



**CORPORATE  
RESTRUCTURING**

Our ref: AGS/AMC/AOY/CVT/SOH/SDU001/992076

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**TO ALL KNOWN MEMBERS AND CREDITORS**

14 September 2010

Dear Sirs

**Satellite Direct UK Limited (In Liquidation)**

Please find enclosed my annual report on the conduct of this Liquidation.

Annual general meetings of the members and creditors have been convened in accordance with Section 105 of the Insolvency Act 1986. A formal notice is enclosed, together with a proxy form.

The purpose of the meetings is to receive the Joint Liquidators' report on the progress of the Liquidation. There is no requirement for you to attend the meetings.

Should you have any queries or wish to attend the meeting, please email [satellite@mcr.uk.com](mailto:satellite@mcr.uk.com) or contact Alistair Youngs, Tom Smith or Shadia Hanna of this office on telephone number 020 7487 7240.

Yours faithfully  
For and on behalf of  
Satellite Direct UK Limited

  
**Andrew Stoneman**  
Joint Liquidator

Enc.

**Satellite Direct UK Limited  
(In Creditors' Voluntary Liquidation)**

**Annual Report**

**14 September 2010**

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## GLOSSARY

To assist readers of this report, please note the following definitions:

BSkyB	British Sky Broadcasting Group plc, British Sky Broadcasting Limited, Sky Subscribers Services Limited and Sky In-Home Service Limited
CVDFK	Chantrey Vellacott DFK
DVLA	Driver and Vehicle Licensing Agency
HMRC	HM Revenue and Customs
HSBC	HSBC Bank plc
Landwood Group	Landwood Commercial (Manchester) Limited
NIC	National Insurance Contributions
O4GL	One 4 Group Limited (In Liquidation)
O4SL	One4Staff Limited (In Liquidation)
PAYE	Pay As You Earn
RPO	Redundancy Payments Office, a department of the Insolvency Service
SCL	Satcover Limited (In Liquidation)
the Company	Satellite Direct UK Limited (In Liquidation)
SIA	SIA Group UK Limited
SoA	Statement of Affairs, documentation prepared by the directors outlining the Company's financial position as at the appointment date
SSL	Something Services Limited (In Liquidation)
The Act	The Insolvency Act 1986
The Related Companies	One 4 Group Limited, Satcover Limited, Something Services Limited and One4Staff Limited (All in Liquidation)
The Joint Liquidators	Andrew Stoneman of MCR and Adrian Hyde of Chantrey Vellacott DFK
The Director's Report	The director's report dated 8 July 2009
The Rules	The Insolvency Rules 1986

## **1. INTRODUCTION**

- 1.1 Andrew Stoneman of MCR and Adrian Hyde of CVDFK were appointed Joint Liquidators of the Company at the meetings of members and creditors on 8 July 2009.
- 1.2 The purpose of this report is to detail the Joint Liquidators acts and dealings together with the conduct of the Liquidation since the date of appointment.

## **2. BACKGROUND**

- 2.1 The Company was incorporated in June 2000 to provide third party warranty cover and maintenance of satellite boxes typically to the UK customers of BSkyB.
- 2.2 Following its incorporation, the Company commenced trading in 2002 and expanded rapidly. As a result, the Company's workforce increased from a small number of employees in 2002 to over 1,000 employees in 2005.
- 2.3 The employees were split between engineering staff, located throughout the UK, providing service cover to domestic satellite users, and telesales staff who sold the Company's products to BSkyB satellite users.
- 2.4 The satellite warranty market is highly competitive with a number of companies offering similar products, including BSkyB's own protection plan, offered through Domestic & General Group Limited.
- 2.5 In 2005, the Company was subject to a legal action by BSkyB. It was alleged that the Company was passing itself off to customers as being BSkyB and not a third party service provider. The Company defended the action.
- 2.6 An out of court settlement was reached with BSkyB in early 2009. SCL and the Company were named as co-defendants in the settlement. The Joint Liquidators of SCL are Adrian Hyde of CVDFK and Andrew Stoneman of MCR.
- 2.7 The settlement, in favour of BSkyB, was for the sum of £10 million which was to be paid jointly by both companies in instalments to 1 March 2012. BSkyB have advised that £9.25 million remains outstanding, plus interest and costs.
- 2.8 As part of the settlement, the Company agreed to grant BSkyB a floating charge over the assets of the Company, which was registered at Companies House on 18 March 2009.
- 2.9 During early 2009, the Company came under increasing pressure from HMRC as a result of unfiled P35 returns and substantial unpaid arrears in respect of PAYE and NIC, which had been incurred in the tax years 2006/07 and 2007/08. HMRC have confirmed that £5.8 million is outstanding in respect of PAYE, NIC and interest accrued to the date of insolvency.
- 2.10 Details of the main causes of failure and further background information can be found in the Director's Report. Should any creditor require a copy of this report, they should email [satellite@mcr.uk.com](mailto:satellite@mcr.uk.com) or contact Shadia Hanna of this office.

## Related Companies

- 2.11 Andrew Stoneman and Adrian Hyde were appointed Joint Administrators, and subsequently Joint Liquidators, to the Related Companies as follows:

Related Company	Date of Appointment Administration	Date of Appointment Liquidation
One4Staff Limited	26 October 2009	28 May 2010
Something Services Limited	27 October 2009	28 May 2010
Satcover Limited	29 October 2009	28 May 2010
One 4 Group Limited	3 November 2009	28 May 2010

- 2.12 For further information on the Related Companies, a copy of the Joint Administrators final report to creditors dated 24 May 2010 can be obtained from the following websites: [www.satcover.co.uk](http://www.satcover.co.uk), [www.mcr.uk.com](http://www.mcr.uk.com), and [www.cvdffk.com](http://www.cvdffk.com).

## 3. JOINT LIQUIDATORS' RECEIPTS AND PAYMENTS ACCOUNT

- 3.1 A receipts and payments account for the year 8 July 2009 to 7 July 2010, and for the cumulative period of the Liquidation to date, is attached at **Appendix 1**.

## 4. ASSET REALISATIONS

- 4.1 The Joint Liquidators engaged SIA and Landwood Group to value the chattel assets and stock and assist with the disposal on a forced sale basis. SIA are members of the National Association of Valuers and Auctioneers and Landwood Group are regulated by the Royal Institute of Chartered Surveyors. SIA have realised various assets and is currently holding £58,957 plus VAT on trust for the Company, which will shortly be transferred to the liquidation bank account. The tangible assets include the following:

### Fixtures, Fittings and Equipment

- 4.2 The Joint Liquidators instructed SIA to dispose of the Company's remaining fixtures and fittings including a number of computers, office furniture, telephones and other general office equipment. SIA are holding £6,857 plus VAT in relation to fixtures fittings and equipment. No further asset realisations are expected.

### Motor Vehicles

- 4.3 The Company's motor vehicles have been valued at £12,500.
- 4.4 The Company's former director, David Reynolds, paid an initial deposit of £11,526 for the motor vehicles. However, the remaining balance was not paid and ownership of the vehicles was retained by the Company.
- 4.5 Upon their appointment, SIA and the Joint Liquidators attempted to locate the motor vehicles, however, despite obtaining searches from the DVLA and contacting previous employees and known users of the vehicles, the Joint Liquidators were unable to locate all of the vehicles with the exception of two vehicles which were realised by SIA for £1,700 plus VAT. These funds are currently held on trust for the Company by SIA.

- 4.6 The remaining vehicles were reported stolen to the police and the DVLA were also notified. No further asset realisations are expected.

### **Stock**

- 4.7 The Company held 1,315 reconditioned satellite receiving set-top boxes. SIA valued these boxes at £26,300.
- 4.8 Mr Reynolds paid an initial deposit of £1,518 for the set-top boxes. However, similarly to the motor vehicles, the remaining balance was not paid and ownership of the set-top boxes was retained by the Company.
- 4.9 Additional set-top boxes were located and realised from the Company's former premises in Burgess Hill. These, and the 315 reconditioned satellite receiving set-top boxes, were realised by SIA for £50,400 plus VAT. SIA is currently holding these funds on trust for the Company.
- 4.10 Landwood Group have realised further set-top boxes from the Manchester premises in the amount of £8,659 plus VAT. These funds have been received in the liquidation account.

### **Book debts**

- 4.11 According to the SoA, the Company's trade and other debtors totalled £297,102.
- 4.12 The Joint Liquidators have collected £20,110 of the outstanding debts to date. The remainder of these debts are not considered recoverable as they relate to rent deposits on leasehold properties held by the Company and deposits for set-top boxes. It has been confirmed that no rent deposits will be realised due to rent arrears on the properties.

### **Solicitor's Client Account**

- 4.13 Upon their appointment, the Joint Liquidators analysed the financial records of the Company and discovered that £233,500 had been paid to a firm of solicitors, together with numerous other payments from certain of the Related Companies. The payment was made to fund the legal costs of defending the Company Secretary, Kelly Drew, in her criminal trial brought by HMRC. Following numerous discussions between the solicitors and the Joint Liquidators, it was revealed that the solicitors were holding £27,976 on behalf of the Company. This was remitted to the Joint Liquidators on 23 October 2009.
- 4.14 Since that time, further advice has been sought and a demand has been made for the return of £205,524 (being the balance of the sums paid to the firm and the amount remitted to the Joint Liquidators) on the basis that this was a transaction at undervalue within the definition of Section 238 of The Act. Should proceedings be issued, consent will be sought from the general body of creditors. However, at this stage negotiations are continuing.

### **Sundry Refunds**

- 4.15 The following refunds have been realised by the Joint Liquidators:
- 4.15.1 A refund of £760 has been received for a prepaid insurance premiums;
- 4.15.2 Refunds totalling £103 have been received in respect of overpaid indemnity claims;
- 4.15.3 A business rates refund of £188 has been received from Bury Metropolitan Borough Council; and

4.15.4 A refund for £8 has been received from Orange Personal Communications Services in respect of a prepayment of communication devices.

### **Customer List**

4.16 The Joint Liquidators sold the Company's customer list to BSkyB on 12 November 2009 for £50,000. A Court Order in favour of BSkyB against the Company and SCL affected the decision to sell the customer list to BSkyB.

### **Properties**

#### **Cyprus Property Development**

4.17 On appointment, the Joint Liquidators understood that the Company owned a share in a property development in Northern Cyprus. The development, consisting of 30, 2 bedroom houses, is located in Lapta, Northern Cyprus. The Company's interest in the development was established through a partnership agreement.

4.18 The cost of construction and development was purported to be £2.2 million, which was funded by the Company. However, included within this sum were wages for Colin Hague, a former director of SSL, and the cost of works for development on Mr Reynolds' house in Northern Cyprus.

4.19 The original partnership agreement, dated 15 July 2003, was based on the assumption that the Company would contribute 50% of the consideration (build costs), fees and expenses of the construction and as such be entitled to 50% of the development. The remaining 50% would be equally split between Mr Hague and the developer.

4.20 Following the Joint Liquidators' preliminary investigations and meetings with Mr Hague, the Joint Liquidators concluded that the terms of the partnership agreement had been breached by Mr Hague as the Company had funded the development in full. However, there were substantial arguments put forward by Mr Hague to suggest that it had always been agreed that his interest in the development was instead of his having any equity share in the Company and the Related Companies. Following the commencement of proceedings against Mr Hague, a settlement was agreed with him, in part to secure his assistance, and in part to settle the proceedings.

4.21 The settlement agreed with Mr Hague entitles him to be paid, on a sliding scale percentage, a proportion of the net sale proceeds for the development. The agreed scale is as follows:

4.21.1 Net proceeds of £600,000 or less = 10%;

4.21.2 Net proceeds between £600,000 and £800,000 = 12.5%;

4.21.3 Net proceeds between £800,000 and £1,000,000 = 15%;

4.21.4 Net proceeds between £1,000,000 and £1,200,000 = 17.5%; or

4.21.5 Net proceeds of more than £1,200,000 = 20%.

4.22 In addition, the freehold to the site was registered in the name of the developer and despite the original trust agreement being in place, whereby the developer held the land on trust, the Joint Liquidators were advised that litigation in the jurisdiction would be difficult, uncertain and protracted, taking between two and four years to reach a conclusion. Therefore, an agreement was reached whereby the developer would receive, upon sale, the equivalent value of four of the 30 houses.

