines allows for a maximum of five inspectors to be appointed. The inspectors are appointed by ordinary resolution.

16 individuals were nominated as inspectors of the Estate of Harlequin SVG.

Only five inspectors passed the threshold of receiving more votes for than against their appointment and were subsequently appointed.

The appointed inspectors were:

1. James Darbyshire
2. John Cullen
3. Stewart Haynes
4. Thomas Kelen
5. Gareth Fatchett

Since their appointment the Bankruptcy Trustee has held two meetings with the Inspectors for the purposes of administering the Estate.

### The role of the inspectors

The inspectors are appointed as representatives of all the creditors and occupy positions of trust. They are expected to assist the Bankruptcy Trustee by virtue of their experience and are required to supervise certain aspects of the Bankruptcy Trustee's administration of the estate.

The Bankruptcy Trustee is an officer of the court who acts in a fiduciary capacity for the creditors under the guidance and direction of the inspectors. If there is a disagreement between the Bankruptcy Trustee and the inspectors, they may seek guidance from either the creditors or the Court to resolve the matter.

The inspectors are appointed as representatives of all creditors and occupy positions of trust. They are expected to assist the Bankruptcy Trustee by virtue of their experience and are required to supervise certain aspects of the Bankruptcy Trustee's administration.

## First report to the creditors

# The Inspectors

### Powers of the Trustee requiring the permission of the inspectors

Pursuant to Section 212 of the BIA, the Bankruptcy Trustee has explicit powers if approved by the inspectors.

Where the use of these powers are required for the efficient administration of the estate by the Bankruptcy Trustee, resolutions will be put forward to the inspectors to be voted upon.

Each inspector present holds one vote and where there is a tie the Bankruptcy Trustee holds the casting vote.

The powers requiring permission from the inspectors are as follow:

- a) for such price or other consideration as the inspectors may approve sell or otherwise dispose of all or any part of the property of the bankrupt, including the goodwill of the business, if any, and the book debts due or falling due to the bankrupt, by tender, public auction or private contract, with power to transfer the whole of the property to any person or to sell the same in parcels;
- b) lease any real property;
- c) carry on the business of the bankrupt, in so far as may be necessary for the beneficial administration of the estate of the bankrupt;
- d) bring, institute or defend any action or other legal proceeding relating to the property of the bankrupt;
- e) employ an attorney or other agent to take any proceedings or do any business that may be sanctioned by the inspectors;
- f) accept as the consideration for the sale of any property of the bankrupt a sum of money payable at a future time, subject to such stipulations as to security and otherwise as the inspectors think fit;
- f) incur obligations, borrow money and give security on any property of the bankrupt by mortgage, charge, assignment, pledge or otherwise, and the obligations and money borrowed shall be discharged or repaid with interest out of the property of the bankrupt in priority to the claims of the creditors;
- g) compromise and settle any debts owing to the bankrupt;
- h) compromise any claim made by or against the estate;
- i) divide in its existing form among the creditors, according to its estimated value, any property that from its particular nature or other special circumstances cannot be readily or advantageously sold;
- j) disclaim any property which binds the possessor of the property to the performance of any onerous act or to the payment of any sum of money;
- k) elect to retain for the whole part of its unexpired term, or to assign, surrender, disclaim any lease of, or other temporary interest in, any property of the bankrupt; and
- l) appoint the bankrupt to aid in administering the estate of the bankrupt in such a manner and on such terms as the inspectors may direct.



# The assets

## First report to the creditors

# The assets - Buccament Bay

### Buccament Bay

Harlequin SVG's main asset is a property situated on the western end of the island of Saint Vincent which comprises approximately 37.16 acres.

Buccament Bay Resort operated at the Buccament Bay property until December 15, 2016. Since the closure of Buccament Bay Resort, Brian Glasgow has retained private security to keep the premises secure and has hired a skeleton staff to maintain the premises in order to protect and preserve this asset.

Insurance cover has also been effected for the property.

### Valuation

In or around 2011 international quantity surveyors, BCQS, issued a valuation report on the Buccament Bay Resort. However, this report was prepared with the assumption that the hotel was fully operational and that construction was fully complete.

An updated valuation report was being prepared prior to Harlequin SVG being placed in bankruptcy. However, payment was never made to BCQS and as a result, the updated report was not finalised.

The Bankruptcy Trustee will seek the permission of the inspectors in due course to release funds to pay for this report.

### Current situation

The Buccament Bay property is fraught with legal and construction-related problems outlined as follows:

- 1) **Incomplete Construction:** Construction is not completed on this property. There are presently 60 incomplete cabanas and a substantially incomplete 5-storey hotel building which was intended to contain 50 rooms.
- 2) **Title Issues:** There are at least three lots of land on which the hotel, cabanas and rooms are already built but whose title is not vested in the Company.
- 3) **Ownership issues:** A portion of the residential block which was constructed on land that may not be owned by Harlequin SVG. Mr. Bernard Punnett asserted ownership of this land. The Bankruptcy Trustee is reviewing the relevant title deeds and registrations.
- 4) **Reclaimed land:** Part of the resort on the western end of this property was constructed on land which is believed to have been reclaimed. On this portion of the land is constructed an infinity pool, a bar and a restaurant and several cabanas. The Government of Saint Vincent and the Grenadines have asserted ownership of this reclaimed portion.
- 5) **Property not fully subdivided:** A number of cabanas for which sale contracts were signed were constructed on property which has never been subdivided.
- 6) **Units cannot be identified:** It is difficult to identify all of the units which were sold by Harlequin SVG. Based on documentation provided by the Company, it appears as though Harlequin sold cabanas which cannot be readily identified on a registered plan for the Buccament Bay property.
- 7) **Lack of company information:** Mr. Dave Ames and his representatives have been uncooperative in providing the Bankruptcy Trustee with all of the particulars relating to this property.

## First report to the creditors

# The assets - Buccament Bay

### Action points

Section 70(1) of the BIA allows for a person claiming an interest in property owned by the bankrupt to file a proof of claim. By section 70(2) of the BIA, where a proof of claim has been filed, the Trustee is required to admit or deliver the property to the claimant or to dispute the claim within 15 days of the claim being made. Given the previously mentioned issues related to the property it is not possible for the Trustee to adjudicate Section 70 claims in the statutory 15 day period.

At the first meeting of inspectors, a resolution was passed granting the Bankruptcy Trustee permission to file an application to SVG Court seeking an extension of time to adjudicate the proofs of claims. This application has now been filed with the Court and the Trustee is awaiting confirmation from the Court Registrar as to the timing of this hearing.

Following this hearing the Trustee will be communicating with all investors regarding the likely outcome of their Section 70 claims.

The Trustee has been liaising with the Lands and Surveys Department of Saint Vincent and have been receiving numerous plans in connection with the resort. A working list is being compiled of those creditors who the Bankruptcy Trustee believe have a rightful Section 70 claim.

### Site plan

A site plan and further relevant photographs are included in Appendix 1.

Photographs of Buccament Bay (taken May 2017)



## First report to the creditors

# The assets - Merricks

### Land at Merricks

Harlequin SVG owns a property situated on the east coast of the island of Barbados which comprises approximately 70 acres.

The land is undeveloped as no substantive construction has taken place at this property aside from a show villa, site office, services hub and a gatehouse. These structures are now dilapidated because they have not been maintained.

### Marketing

During 2016 international quantity surveyors, BCQS, issued a valuation report on the Merricks Property. The Bankruptcy Trustee does not consider that an updated report be required.

The Bankruptcy Trustee has requested that two local marketing agents with links to larger worldwide sales agents provide proposals with respect to a sale. The Trustee and the Inspectors will review these proposals prior to engaging an agents to assist in the sales process.

### Photograph of the land at Merricks (taken January 2017)



## First report to the creditors

# The assets - Merricks

### Action points

#### ***Notice provided for claims pursuant to Section 70(1)***

As stated above under Buccament Bay Section 70(1) of the BIA allows for a person claiming an interest in property owned by the bankrupt to file a proof of claim.

The Inspectors have by resolution approved an application seeking an extension of time in this regard.

#### ***Appointment of a Barbados licensed trustee***

Given that this asset is located outside of the jurisdiction governing the bankruptcy, it would be necessary to make an application to the Barbados Court to recognize the bankruptcy of Harlequin SVG and to appoint a bankruptcy trustee to facilitate its sale.

**The Trustee will shortly be filing an application in the High Court of Barbados for the appointment of Craig Waterman, a trustee licensed pursuant to the Barbados bankruptcy legislation, as bankruptcy trustee over this asset.**

### Photographs of the land at Merricks (taken January 2017)



# The assets – Wilkins Kennedy judgement funds

### Background

Harlequin Property (SVG) Limited along with Harlequin Hotels and Resorts Limited, filed a motion in the UK Court against Wilkins Kennedy for damages in the amount of \$60 million for breaches of contract and or duty arising in connection with the development of a resort at Buccament Bay. Wilkins Kennedy is a firm of accountants and business advisors, who were acting as advisors on the Buccament Bay project.

The following are chronology of events relating to Wilkins Kennedy case:

**13 January 2017** - £10,540,866.84 paid into court by Wilkins Kennedy ("WK") pursuant to the judgment of Coulson J dated 12 December 2016 (the "Judgment Sum").

**19 January 2017** – Brian Glasgow applied (in his dual capacity as Proposal Trustee and Interim Receiver) (the "Trustee") to the English Court for an order recognising the SVG Proceedings as foreign main proceedings, pursuant to CBIR sch. 1, art. 17. An order in those terms (the "Recognition Order") was made on that date by Chief Registrar Baister, upon which, the statutory stay on proceedings in this jurisdiction came into effect.

**20 January 2017** - The Trustee made an application for permission to appeal the Orders made on 12 and/or 21 December 2016 in the WK Proceedings (in relation to the currency of the Judgment Sum and the rate of interest applied). Permission to appeal has not yet been determined. Should permission to appeal be granted and the Trustee is successful in his application a further sum of up to approximately £2.3 million may be awarded against WK.

**24 January 2017** - Following the filing of submissions on behalf of the Trustee, permission for WK to appeal was refused and there ceased to be any effective stay of execution in relation to the Judgment Sum which had, by then, been paid into court by WK. WK now has no further avenues of appeal and the Judgment Sum is now an asset of the Company, albeit that there are a number of claims against it from former advisers to the Company (as detailed below).

**9 February 2017** - Given the Trustee's limited capacity as an interim receiver, and as there was the prospect of the Company proposing a restructuring with its creditors under the BIA, directions were sought from the SVG Court as to how to proceed. This was adjourned by the SVG Court to 9 March 2017, in part, to enable interested parties to consider their positions.

**24 February 2017** – The SVG Court dismissed the last in a series of applications by the Company for an extension of time to file its proposal to creditors. As a consequence, from the date of issue of the certificate of assignment (3 March 2017), the Company's affairs fell to be administered as a bankruptcy and Mr Glasgow became the Bankruptcy Trustee of the Company.

**16 March 2017** – Pursuant to the order of 17 February 2017, the Trustee made an application to the English Court for directions as to the entitlements of the various parties who had asserted secured or proprietary claims to the Judgment Sum.

**31 March 2017** - Order obtained enabling the payment of the Funders.

**4 April 2017** – Order obtained modifying the Recognition Order to recognise the change in status of the SVG Proceedings and the appointment of the Trustee as Bankruptcy Trustee.

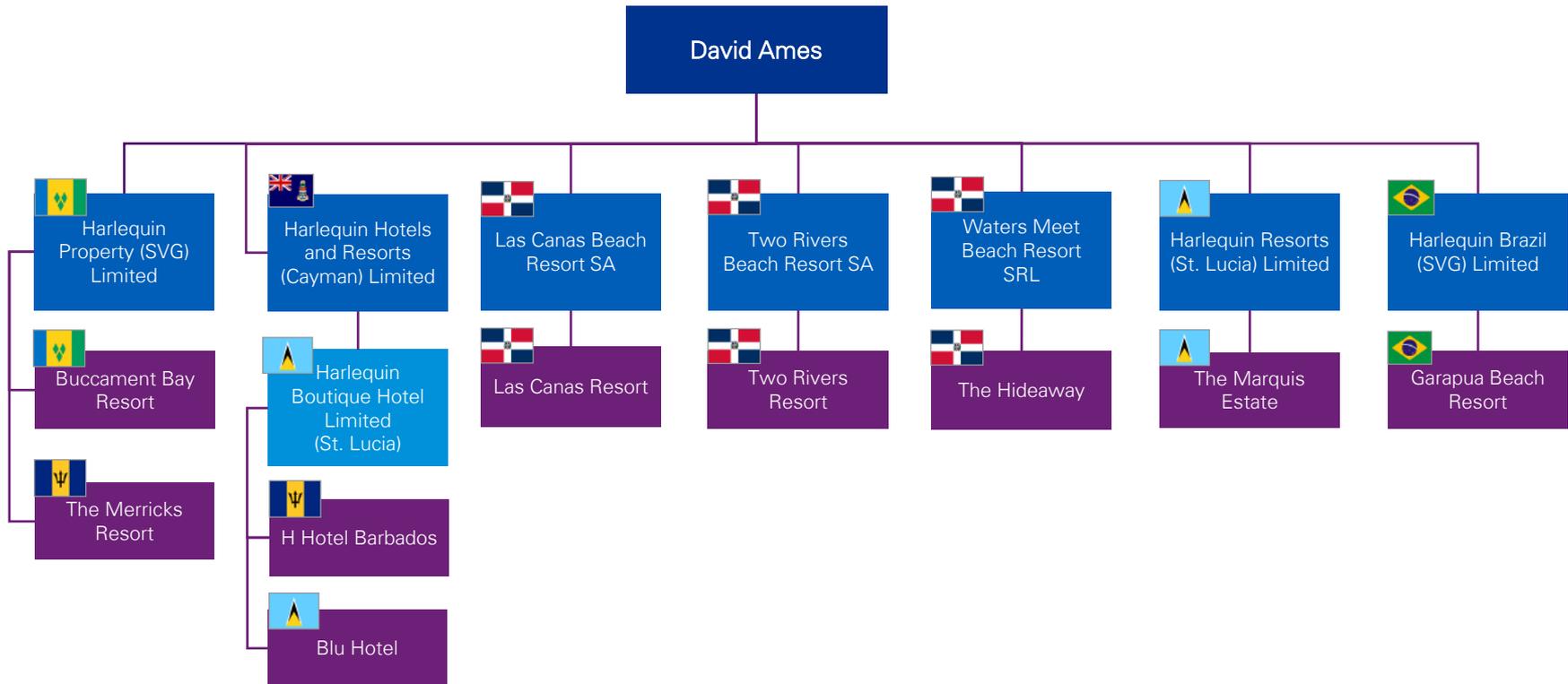
**5 April 2017** – Order obtained regarding directions as to the entitlements of the various parties who had asserted secured or proprietary claims to the Judgment Sum. In addition, the judge ordered that WK and the Insurers (Das Legal Expenses Insurance Company Limited, Elite Insurance Company Limited and Acasta European Insurance Company Limited) be joined and the Bar Council be permitted to intervene, taking the number of interested parties in the proceedings to 14.

**13 April 2017** – The Law Society wrote to the English Court indicating that it is also considering intervening in the proceedings.

## First report to the creditors

# The assets - intercompany debts

The Bankruptcy Trustee is aware of intercompany debts across the Harlequin Group. The Bankruptcy Trustee is pursuing a claim against Harlequin Resorts (St. Lucia) Limited where a winding up petition has already been filed by a group of 85 creditors.





# Summary of claims

## First report of the creditors

# Summary of claims

Based on the limited Company records received, Harlequin Property (SVG) Limited had approximately \$299 million in outstanding claims against the Estate. The adjacent table summarizes the claims by property and type.

As noted above, the properties owned by the Company included Buccament Bay and Merricks Resort. Buccament Bay has \$155 million in outstanding claims which represent investments in just over 2,000 properties where some were fully completed, partially completed or not started. It is note worthy that less than 200 properties were ever started at Buccament Bay.

Investors in Merricks have over \$57 million worth of claims against the Estate however there are currently no structures existing on the 70 acre plot as discussed previously in the report.

In the later stages of the proposal period, the Company notified the Bankruptcy Trustee (Proposal Trustee at the time), that there were a number of contracts which were written in Harlequin Property (SVG) Limited's name, however the properties related to other Harlequin projects which were not owned by Harlequin Property (SVG) Limited. These claims relate to approximately \$33 million.

Trade creditors amount to approximately \$10.5 million which included investors owned monies for the rental returns, attorney fees and other trade creditors of the Company.

Intercompany creditors include approximately \$43 million with the majority owed to Harlequin Developments SVG, which was the development company established to oversee the construction at Buccament Bay.

There are approximately \$32 million in intercompany debtors with approximately \$26 million being outstanding from Harlequin Hotels and Resort (Cayman) Limited ("Harlequin Cayman"). The Bankruptcy Trustee understands that Harlequin Cayman, in the absence of the Company's bank account, received funds on behalf of the Company from investors and facilitated payments necessary for construction costs.

### Summary of claims

#### Expressed in US\$

| Property/ Type                 | US\$       | US\$               |
|--------------------------------|------------|--------------------|
| Buccament Bay                  |            | 155,536,095        |
| Merricks Resort                |            | 57,165,694         |
| Other contracts                |            | 33,052,017         |
| <i>H Hotel Barbados</i>        | 9,785,392  |                    |
| <i>Two Rivers Beach Resort</i> | 13,006,811 |                    |
| <i>Las Canas Resort</i>        | 61,827     |                    |
| <i>Marquis Estate</i>          | 10,016,371 |                    |
| <i>Unknown</i>                 | 181,616    |                    |
| Trade creditors                |            | 10,448,790         |
| Intercompany creditors         |            | 43,125,317         |
| <b>Total claims</b>            |            | <b>299,327,913</b> |

The Bankruptcy Trustee is not adjudicating claims at this stage as there are currently no funds available to distribute to creditors.

In the event that there are distributable funds the Bankruptcy Trustee will call for claims and commence an adjudication process.

Correspondence regarding the value of creditor claims for voting purposes will not be provided on an individual basis at this stage.



# Summary of next steps

## First report to the creditors

# Summary of next steps

Below is a summary of the next steps that the Bankruptcy Trustee will be taking with relation to the estate of Harlequin Property (SVG) Limited.

| Matter                               | Current Position  | Next steps  |
|--------------------------------------|---|---|
| <b>Access to company information</b> | <p>On or around March 13, 2017 the Bankruptcy Trustee issued e-mail communications to Mr. David Ames, the sole director of Harlequin SVG, which outlined his duties as an officer of the bankrupt. It was specifically indicated that Harlequin SVG as the Bankrupt is under a statutory obligation to deliver to the Trustee all of the company's records. To date, the Bankruptcy Trustee has not received these records.</p> <p>The Bankruptcy Trustee may examine the following people, under oath, before the registrar of the court:</p> <ul style="list-style-type: none"><li>• the bankrupt;</li><li>• any person reasonably thought to have knowledge of the affairs of the bankrupt; and</li><li>• any person who is or has been an agent, clerk, servant, officer, director or employee of the bankrupt.</li></ul> <p>The Bankruptcy Trustee may examine a person with respect to the bankrupt, the bankrupt's dealings or the bankrupt's property. Any person being examined is required to answer all questions about the business or property of the bankrupt, the causes of the bankruptcy and the disposition of the bankrupt's property.</p> | <p>Should no progress be made in relation to the transfer of the records an application will be made to compel Harlequin SVG's representatives to hand over all of the Company's records.</p> |

# Summary of next steps

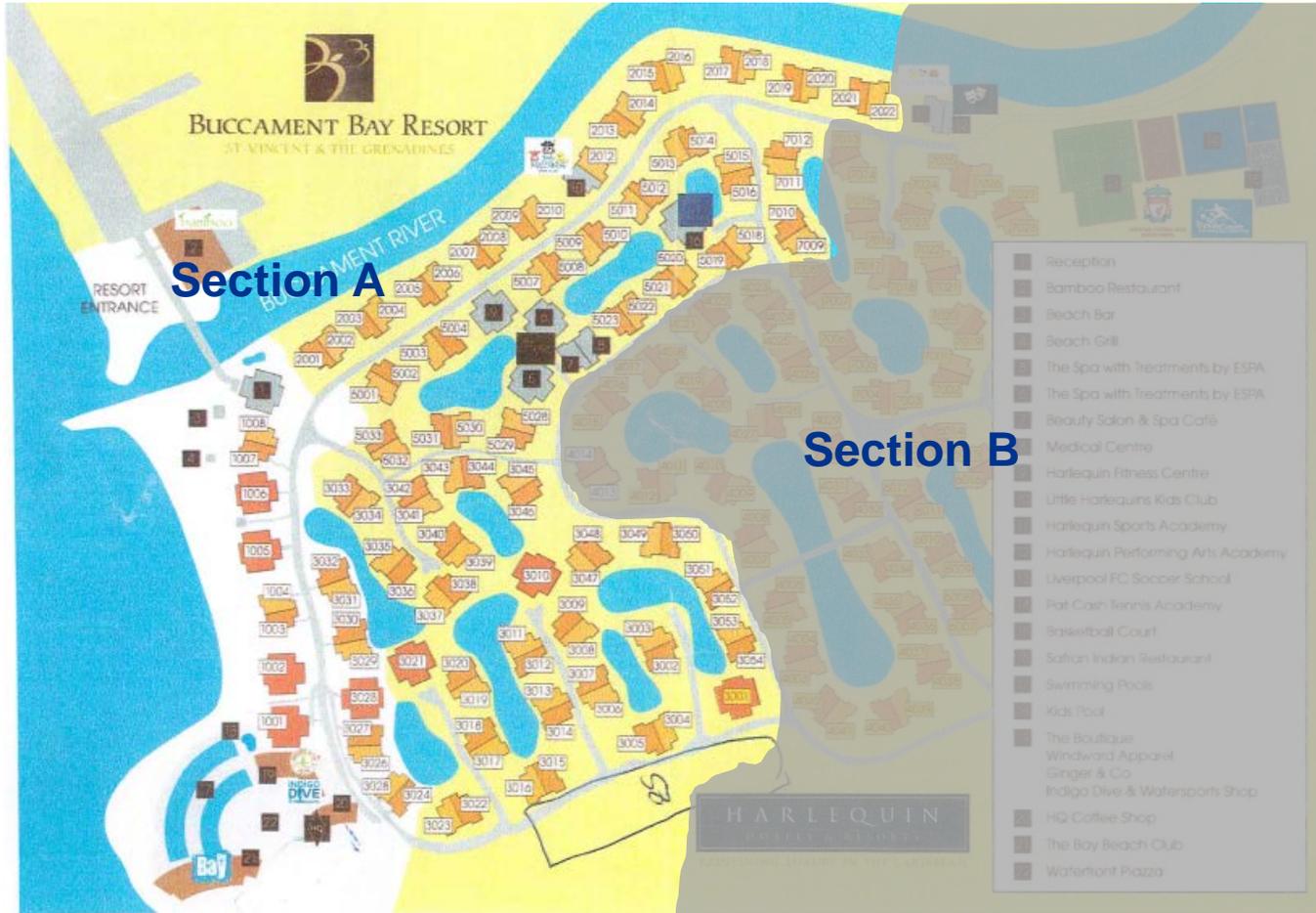
| Matter                      | Next steps   |
|-----------------------------|--|
| <b>Buccament Bay resort</b> | <ul style="list-style-type: none"> <li>• Liaise with investors and other parties in relation to the problems identified on page 19 at Buccament Bay to provide further information to investors with regards any equitable interest in the estate of the Bankrupt.</li> <li>• The Bankruptcy Trustee will seek the permission of the inspectors in due course to release funds to pay for to complete the valuation report.</li> </ul>   |
| <b>Merricks property</b>    | <ul style="list-style-type: none"> <li>• Submit an application to High Court of Barbados for the appointment of Craig Waterman, a partner of KPMG, as Bankruptcy Trustee over the land at Merricks to allow the asset to be realized on behalf of the estate.</li> <li>• Provide information and notice to all investors at the Merricks development regarding any equitable interest in the land.</li> <li>• Review proposals received from property agents with relation the sales and marketing strategy of the land at Merricks.</li> <li>• Commence the marketing and sales strategy of the land at Merricks.</li> </ul>  |
| <b>Wilkins Kennedy</b>      | <ul style="list-style-type: none"> <li>• A Directions order dated 19 April 2017 provides instructions to the Bankruptcy Trustee and the 11 parties to the consolidated proceedings which deal with the proprietary claims against the judgment funds.</li> <li>• These directions include the parties exchanging position papers and information in relation to the claims and counter-arguments/responses to those position papers within a specified timeframe in advance of a hearing. The substantive hearing is to be held in the week of 26 June 2017. In advance of the scheduled hearings we have reached confidential settlements with three of the parties with smaller claims. The inspectors are being kept informed in relation to these matters.</li> <li>• The court of appeal are expected to determine whether the Bankruptcy Trustee may pursue an appeal on the quantum awarded against Wilkins Kennedy in the next few weeks.</li> </ul> |



# Appendix 1

## Buccament Bay

# Map of Buccament Bay



This is an illustrative Map of Buccament Bay Resort highlighting Section A and Section B.

In Section A, there are approximately 116 completed cabanas which are all constructed and mostly furnished.

Pictures of these cabanas can be seen on page 30.

In Section B, construction had begun on approximately 60 cabanas.

The cabanas in this section were at different stages of construction. Some cabanas had been mostly completed with roofs, doors and windows, but these appear to have now been removed.

Other cabanas appear to be incomplete concrete shells.

These properties have deteriorated over the last two years when no further construction has taken place and vegetation has grown over and through these structures.

Pictures of these cabanas can be seen on page 31.

## Appendix 1

# Section A – Fully constructed cabanas



There are approximately 116 fully completed cabanas at the Buccament Bay resort

Photographs were taken on May 16, 2017

# Section B - Partially constructed cabanas



There are approximately 60 partially completed cabanas at the Buccament Bay resort

Photographs were taken on May 16, 2017



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