

**Liquidator's Progress Report****Pursuant to section 92A, 104A, and 192 of the  
Insolvency Act 1986****S. 192**

To the Registrar of Companies

Company Number

06475827

Name of Company

(a) Insert full name  
of company

(a) DMWSL 586 LIMITED - IN LIQUIDATION

(b) Insert full name(s)  
and address(es)I (b) Paul Appleton of David Rubin & Partners, 26 - 28 Bedford Row, London,  
WC1R 4HEthe liquidator of the company attach a copy of my Progress Report under  
section 192 of the Insolvency Act 1986The Progress Report covers the period from 4 December 2013 to 3 December  
2014

Signed



Date 22 / 01 / 15

Presenter's name,  
address and reference  
(if any)David Rubin & Partners  
26 - 28 Bedford Row  
London WC1R 4HE

Tel 020 7400 7900

DX Number 267 DX Exchange London/Chancery Lane

SATURDAY



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24/01/2015

#304

COMPANIES HOUSE

**IN THE MATTER OF**  
**DMWSL 586 LIMITED - IN LIQUIDATION**

**AND**  
**THE INSOLVENCY ACT 1986**

**THE LIQUIDATOR'S FIRST ANNUAL PROGRESS REPORT  
PURSUANT TO SECTION 104A OF THE INSOLVENCY ACT 1986**

**AND**  
**RULE 4.49C OF THE INSOLVENCY RULES 1986  
FOR THE YEAR ENDED 3 DECEMBER 2014**

**DMWSL 586 LIMITED - IN LIQUIDATION**  
**Annual Progress Report pursuant to Section 104A of the Insolvency Act 1986**

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## DMWSL 586 LIMITED - IN LIQUIDATION

### Annual Progress Report pursuant to Section 104A of the Insolvency Act 1986

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#### (a) Introduction

The Company was placed into liquidation by a Special Resolution of the members followed by a meeting of the creditors convened pursuant to Section 98 of the Insolvency Act 1986 on 4 December 2013. This report provides an update on the progress in the liquidation for the year ended 3 December 2014.

#### **Rule 4.49C-CVL(5): Progress Report**

#### (b) Statutory information

Company name	DMWSL 586 Limited
Registered office	26-28 Bedford Row, London, WC1R 4HE
Company number	06475827
Trading address	Birchin Court, 3rd Floor, 20 Birchin Lane, London, EC3V 9DU

#### (c) Liquidator's name and address:

Paul Appleton of David Rubin & Partners, 26 - 28 Bedford Row, London, WC1R 4HE was appointed Liquidator of the Company on 4 December 2013.

#### (d) Basis of Liquidator's remuneration

##### *Basis of remuneration*

- 1.1 At the first meeting of creditors, a resolution was passed approving that the basis of my remuneration as Liquidator be fixed by reference to the time properly spent by my staff and myself in attending to matters arising in the winding-up.
- 1.2 In accordance with the provisions of Statement of Insolvency Practice 9 ("SIP 9"), a schedule of my firm's charge-out rates was issued to creditors at the time the basis of the Liquidator's remuneration was approved. There has not been any material increase in the rates during this appointment. Our current hourly chargeout rates exclusive of VAT, which are charged in units of 6 minutes, are as follows -

	£
Senior / Managing Partners	450
Partners/Office holders	300 - 395
Managers / Senior Managers	250 - 295
Senior Administrators	180 - 220
Administrators	130 - 160
Cashiers and Assistants	120 - 160
Supports	110 - 120

Chargeout rates are normally reviewed annually in November, when rates are adjusted to reflect such matters as inflation, increases in direct wage costs, and changes to indirect costs such as Professional Indemnity Insurance.

## DMWSL 586 LIMITED - IN LIQUIDATION

### Annual Progress Report pursuant to Section 104A of the Insolvency Act 1986

#### 13 *Staff allocation and the use of subcontractors*

Our general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case. The constitution of the case team will usually consist of a Partner, Manager, Senior Administrator and two Administrators. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment, and additional staff may be allocated to meet the demands of the case.

We have not utilised the services of any subcontractors in this case.

#### (e) **Liquidator's remuneration**

My time costs for the year under review are £134,997.50. This represents 411 hours and 42 minutes at an average rate of £328.30 per hour. I attach as, Appendix B, a Time Analysis, which provides details of the activity during the year, analysed by staff grade. I have also attached, as Appendix B1, a more detailed analysis of my time with sub-headings of the category of work carried out.

To date, the sum of £50,000.00 has been paid on account of these time costs.

To view an explanatory note concerning Liquidators' remuneration issued by the Joint Insolvency Committee, please visit the Publications folder on our website at [www.drpartners.com/cases](http://www.drpartners.com/cases), using the following log-on details:

USERNAME d958dmw@sharesrvr.com      PASSWORD wmd859D\*

Alternatively, please contact this office to arrange for a copy to be sent to you.

Included in the work undertaken by me and my staff is, *inter alia*, the following -

- i) Dealing with creditors' enquiries, both by correspondence and by telephone, and noting their claims, to include agreeing and documenting the inter-company position with solicitors instructed by former officers of the Company.
- ii) Instructing and liaising with the Company's tax advisors, PricewaterhouseCoopers LLP ("PwC"), to prepare and submit to HM Revenue & Customs ("HMRC") the Company's pre-liquidation Corporation Tax Returns for the periods ended 31 August 2013 and 3 December 2013.
- iii) Obtaining clearance requisite tax clearances from HMRC's Large and Complex Business Unit in Edinburgh and also from the Insolvency Claims Handling Unit in Newcastle-upon-Tyne.
- iv) Carrying out all necessary investigations, including the examination of the Company's statutory records and books of accounts and records, in order to enable me to prepare and submit my report on the conduct of the Directors pursuant to the requirements of the Company Directors Disqualification Act 1986.
- v) Dealing with all matters relating to the recovery and investment of the Company's cash at bank, including correspondence and telephone attendances.

## **DMWSL 586 LIMITED - IN LIQUIDATION**

### **Annual Progress Report pursuant to Section 104A of the Insolvency Act 1986**

- vi) Advertising formal notice of an intended dividend with the London Gazette prior to making first and second interim distributions on agreed claims to unsecured creditors of the Company
- vii) Reviewing the position regarding the deferred consideration payable to the Company pursuant to the share purchase agreement and making demands as appropriate from the retention account
- viii) Liaising with Dickson Minto W S ("Dickson Minto") solicitors, PwC and the individual warrantors following formal notification of a warranty claim against the Company

#### **(f) Liquidator's expenses**

Expenses incurred in the liquidation are explained at (g) below in my comments on the Receipts and Payments Accounts

#### **(g) Details of progress for the period under review and cumulatively:**

Following the recovery of the Company's cash at bank, the amount of £105,333,857 was immediately placed on money market-fixed rate deposit with Allied Irish Bank, at a rate of 0.75% pa for six weeks, in order to maximise the return to unsecured creditors. This investment realised £90,904.

On maturity of the funds, and after making a suitable provision for any tax liability and the costs of the process, I declared a first interim dividend on 17 January 2014. The sum of £95,000,000 was distributed to 36 unsecured creditors on claims of £129,797,649, which had been agreed following intensive written and email correspondence during the first six weeks of the winding up. This represented a dividend of 73.19p in the £.

From the residual funds, the sum of £10,400,000 was re-invested with AIB for further monthly rests, ending 22 April 2014, and realising £15,544.

Following receipt of formal tax clearance from HMRC, I declared a second interim dividend on 23 April 2014. The sum of £9,450,000.02 was distributed, representing a dividend of 7.28p in the £.

Subsequently, the sum of £900,000 has been on fixed rate deposits with Lloyds Bank for various terms in order to achieve the best interest rates.

Creditors will recall that there is a deferred element to the sale consideration of £2,400,000 as disclosed on the Directors' Estimated Statement of Affairs. The first release date for an amount equal to £1,200,000 had been scheduled for 14 November 2014, 12 calendar months from completion. Second and third release dates, for amounts both equal to £600,000, were arranged to be paid 24 calendar months and 36 calendar months from completion respectively.

These sums were subject to any claim made under a separate warranty deed ("the Warranty Deed"), pursuant to which the Directors gave warranties on the business. First recovery under the warranties is from the escrow account into which the £2.4m was paid.

## **DMWSL 586 LIMITED - IN LIQUIDATION**

### **Annual Progress Report pursuant to Section 104A of the Insolvency Act 1986**

On 28 October 2014, prior to the first release date, solicitors acting for Friary Intermediate Limited ("the Purchaser") issued a claim pursuant to the Warranty Deed against the Company and the warrantors for a breach of the warranties given in relation to the accounts, the management accounts and the "locked box" balance sheet

Together with a further claim issued on 7 November 2014 by the Purchaser, there is a purported claim of £4,126,760. The claim is, therefore, significantly in excess of the sum currently held in escrow by way of deferred consideration. However, the Company is not liable to reimburse or compensate the Purchaser for any other amounts in respect of warranty claims.

The matter is being reviewed by Dickson Minto W S and the warrantors in order to establish the merits of the warranty claims. I have also instructed PwC to review and comment on the accounting and financial aspects of the claims. Further information, documentation and explanations have also been sought from the Purchaser. No admission of liability has been made, nor will it be suggested, until the facts have been fully investigated. The largest unsecured loan note creditor has also been kept informed of developments.

Given the uncertainty over the recovery of funds in the escrow account, the timing and amount of any subsequent distributions to unsecured creditors, is, at best, uncertain. Creditors will also note that, subsequent to the year end, the Purchaser has made a further claim pursuant to an alleged breach of warranty in the sum of £609,350.

A Receipts and Payments Account is attached at Appendix A, which is further explained below.

#### **1     Receipts**

##### **1.1     Cash at Bank**

The amount of £105,433,857 was recovered from Lloyds Bank on 4 December 2013 with the assistance of the Directors.

##### **1.2     Bank Interest Gross**

Interest earned on the funds in hand amounts to £110,831.

##### **1.3     Bank Interest Net of Tax**

Interest earned on the funds in hand amounts to £20.

#### **2.     Payments**

##### **2.1     Statement of Affairs Fee**

This fee relates to the assistance given to the Directors of the Company in notifying and convening the members and creditors meetings pursuant to Section 98 of the Insolvency Act 1986, and the preparation of the Statement of Affairs and Directors' report to creditors. This fee was approved at the first meeting of creditors.

## **DMWSL 586 LIMITED - IN LIQUIDATION**

### **Annual Progress Report pursuant to Section 104A of the Insolvency Act 1986**

#### **2.2 Office Holders Fees**

As mentioned at (e), to date £50,000 00 has been paid on account of my firm's time costs

#### **2.3 Professional Fees**

The amount of £7,300 was paid to PwC on 4 March 2014 in respect of their taxation services for the preparation and submission of the corporation tax computations and returns for the accounting periods ended 31 August 2013 and 13 December 2013

The sum of £750 was paid to Appleby Securities (CI) Ltd on 17 February 2014 in respect of services rendered in the listing of loan notes

#### **2.4 Irrecoverable VAT**

As the Company was not VAT registered, sum totalling £24,327 68 paid to Courts Advertising, PwC and David Rubin & Partners in respect of VAT will not be recoverable

#### **2.5 Statutory advertising**

This represents the costs for the publishing of statutory advertising in the London Gazette in respect of the first meetings of the members and creditors, the notice of the appointment of the Liquidator and to creditors to submit their claims in the liquidation. Formal notice of intended dividend was also advertised

#### **2.6 Bank Charges**

The amount of £90 was paid to Barclays Bank in respect of bank charges

#### **2.7 Liquidator's Disbursements**

It should be noted that additional disbursements yet to be re-charged include the Specific Bond in the sum of £1,920, which is the cost of insurance, based on the level of realisations by me as Liquidator, as required by the Insolvency Practitioners Regulations 2005

#### **(h) Details of any assets that remain to be realised and outstanding matters**

Apart the deferred consideration referred to at (g)1 1 above, all assets have been realised

#### **(i) Investigations**

- 1 1 In accordance with the Company Directors Disqualification Act 1986, I have submitted a report on the conduct of the Directors of the Company to the Department for Business Innovation & Skills (BIS). As this is a confidential report, I am not able to disclose the contents



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### **Annual Progress Report pursuant to Section 104A of the Insolvency Act 1986**

- 12 Shortly after my appointment, I made an initial assessment of whether there could be any matters that might lead to recoveries for the estate and what further investigations may be appropriate. This assessment took into account information provided by creditors either at the initial meeting or as a response to my request to complete an investigation questionnaire. My examinations have not revealed any issues requiring further investigation.

#### **(j) Creditors' rights – Rule 4.49E and Rule 4.131**

- i) Within 21 days of the receipt of this report, a secured creditor, or an unsecured creditor (with the concurrence of at least 5% in value of the unsecured creditors), may request, in writing, that the Liquidator provides further information about his remuneration or expenses, which have been itemised in this progress report.
- ii) Any secured creditor, or an unsecured creditor (with the concurrence of at least 10% in value of the unsecured creditors), may, within 8 weeks of receipt of this progress report, make an application to court on the grounds that the basis fixed for the Liquidator's remuneration, the remuneration charged or the expenses incurred by the Liquidator, as set out in this progress report, are excessive.

#### **(k) Any other relevant information:**

##### **Unsecured creditors**

The claims of 36 unsecured creditors totalling £129,797,649 have been received, which accords with the quantum as disclosed on the Directors' Estimated Statement of Affairs. The agreed claims comprise loan notes of £129,291,734 and an inter company loan account due to Expectrum Limited, the parent and ultimate holding undertaking.

As mentioned in (g) above, I have declared and paid first and second interim distributions on such claims totalling £104,450,000.

In order to expedite the distribution of funds to the Company's unsecured creditors, I was anxious to ensure that the Company's pre-appointment Corporation Tax position was agreed. Due to the complexity of the transaction by which the Giles Insurance Group of Companies was sold, particularly with regard to the restructuring of the loan notes, I retained PwC in order to assist me in submitting all outstanding returns and obtaining the requisite clearances. PwC had already sought advanced clearance from HM Revenue & Customs prior to the closure of the transaction in November 2013. On 7 March 2014, HM Revenue & Customs confirmed that all transactions had been carried out as described and it would make no further enquiries.

As mentioned above in (g) above, it is uncertain as to when a further distribution will be made to unsecured creditors due to the claims made under the Warranty Deed. However, creditors will be advised on all material developments relating to the recovery of assets and future distributions.

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**Annual Progress Report pursuant to Section 104A of the Insolvency Act 1986**

**(I) Next report**

I am required to provide a further report on the progress of the liquidation within two months of the end of the next anniversary of the liquidation, unless I have concluded matters prior to that, in which case I will write to all creditors with my final progress report ahead of convening the final meeting of creditors

I trust you will find this report adequate for your purposes but should you require any further information, please do not hesitate to contact in the first instance my Senior Manager, David Marks, or his colleague, Harry Short, at this office



**PAUL APPLETON - LIQUIDATOR**

**DATE: 22/1/15**

APPENDIX A

**DMWSL 586 LIMITED - IN LIQUIDATION**

**LIQUIDATOR'S ACCOUNT OF RECEIPTS AND PAYMENTS**

**FOR THE PERIOD 4 DECEMBER 2013 TO 3 DECEMBER 2014**

	<b><u>Estimated to Realise</u></b>	<b><u>Realised to 03-Dec-14</u></b>
	<b>£</b>	<b>£</b>
<b><u>Receipts</u></b>		
Cash at Bank	105,433,863	105,433,856 95
Deferred Consideration	2,400,000	Nil
Bank Interest Gross		110,830 88
Bank Interest Net		19 75
		<u>105,544,707 58</u>
<b><u>Payments</u></b>		
Statement of Affairs Fee	64,000 00	
Liquidator's Remuneration (on account)	50,000 00	
Professional Fees	8,050 00	
Irrecoverable VAT	24,327 68	
Statutory Advertising	338 40	
Bank Charges	90 00	
	<u>146,806 08</u>	
<b><u>Distributions</u></b>		
1st Interim Dividend of 73 19p in the £	95,000,000 00	
2nd Interim Dividend of 7 28p in the £	9,450,000 02	
		<u>104,596,806 10</u>
<b>Receipts less Payments</b>		<u><u>947,901 48</u></u>
<b><u>Represented by:-</u></b>		
Current Account		46,216 29
Deposit Account		901,685 19
		<u><u>947,901 48</u></u>

## DMWSL 586 LIMITED - IN CREDITORS' VOLUNTARY LIQUIDATION

<b>LIQUIDATOR'S TIME COSTS</b> <b>FOR THE PERIOD 4 DECEMBER 2013 TO 3 DECEMBER 2014</b> <b>SIP 9 TIME SUMMARY</b>							
Classification of work function	Hours					Total Cost £	Average hourly rate £
	Partners	Manager / Senior Manager	Admin/ Senior Admin	Cashiers	Total hours		
Statutory compliance, admin and planning	09 48	01 30	24 06	20 06	55 30	12,321 00	222 00
Investigations	05 00	02 00	05 06	00 00	12 06	3,512 00	290 25
Realisations of assets	51 18	08 42	12 00	00 00	72 00	28,252 50	392 40
Creditors	121 36	51 48	98 12	00 00	271 36	90,912 00	334 73
Total hours and costs	187 42	64 00	139 24	20 06	411 12	134,997 50	328 30

The above headings include *inter alia*

#### Administration and Planning

Case planning  
 Administrative set-up  
 Appointment notification  
 Maintenance of records  
 Statutory reporting and compliance  
 Tax and VAT

#### Investigations

SIP2 review  
 Investigating antecedent transactions  
 Reports pursuant to Company Directors Disqualification Act 1986

#### Realisation of Assets

Identifying and securing assets  
 Debt collection  
 Property, business and asset sales

#### Creditors

Communications with creditors  
 Creditors claims (including secured creditors, employees and preferential creditors)

## DMWSL 586 LIMITED - IN CREDITORS' VOLUNTARY LIQUIDATION

<b>LIQUIDATOR'S TIME COSTS</b> <b>FOR THE PERIOD 4 DECEMBER 2013 TO 3 DECEMBER 2014</b> <b>SIP 9 TIME SUMMARY</b>							
Classification of work function	Hours					Total Cost £	Average hourly rate £
	Partners	Manager / Senior Manager	Admin / Senior Admin	Cashiers	Total hours		
<b>Statutory compliance, admin and planning</b>							
IPS set up & maintenance	00 00	00 00	00 18	00 00	00 18	39 00	130 00
Statutory filings, circulars, notices, etc	05 00	00 30	00 12	00 00	05 42	2,441 50	428 33
Case planning, strategy & control	01 00	00 00	08 30	00 00	09 30	1,555 00	163 68
Taxation PAYE, C/Tax & VAT	00 00	00 00	12 00	00 00	12 00	2,640 00	220 00
Accounting & Cashiering	00 00	00 00	00 36	20 06	20 42	3,272 00	158 07
Case reviews & diary maintenance	03 48	01 00	02 30	00 00	07 18	2,373 50	325 14
<b>Investigations</b>							
CDDA preparation & reporting	04 00	02 00	05 06	00 00	11 06	3,062 00	275 86
Antecedent transactions & wrongful trading	01 00	00 00	00 00	00 00	01 00	450 00	450 00
<b>Realisation of assets</b>							
Book debts collection	00 00	03 00	00 00	00 00	03 00	885 00	295 00
Tangible assets	51 18	05 42	12 00	00 00	69 00	27,367 50	396 63
<b>Creditors</b>							
Unsec'd Creditors correspondence & claims	119 36	51 48	95 12	00 00	266 36	89,622 00	336 17
Preferential creditors & employees	02 00	00 00	03 00	00 00	05 00	1,290 00	258 00
<b>Total hours and costs</b>	<b>187 42</b>	<b>64 00</b>	<b>139 24</b>	<b>20 06</b>	<b>411 12</b>	<b>134,997 50</b>	<b>328 30</b>