

**PALMER CLAIMANTS GROUP
NOVEMBER 2005 BULLETIN**

I am writing to update you on the latest developments.

On 28 October, a meeting was held between the Trustees (who are in control of Palmer's bankruptcy) and members of the Focus Group, during which a Creditors' Committee was elected. I am pleased to say that four of the five creditors elected to the Committee are Group members.

The Creditors' Committee will receive detailed reports on the conduct of the bankruptcy in the future and will be consulted whenever the Group's input is needed. The Trustees have produced a report on their progress, a copy of which is **attached**.

As you know, the Trustees are focusing on selling Palmer's timeshare resorts and the report includes an update on each sale. The Trustees are also investigating the sale of a bowling alley at La Bolera and some land at La Gomera, both of which are linked to Palmer.

Although progress may seem a little slow, the team continues to work full-time on your behalf, in conjunction with the Trustees and the Committee, with the primary aim of getting your money for you. We remain confident that we will achieve just that.

The next update will be in the New Year.

Yours sincerely



**PETER WYLDE
PARTNER**

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Recovery and Reorganisation

Grant Thornton UK LLP
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**REPORT TO CREDITORS TO BE PRESENTED AT THE CREDITORS MEETING HELD
ON 28 OCTOBER 2005 AT MELIA WHITEHOUSE HOTEL, REGENTS PARK, LONDON,
NW1 3UP**

28 October 2005

Dear Sirs

**JOHN PALMER - IN BANKRUPTCY (THE BANKRUPT)
HIGH COURT OF JUSTICE NUMBER 6750 OF 2004**

1 INTRODUCTION AND BACKGROUND

- 1.1 As you are aware, James Earp and I were appointed Joint Trustees in bankruptcy of the estate of the bankrupt by the Secretary of State to the Department of Trade and Industry under Section 296 of the Insolvency Act 1986 on 9 May 2005. I am authorised by the Insolvency Practitioner's Association and my colleague by the Institute of Chartered Accountants in England and Wales to act as insolvency practitioners.
- 1.2 Prior to my appointment a claim was filed by a group of timeshare claimants (Irwin Mitchell claimants) and on 21 May 2004 the court ordered that the Bankrupt pay £1.8 million in losses and £2.2 million in interest to claimants as compensation. Following non-payment by the Bankrupt the timeshare claimants petitioned against the Bankrupt and the Bankruptcy Order was made on 9 May 2005.
- 1.3 The purpose of the meeting is to update creditors on the conduct of the bankruptcy to date and to appoint a creditors' committee who will receive detailed reports on the conduct of the bankruptcy in the future and sanction certain action as proposed by the Joint Trustees as required under the Insolvency Act 1986.

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2 ASSETS

Timeshare Resorts in Tenerife

2.1 The following timeshare resorts have been identified as being owned by companies beneficially owned and/or controlled by the bankrupt:

- Island Village Heights
- Flamingo
- Island Village
- Club La Paz
- Yucca Park
- Los Olivios (Lagos de Fanabe)
- Tenerife Royal Gardens

2.2 The timeshare resorts are exclusively managed by South Eastern Financial Services Limited (SEFS) which is managed by Ms Christina Ketley (Ms Ketley), the bankrupt's partner. I am working with Ms Ketley to realise the timeshare assets and settle Spanish authority liabilities in order to ensure a maximum return for the bankrupt's estate.

2.3 Included below is a brief summary of the position relating to each resort.

Island Village Heights (IVH)

2.4 A sale price of € (£3.5) million has been agreed with a local investor. €3.85 (£2.7) million has been received and €1.15 (£0.8) million retained upon completion of the sale of 36 units held in trust. I anticipate the sale will be completed within 2 months. For details of how the sale proceeds are to be utilised refer to section 2.11.

Flamingo

2.5 There are a number of parties interested in purchasing the Flamingo resort and due diligence is being conducted. There are a number of issues regarding licensing and share ownership that need to be completed before a sale can be concluded and at this stage it is difficult to estimate a time scale for completion.

2.6 For commercial reasons I do not want to disclose the value of the resort with the general creditors but will advise the creditors committee.

Island Village (IV)

- 2.7 I am advised that the Island Village units are held on trust for timeshare owners and therefore cannot be sold for the benefit of the bankruptcy estate. I am exploring the possibility of selling the offices, bar and the restaurant.
- 2.8 For commercial reasons I do not want to disclose the value of the assets not held in trust with the general creditors but will advise the creditors committee.

Club La Paz, Yucca Park, Los Olivos, Tenerife Royal Gardens

- 2.9 The companies that own these resorts are subject to criminal embargoes placed on them by the Madrid Courts prior to my appointment. Approaches are being made to the Madrid Judge in charge of the case to ascertain whether the embargoes can be lifted which would enable the resorts to be sold.
- 2.10 For commercial reasons I do not want to disclose the value of the resorts with the general creditors but will advise the creditors committee.

Resort Liabilities

- 2.11 The debts relating to the resorts as at December 2004 amounted to approximately € (£5.5) million. The debts principally relate to local authority debts accrued for a number of years including social security liabilities, local council taxes, redundancy liabilities and capital gains taxes.
- 2.12 In addition to the criminal embargoes placed on some of the resorts a number of tax embargoes have been levied. These embargoes restrict the sale of the resorts unless the taxes are settled from the sale proceeds. As a result the majority of the €3.85 (£2.7) million received from the sale of IVH was used to settle part of the tax liabilities incurred by the bankrupt's companies.
- 2.13 I am advised that all local tax liabilities will have to be settled if and when further resorts are sold.

Other Spanish Assets

La Bolera Bowling Alley

- 2.14 A local estate agent has been instructed to obtain valuations for the Bowling Alley and market it for sale. I expect to receive the valuations in the near future.

Land at La Gomera

- 2.15 A local estate agent has been instructed to obtain valuations for the land at La Gomera and market it for sale. I expect to receive the valuations in the near future.

Other Assets

- 2.16 Despite a number of requests the bankrupt has not provided me with a detailed asset disclosure as required. I have instructed solicitors to pursue this information and should it not be provided an application will be made to the court.
- 2.17 There are a number of other assets that the bankrupt transferred to other parties and I am investigating the legitimacy of those transactions. Further details of these investigations will be provided to the creditors committee.

3 CREDITORS

- 3.1 As at the date of the meeting, in addition to the Irwin Mitchell claimants' judgment amount of £4 million (including interest) I have received proof of debts from timeshare claimants in excess of £1.5 million.
- 3.2 Furthermore, I am aware that additional proof of debts in excess of £2 million relating to unpaid legal fees of the Irwin Mitchell claimants and the bankrupt will be filed in due course.
- 3.3 Total creditors at this stage are therefore estimated to be £7.5 million to £10 million. This figure may change substantially as a result of additional proofs being received and/or when the process of reviewed and agreeing the proofs of debt. This will only occur if and when a dividend is due to be paid.
- 3.4 At this stage it is premature to estimate the level and timing of any dividends that may be payable in the future.

Creditors' Committee

One of the purposes of the meeting is to appoint a creditors committee.

- 3.5 The results of the voting of proxy holders resolution to appoint the creditors committee will be determined at the meeting.
- 3.6 Once appointed, the creditors' committee will be responsible for sanctioning my fees and they will be advised of any other costs incurred as the bankruptcy progresses. In addition, the creditors' committee is responsible for sanctioning certain actions such as issuing legal proceedings and will be provided with regular updates on the progress of the bankruptcy.

4 COSTS

- 4.1 The costs relating to the administration of the bankrupt's estate and investigating his affairs together with any associated costs such as legal fees will be paid from funds recovered into

the estate of the bankrupt. For the avoidance of doubt creditors will not be asked to contribute additional funds to meet costs. If there are insufficient funds available to pay costs they will remain unpaid.

Yours faithfully

Nicholas Wood
Joint Trustee in Bankruptcy