
***Nationwide Digital
Satellite Warranty
Services Ltd (in
Compulsory
Liquidation)***

Joint Liquidators' fourth
progress report

25 March 2015

Table of Contents

1. Overview.....	2
1.1. Introduction.....	2
1.2. Business activities	2
1.3. Joint Liquidators.....	2
1.4. Future reports	2
2. Joint Liquidators' actions to date.....	3
2.1. Asset Realisations	3
2.2. Other matters.....	3
2.2.1. Intercompany antecedent claim from DSWC.....	3
2.2.2. Former Director cheque payments.....	4
2.3. Tax.....	4
2.4. Outcome for creditors	4
2.4.1. Preferential creditors	4
2.4.2. Unsecured creditors	4
3. Statutory and other information.....	6
4. Financial information	7
4.1. Liquidators' remuneration	7
4.1.1. Liquidators' disbursements	7
4.1.2. Scale rates for the Liquidators and his team	8
4.2. Professional advisors.....	8
4.3. Investigations.....	8
4.4. Additional information	8
4.5. Statement of Liquidators' expenses.....	9
4.5.1. Receipts and payments account.....	9
5. Receipts and payments account	10
6. Joint Liquidators' time costs.....	11
6.1. Summary of workstreams.....	12
Appendix A. - Notice of Intended Dividend.....	13
Appendix B. - Resolutions.....	14

1. Overview

1.1. Introduction

In accordance with Rule 4.49B of the Insolvency Rules 1986 (“IR86”), this is the fourth progress report by the Joint Liquidators (the “**Liquidators**”) of Nationwide Digital Satellite Warranty Services Limited (“**NDSWS**” or the “**Company**”).

Creditors should have received the Liquidators’ previous three progress reports. If any creditor requires copies of these reports, please contact Luke Hoare at PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT. Alternatively, they are also available on the Liquidators’ website below:

<http://www.pwc.co.uk/business-recovery/administrations/digital-satellite-warranty-cover.jhtml>

This report provides an update on the work that the Liquidators have undertaken and the progress made since our appointment, with particular focus on the twelve months to 31 January 2015 (the “Period”).

1.2. Business activities

NDSWS was incorporated on 20 October 2005 and its principal activity was the sale of warranty cover plans for the replacement or repair of BSkyB television digital satellite boxes. The warranties were sold to members of the public. Based on a statement made by an officer of the Company in the filed accounts for the year to 31 October 2006, the Company has been dormant since February 2007.

The Financial Service Authority (“FSA”) began to investigate the business as it believed it was effecting and/or carrying on insurance business without authorisation in contravention of s.19 Financial Services and Markets Act 2000 (“FSMA”). On 27 April 2006, the FSA sought a written confirmation that NDSWS would cease its unauthorised activity. On 15 December 2009, the Registrar of Companies gave notice of his intention to strike the company off the register but further action was suspended on the basis of objections received.

Further investigations revealed that a new company Digital Satellite Warranty Cover Limited (“DSWC”), set up in November 2006, had taken over NDSWS’s business. The FSA concluded that NDSWS’s and DSWC’s business activities constituted a regulated insurance business for which they were not authorised to trade and lodged a public interest petition to wind up the Company in the High Court.

The Company entered provisional liquidation on 17 November 2010.

1.3. Joint Liquidators

Dan Schwarzmann of 7 More London Riverside, London, SE1 2RT and Toby Underwood of 101 Barbirolli Square, Lower Mosley Street, Manchester, M2 3PW were appointed as Joint Liquidators of DSWC on 31 January 2011.

1.4. Future reports

The Liquidators will next report to creditors in approximately twelve months.



Toby Underwood
Joint Liquidator

Dan Schwarzmann and Toby Underwood have been appointed as Joint Liquidators of Nationwide Digital Satellite Warranty Services Limited to manage its affairs, business and property as its agents. Dan Schwarzmann and Toby Underwood are licenced in the United Kingdom to act as an insolvency practitioner by the Institute of Chartered Accountant in England & Wales.

The Joint Liquidators are Data Controllers of personal data as defined by the Data Protection Act 1998. PricewaterhouseCoopers LLP will act as Data Processor on their instructions. Personal data will be kept secure and processed only for matters relating to the liquidation.

2. Joint Liquidators' actions to date

2.1. Asset Realisations

Realisations achieved by the Joint Liquidators to date are as follows:

	As per prior report (£)	Movement in the Period (£)	Total as at 30 Jan 15
Cash at Bank	343,286	-	1,512,136
Credit card chargeback recovery	465,430	-	117,409
Bank Interest	5,750	2,066	7,815
Tax Refund	-	1,886	1,886
Petition Deposit	1,000	-	5,248
	815,465	3,951	819,416

As detailed in prior reports, No statement of affairs was prepared by the former directors or secretary of NDSWS.

The key assets of the Company identified by the Liquidators were funds in a variety of bank accounts and these are included above as 'Cash at Bank'.

As almost all of the paper records of the Company were removed by members of staff when the petition was served and only a limited amount of information was obtained from the computer systems, the Liquidators have been carrying out their own investigations into the affairs of the Company.

The Liquidators have completed an extensive and detailed analysis of the bank statements covering the periods both pre and post appointment to gain comfort on the source of the funds credited to the accounts and the chargeback facility.

It has become clear that the Company was receiving receipts directly from customers who held contracts in the name of NDSWS and that the Company was engaging with suppliers

The only identified flows of funds between the Company and DSWC are detailed at section 2.2.1.

The Liquidators therefore believe the trading receipts received should remain within the NDSWS estate.

The Liquidators are not aware of any further assets to be realised.

2.2. Other matters

2.2.1. Intercompany antecedent claim from DSWC

The Liquidators have identified £197,000 as having been received by the Company from DSWC in the period shortly before 17 November 2010.

DSWC was subject to a petition presented by the Financial Conduct Authority (formerly the Financial Services Authority) on 8 June 2010 (the "Petition date").

Section 127 of the Insolvency Act 1986 (“IA”) states that:

“127. Avoidance of property dispositions, etc.

(1) In a winding up by the court, any disposition of the company's property, and any transfer of shares, or alteration in the status of the company's members, made after the commencement of the winding up is, unless the court otherwise orders, void.”

The winding up of DSWC is deemed to have commenced on the Petition date (S 129(2) IA).

Any payments completed by DSWC during the period from the Petition date to 17 November 2010 required sanction from the Court and there are no records that confirm these steps were taken.

Accordingly, a claim is expected to be submitted in due course by DSWC against the Company for the repayment of the £197,000.

2.2.2. Former Director cheque payments

As a result of the detailed review of the Company’s bank statements, the Liquidators have identified cheque payments totaling £710,000 as being made payable to a former Director.

Discussions are ongoing with the former Director to ascertain the reasoning behind these cheque payments and whether they can be recovered.

2.3. Tax

Corporation tax returns for the Company have been completed for the period to 30 January 2014 and a refund of £621 was received in the Period.

2.4. Outcome for creditors

2.4.1. Preferential creditors

The Liquidators are not aware of any preferential creditors. Should any such claims be received, there may be sufficient funds to allow payment in relation to such claims.

2.4.2. Unsecured creditors

The Supreme Court’s dismissal of DSWC’s appeals confirmed that the Company was carrying out unauthorised insurance business. The Liquidators are advised that subject to the detailed provisions of FSMA, the Company may have incurred a contingent liability to repay every customer with whom it transacted, except where the customer received property (for example, a replacement Sky box).

A number of factors will impact the final outcome to unsecured creditors, including:

- Antecedent claim from DSWC;
- Potential recoveries from former Director;
- A legal analysis of the rights of customers in respect of unauthorised business conducted;
- Quantifying the level of customer claims;
- Quantifying damages due to BSKyB in relation to the unlawful use of BSKyB’s intellectual property rights by the Company (and any other BSKyB claims); and
- Quantifying creditor claims not yet known.

Whilst the Liquidators are unable to determine the final outcome at this stage, they do consider an interim dividend payable.

2.4.2.1. Claim submission

The Liquidators therefore request that you complete and return the enclosed proof of debt form with details of your claim in the estate, if you have not already done so, by **30 April 2015**. At the end of this period, if we have not received a claim from you, we will assume that you do not have a claim and will proceed to calculate and pay a dividend to the other creditors. You will then not be entitled to disturb the payment of this dividend.

The Liquidators request that all claimants use this forms for consistency and evaluation. All claims should be submitted with full supporting documentation. Please execute your Statement of Claim and upload as a PDF and email to the following address digital.satellite@uk.pwc.com. Alternatively, please send this to Luke Hoare at PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT.

3. Statutory and other information

Court details for the Liquidations: High Court of Justice, Chancery Division, Companies Court case 9328 of 2010

Company: Nationwide Digital Satellite Warranty Services Limited
(in Compulsory Liquidation)

Registered number: 05597928

Registered address: 7 More London Riverside, London, SE1 2RT

Date of the Liquidation appointment: 31 January 2011

Appointees: Toby Underwood and Dan Schwarzmann

Address: PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT

Estimated dividend for preferential N/A

creditors:

Estimated dividend for unsecured Unknown

creditors:

Please note that the guidance on dividend prospects is indicative only. It should not be used as the sole or principal basis of any bad debt provision decision.

4. Financial information

4.1. Liquidators' remuneration

The manner in which Liquidators' remuneration is determined and approved is set out in the IR86 Sections 2.106 to 2.109.

During the first meeting of creditors held on 25 July 2012, a resolution seeking the approval of the Liquidators' remuneration by reference to the time properly given by them and their staff in attending to the matters arising in the winding up was not approved as no creditor participated in the meeting. However, the Liquidators include a copy of this resolution at Appendix B for approval by creditors.

In the event that this resolution is not approved, the Liquidators' remuneration is to be calculated by reference to Schedule 6 of the Insolvency Rules 1986 ("the Scale Rate"), which bases the remuneration as a percentage of the realisations and distributions it achieves. These are listed in the following section 4.1.2.1.

Total time costs incurred from the Liquidators' appointment to 30 January 2015 are £121,199, with £54,081 incurred in the Period, being 154.5 hours at an average hourly rate of £350. Fees paid to date are £50,770 including VAT.

An analysis of the time costs for the Period of this report is shown in Section 6 along with an explanation of the work carried out by work category.

It has been the Liquidators' policy to delegate the routine administration of the liquidation to more junior staff in order to maximise the cost effectiveness of the work performed. These staff have been supervised by senior staff and the Liquidators. Any matter of particular complexity or significance has also been dealt with by senior staff and the Joint Liquidators.

All staff who work on this assignment (including cashiers, support and secretarial staff) charge time directly to the assignment and are included within any analysis of time charged. Each grade of staff is allocated an hourly charge out rate which is reviewed from time to time. Work undertaken by cashiers, support and secretarial staff is charged for separately and is not included in the hourly rates charged by partners or other members of staff. Time is charged by reference to actual work carried out on the assignment in six minute units. The minimum time chargeable is three minutes (i.e. 0.5 units).

4.1.1. Liquidators' disbursements

4.1.1.1. Category 1 disbursements

No category 1 disbursements have been incurred in the Period of this report.

4.1.1.2. Category 2 disbursements

The Liquidators' current disbursements policy is as follows:

- Photocopying for circulars or any other bulk copying is charged at 4p per sheet; and
- Mileage – this is reimbursed at a maximum of 67p per mile (up to 2,000cc) and 80p per mile (over 2,000cc).

All other disbursements (Category 1) are reimbursed at cost. No category 2 disbursements have been incurred in the Period of this report.

4.1.2. Scale rates for the Liquidators and his team

Hourly rates applicable from 1 July 2013 to 30 January 2015 are as follows. Rates differ between staff operating in London and the regional offices. The following table shows both rates:

Grade	Rate per hour Jul 13 to June 14 £/hr	Rate per hour Jul 14 to Jan 15 £/hr
Partner	775 / 555	795 / 575
Director	680 / 465	695 / 480
Senior Manager	525 / 405	540 / 415
Manager	444 / 320	460 / 330
Senior Associate	370 / 240	380 / 250
Associate	230 / 152	240 / 160

In line with all professional firms, scale rates increase from time to time over the period of the administration of each insolvency case. PricewaterhouseCoopers LLP, or any successor firm, reserves the right to change the rates and grade structure. Specialist departments within PricewaterhouseCoopers LLP, such as tax, VAT, property and pensions, sometimes charge a small number of hours should the Joint Liquidators require their expert advice. Their rates vary, however the figures given provide an indication of the maximum rate per hour.

4.1.2.1. The Scale Rate

On realisations:

- 20% on the first £5,000;
- 15% on the next £5,000;
- 10% on the next £90,000; and
- 5% on the balance.

On distributions:

- 10% on the first £5,000;
- 7.5% on the next £5,000;
- 5% on the next £90,000; and
- 2.5% on the balance.

Based on receipts to date totaling £819,417, a total of £46,721 is available to draw as remuneration. This is less than the Liquidators' usual time costs based on the charge out rates outlined above.

4.2. Professional advisors

On this assignment, the Liquidators have used the professional advisors listed below:

Name of professional advisor	Nature of work	Basis of fee arrangement
Berwin Leighton Paisner LLP	Legal advice	Time costs

4.3. Investigations

As NDSWS is subject to a compulsory winding up order, the Official Receiver has the responsibility of reporting on the conduct of its officers.

4.4. Additional information

If any creditor requires further explanations on any aspect of the Liquidators' progress report, then please write to Luke Hoare at PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT, who will be pleased to deal with such enquiries. Please note however, that any request for further information regarding the Liquidators' remuneration or disbursements should be made in writing (Rule 4.49E IR86).

In addition, should any creditor consider the Joint Liquidators' remuneration (once taken) and disbursements to be excessive or inappropriate, they have the right to challenge the amounts in accordance with Rule 4.131 IR86.

4.5. Statement of Liquidators' expenses

The enclosed receipts and payments account details those expenses incurred in the Period which have been met from realisations to date.

4.5.1. Receipts and payments account

An account of the receipts and payments in the Liquidation for the Period and a cumulative total since commencement of the Liquidation is set out in Section 5 to this report.

4.5.1.1. Receipts

Receipts in the Period include the following:

- Interest totaling £1,886; and
- Tax refunds totaling £2,066.

4.5.1.2. Payments

Payments in the Period were as follows:

- Legal fees of £5,432; and
- Provisional Liquidators' fees of £44,585 as approved by the Court.

All balances include VAT.

Total cash held as at 30 January 2014 is £447,772.

5. Receipts and payments account

RECEIPTS	31 January 2011 30 January 2012	31 January 2012 30 January 2013	31 January 2013 30 January 2014	31 January 2014 30 January 2015	Total to date
	£	£	£	£	£
Cash at Bank	343,286	-	-	-	343,286
Barclaycard	400,000	65,430	-	-	465,430
Bank Interest	-	2,776	2,974	2,066	7,815
Tax Refund	-	-	-	1,886	1,886
Petition Deposit	1,000	-	-	-	1,000
					-
	744,286	68,206	2,974	3,951	819,417
PAYMENTS	£	£	£	£	£
OR Debit balance on account	2,235	-	-	-	2,235
Legal fees	8,027	46,505	144,265	5,432	204,229
Legal disbursements	-	153	-	-	153
Joint Liquidators' fees	-	50,770	-	-	50,770
Joint Liquidators' disbursements	96	2,637	-	-	2,733
Provisional Liquidation fees	-	-	-	44,585	44,585
Printing & Postage	-	-	-	220	220
Bank charges	82	80	88	88	339
Statutory Secretary of State fees payable on asset realisations	65,641	687	25	28	66,381
	76,081	100,832	144,378	50,352	371,644
Cash at bank / movements	668,205	(32,626)	(141,405)	(46,401)	447,772

Please note all costs are shown inclusive of VAT where payable.
As no Statement of Affairs has ever been provided by the former Directors, no comparison can be made.
All funds are held in an Insolvency Service Account which is interest bearing.
No realisations are subject to a form of security.

6. Joint Liquidators' time costs



Nationwide Digital Satellite Warranty Services Ltd (In Liquidation)

Analysis of time costs for the period from 31 Jan 2014 to 30 Jan 2015

Aspect of assignment	Partner	Director	Senior Manager	Manager	Senior Associate	Associate	Total hours	Time cost £	Average hourly rate £
Accounting and treasury	-	-	-	2.5	4.2	6.1	12.8	3,200	250
Creditors	-	-	-	1.5	7.2	-	8.7	2,670	307
Investigations	-	-	-	10.3	12.9	-	23.2	8,286	357
Statutory and compliance	-	-	0.1	5.3	10.8	2.6	18.7	6,668	357
Strategy & Planning	-	2.9	2.1	30.9	6.5	1.5	43.9	19,625	447
Tax & VAT	-	-	-	9.3	34.4	3.5	47.2	13,632	289
Total for the period	-	2.9	2.2	59.8	75.9	13.7	154.5	54,081	350
Brought forward at 30 Jan 2014							228.9	67,118	
Total							383.4	121,199	

6.1. Summary of workstreams

Accounting and Treasury

Payments and receipts logging and banking (processing and approval of various professional fees, adverts, archive, insurance, performing bank reconciliations).

Creditors

Liaising with various creditors. Handling claims and review of position prior to interim dividend.

Investigations

Extensive review of historical transactions between group companies.

Statutory and compliance

Preparation of 2014 progress report and circulation to creditors. Transition from Provisional Liquidation to Liquidation of Company's internal and external compliance (setting up systems and databases, notify creditors and Companies House, advertising, updating bonds for Liquidators, reviewing company records, risk and compliance team time, liaising with the Official Receiver on statutory matters). Completing 6 monthly case reviews as per statutory requirements.

Strategy & Planning

Considering asset pooling, review and sign off of progress status meetings, team supervision and briefings and general project management.

Tax / VAT

Preparation and submission of Tax returns, liaising with HM Revenue and Customs.

Appendix A. - Notice of Intended Dividend

Nationwide Digital Satellite Warranty Services Ltd (In Liquidation)

NOTICE IS HEREBY GIVEN, pursuant to Rule 11.2 of the Insolvency Rules 1986, that it is my intention to declare a first and final dividend to unsecured creditors of the above named company no later than 30 July 2015. If you have not yet submitted a formal claim in the liquidation and should you wish to do so, you are required on or before 30 April 2015, the last date for proving, to provide a proof of debt to the joint liquidators of the company, at the offices of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT, and, if so requested, to provide such further details or produce such documentary or other evidence as may appear to the Joint Liquidators to be necessary.

A creditor who has not proved his debt by the last date for proving will be excluded from the dividend.

Dated 25 March 2015



.....
Toby Underwood
Joint Liquidator

Appendix B. - Resolutions

Nationwide Digital Satellite Warranty Services Ltd (In Liquidation)

Resolution 1

THAT, the remuneration of the Joint Liquidators of the Company be fixed by reference to the time properly given by the Joint Liquidators and their staff in attending to the matter arising in the winding up.

In Favour / Against

Resolution 2

THAT, in according with Statement of Insolvency Practice 9, the Joint Liquidators be authorised to draw disbursements for services provided by their own firm as follows:

- Photocopying for circulars or any other bulk copying is charged at 4p per sheet; and
- Mileage – this is reimbursed at a maximum of 67p per mile (up to 2,000cc) and 80p per mile (over 2,000cc).

In Favour / Against