



**Changtel Solutions UK Limited (In
Compulsory Liquidation)**

High Court of Justice No. 4093 of 2013

Progress report

Period: 5 June 2015 to 4 June 2016

SATURDAY



A13 *A5CS0YH7* #354
06/08/2016
COMPANIES HOUSE

Important Notice

This progress report has been produced solely to comply with our statutory duty to report to creditors and members of the Company on the progress of the liquidation. The report is private and confidential and may not be relied upon, referred to, reproduced or quoted from, in whole or in part, by creditors and members for any purpose other than this report to them, or by any other person for any purpose whatsoever.

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1. INTERPRETATION

<u>Expression</u>	<u>Meaning</u>
"the Company"	Changtel Solutions UK Limited (In Compulsory Liquidation)
"the liquidation"	The appointment of liquidators by the Secretary of State pursuant to Section 137 of the Act on 5 June 2015
"the liquidators", "we", "our" and "us"	Nicholas Edward Reed of Begbies Traynor (Central) LLP, Fourth Floor, Toronto Square, Toronto Street, Leeds, LS1 2HJ and Julie Anne Palmer of Begbies Traynor (Central) LLP, 65 St Edmund's Church Street, Salisbury, Wiltshire, SP1 1EF
"the Act"	The Insolvency Act 1986 (as amended)
"the Rules"	The Insolvency Rules 1986 (as amended)
"secured creditor" and "unsecured creditor"	Secured creditor, in relation to a company, means a creditor of the company who holds in respect of his debt a security over property of the company, and "unsecured creditor" is to be read accordingly (Section 248(1)(a) of the Act)
"security"	(i) In relation to England and Wales, any mortgage, charge, lien or other security (Section 248(1)(b)(i) of the Act), and (ii) In relation to Scotland, any security (whether heritable or moveable), any floating charge and any right of lien or preference and any right of retention (other than a right of compensation or set off) (Section 248(1)(b)(ii) of the Act)
"preferential creditor"	Any creditor of the Company whose claim is preferential within Sections 386, 387 and Schedule 6 to the Act

2. COMPANY INFORMATION

Trading name(s)	Formerly traded as ENTA Technologies Limited, as part of the ENTA group of companies
Company registered number	02526028
Company registered office	Fourth Floor, Toronto Square, Toronto Street, Leeds, LS1 2HJ
Former trading address	Stafford Park 6, Telford, Shropshire, TF3 3AT

3. DETAILS OF APPOINTMENT OF LIQUIDATORS

Date winding up commenced	7 June 2013
Date of liquidators' appointment	5 June 2015

4. PROGRESS DURING THE PERIOD COVERED BY THIS REPORT

Winding-up of the Company

The Company was wound-up on 28 January 2015 by the Court of Appeal, following the presentation of a petition by HM Revenue & Customs ("HMRC") on 7 June 2013 in respect of the Company's VAT liabilities. The liquidation followed a protracted period of assessments in relation to the Company's trade in electronic and computer components.

Appointment of the liquidators

Following the making of the winding-up Order by the Court of Appeal, permission to appeal was requested from the Supreme Court of the United Kingdom. This application was refused on 29 May 2015 by the Supreme Court on the grounds that the application to appeal did not raise an arguable point of law.

Subsequently, Julie Palmer and I were appointed as Joint Liquidators of the Company on 5 June 2015 by the Secretary of State. The liquidators are appointed jointly and severally.

Books and Records

Following our appointment, we have secured the Company's considerable books and records, including copies of its digital Sage accounting system which are being analysed in accordance with our duties as liquidators.

Transfer of the Company's business and assets to Entatech

It was evident from several press reports and documentation exhibited together with witness statements submitted in the winding-up proceedings that the Company's business and assets, including the freehold property at Stafford Park 6, were transferred to a connected entity, Entatech UK Limited ("Entatech"), around December 2013. This transfer gave rise to various claims under the provisions of the Act.

Following a period of negotiation with Entatech's management team, a settlement was reached in respect of such claims. Payments due under the settlement are up to date.

Dispositions of the Company's property

As outlined above, there were some 19 months between the presentation of the winding-up petition by HMRC and the winding-up Order being made. In accordance with S 127 of the Act, all dispositions of the Company's property are, in the absence of being validated by the Court, void.

Our investigations and enquiries concerning the significant number of transactions occurring in the period are ongoing and to comment further at this time is not appropriate.

Transfer of Company's shares

A sale of the Company's shares took place in January 2014 and since our appointment we have obtained a copy of the share sale agreement. The provisions of S 127 of the Act also apply to any alteration of the status of the Company's members, meaning that this transaction is, unless the Court orders otherwise, also void. However, any overturning of this transaction is not likely to generate realisations in the Company's liquidation estate.

However, appended to the sale agreement, was a balance sheet representative of the Company's financial position as at the date of the transfer. This balance sheet reflected that the Company had assets of approximately £1.2 million at the date of the transfer and we are seeking further information as to what made up these assets and what became of them.

HMRC Tax Tribunals

As outlined above, the winding-up Order was made on a petition presented by HMRC in respect of the Company's VAT liabilities. A number of assessments were raised by HMRC prior to the Company being wound-up and these assessments were at various stages within the tax tribunal process at the date the Company was placed into liquidation.

The Company had appealed many of the tax assessments and several of those appeals remained live at the time of our appointment, with several appeals due to be imminently heard at tax tribunals. The liquidators' solicitors, Walker Morns, are corresponding with HMRC regarding these matters.

Two appeals, which were related to penalties issued by HMRC in respect of VAT return inaccuracies, were heard on 25 and 26 August 2015. The decisions of the Tribunal in respect of these appeals and also another appeal heard prior to the liquidation have recently been released. We are considering the same with our advisors.

Other matters

We previously reported that the Company obtained summary judgement against a supplier named iForce Technologies Limited ("iForce") for approximately £1.9m. iForce was wound up by the Court on 1 February 2016.

Attached at Appendix 1 is our abstract of receipts and payments for the period from 5 June 2015 to 4 June 2016.

Receipts

Settlement with Entatech

The sum of £569,999.99 has been received in respect of a settlement agreed with Entatech, with further consideration to be paid on deferred terms.

Cash At Bank

The sum of £2,844.52 has been received into the liquidation estate in respect of the Company's credit balances held in the Company's Royal Bank of Scotland accounts at the date of our appointment.

Recovery of post-petition dispositions

The sum of £1,979,517.70 has been recovered to date in respect of dispositions of the Company's property between the presentation of the winding-up petition and the making of the winding-up order.

Bank Interest and Interest Accrued on Walker Morns' Client Account

During the period covered by this report, the sums of £4,376.01 and £183.35 have been received in relation to bank interest and interest accrued on Walker Morns' client account respectively.

Deposit on Creditor Petition

The sum of £1,165.00 represents the deposit paid by the petitioning creditor on the presentation of the petition to wind up the Company.

Payments

Liquidators' Fees

During the period of this report the sums of £190,742.50 and £2,486.15 have been drawn on account of our remuneration and disbursements. This matter is discussed in greater detail at section 6 of this report.

Legal Fees and Disbursements

Our legal advisors, Walker Morris, LLP have been paid the sum of £254,273.00 for their professional assistance in all matters in the liquidation. Additionally, the sum of £1,718.25 has been paid in respect of legal disbursements incurred. These disbursement costs are inclusive of a number of cost codes which are separately detailed in the accompanying Receipts and Payments account for the purpose of transparency.

Counsel Fees

The total sum of £10,685.00 has been paid to Stephen Robins and Robert Amey of South Square Chambers on account of legal counsel obtained in relation to various matters in the liquidation.

Accountant's Fees

Sagars Accountants Limited have been paid the sum of £10,000.00 in connection with their professional assistance in dealing with the Company's Corporation Tax and VAT matters.

Secretary of State Fees

The sum of £80,000.00 has been retained by the Secretary of State in accordance with their rights in the operation of the Insolvency Services Account. No further fees will be incurred in this regard.

Sage Hosting Costs

As part of our investigations, we were required to undertake a full review of the Company's Sage accounting records. As such, the sum of £1,730.00 has been paid to CPIO Limited, a Sage hosting partner, for their assistance in providing us with access to the same.

Statutory Advertising

It is a statutory duty of the liquidators to properly advertise their appointment and the winding up of the Company. As such, the sum of £169.20 has been paid to Courts Advertising Limited in this regard.

Bordereau Premium

The sum of £500.00 has been paid to Marsh Limited in respect of the bordereau premium. This is a mandatory requirement of a liquidator in order to protect the interests of the unsecured creditors.

Official Receiver's Administration Fee

The sum of £2,400.00 paid to the OR represents the costs incurred prior to our appointment.

DBIS Audit and Cheque Fees

During the period of the report four quarterly payments of £22.00 have been paid to the DBIS for the operation of the ISA, in accordance with our duties, in addition to payment fees in the sum of £2.75.

Agent's Fees

The sum of £2,750.00 has been paid to Eddisons Commercial Limited in association with their professional valuation advice provided.

Corporation Tax

The sum of £875 20 has been paid in respect of Corporation Tax during the period covered by this report

Bank Charges

During the period covered by this report, the sum of £58 50 has been incurred in respect of bank charges

Photocopying Costs

As part of our investigations, we were required to obtain a number of working files from Simmons Gainsford LLP for review. As these files were considerable, the sum of £1,462 50 has been paid to Simmons Gainsford LLP in respect of the costs

5. ESTIMATED OUTCOME FOR CREDITORS

The sums owed to creditors at the date of appointment (based upon the information detailed in the statement of affairs submitted by the director to the Official Receiver) are as follows

Secured creditors

Records at Companies House indicated that the Company had granted security to RBS in November 2006 and January 2009 and to RBS Invoice Finance ("RBSIF") in February 2010. RBS and RBSIF have confirmed to us that these charges have been released.

Preferential creditors

There are no known preferential claims.

Unsecured creditors

Unsecured creditors were initially estimated at £16.3million, which included an estimated liability to HMRC of £14.3million. We have subsequently received one claim amounting to £2million and HMRC have, in line with our expectation, submitted an interim proof of debt in the sum of £42,025,639.04.

At this time it is not possible to estimate the outcome to creditors, however, we have summarised the position with respect to Company's creditors, to the best of our knowledge, as follows:

Prescribed Part for unsecured creditors pursuant to Section 176A of the Act

Section 176A of the Act provides that, where the company has created a floating charge on or after 15 September 2003, the liquidator must make a prescribed part of the Company's net property available for the unsecured creditors and not distribute it to the floating charge holder except in so far as it exceeds the amount required for the satisfaction of unsecured debts. Net property means the amount which would, were it not for this provision, be available to floating charge holders out of floating charge assets (i.e. after accounting for preferential debts and the costs of realising the floating charge assets). The prescribed part of the Company's net property is calculated by reference to a sliding scale as follows:

- 50% of the first £10,000 of net property,
- 20% of net property thereafter,
- Up to a maximum amount to be made available of £600,000

A liquidator will not be required to set aside the prescribed part of net property if

- the net property is less than £10,000 and the liquidator thinks that the cost of distributing the prescribed part would be disproportionate to the benefit, (Section 176A(3)) or
- the liquidator applies to the court for an order on the grounds that the cost of distributing the prescribed part would be disproportionate to the benefit and the court orders that the provision shall not apply (Section 176A(5))

To the best of our knowledge and belief, there are no unsatisfied floating charges created or registered on or after 15 September 2003 and, consequently, there is no net property as defined in Section 176A(6) of the Act and, therefore, no prescribed part of net property is available for distribution to the unsecured creditors

Unsecured creditors

It is not possible at this time to comment on the outcome to unsecured creditors, which will be subject to the outcome of the liquidators' ongoing investigations

6. REMUNERATION & DISBURSEMENTS

Remuneration

Our remuneration was fixed by creditors in accordance with a written resolution issued with our interim report to creditors dated 25 September 2016

On 1 October 2015, new rules came into effect regarding the approval of remuneration which are designed to provide more information to creditors to assist them in agreeing the basis on which a liquidator is remunerated. These provisions include a requirement to provide creditors with fee estimates

In view of the size and complexity of this liquidation, and the associated costs, we consider it appropriate to comply with these new directives in order to keep creditors fully updated and provide transparency as to the anticipated costs of the liquidation

Accordingly, circulated with this report are three resolutions which we consider are appropriate to confirm with creditors at this time, including a resolution confirming that our further remuneration be fixed by reference to the time properly given by us (as liquidators) and the various grades of our staff calculated at the prevailing hourly charge out rates of Begbies Traynor (Central) LLP in attending to matters arising in the winding up as set out in the fees estimate which appears at Appendix 2. We are also seeking a resolution confirming the approval of the basis of our remuneration in line with the new directive for best practice purposes

Our time costs for the period from 5 June 2015 to 4 June 2016 amount to £366,903.00 which represents 1,323.70 hours at an average rate of £277.18 per hour against which the sum of £190,742.50 was drawn during the period of this report. The fees estimated provided at Appendix 2 relates to additional costs projected in the next twelve months of the liquidation

To assist creditors, the following further information as regards time costs is set out at Appendix 2

- Narrative summary of time costs incurred
- Table of time spent and charge-out value for the period 5 June 2015 to 4 June 2016
- Begbies Traynor charging policy

If you wish to know more about how creditors should determine the liquidators' fees, a copy of A Creditors' Guide to Liquidators Fees (E&W) 2015' which provides guidance on creditors' rights on how to approve and monitor a Liquidator's remuneration and on how the remuneration is set can be obtained online at www.begbies-traynor.com/creditorsguides. Alternatively, if you require a hard copy of the Guide, please contact our office and we will arrange to send you a copy

Disbursements

Our firm's disbursement policy was approved by way of a written resolution passed following the circulation of our interim report to creditors dated 25 September 2015

Details of the Category 2 disbursements and also disbursements that should be treated as Category 2 disbursements that have been incurred in the period of this report are provided in the narrative summary of time costs which is at Appendix 2

7. LIQUIDATORS' EXPENSES

We are required to provide creditors with an estimate of the expenses that we anticipate will be incurred during the next 12 months of the liquidation. Our estimate in this respect appears at Appendix 3

In addition, a statement of the expenses incurred during the period of this progress report is also attached at Appendix 3

8. ASSETS THAT REMAIN TO BE REALISED

As outlined in section 4 of this report, the majority of the Company's assets were transferred to Entatech prior to the liquidation. We have not been made aware of any further physical assets although our investigations are ongoing in this case

Our analysis of, and investigations into, transactions occurring between the presentation of the petition and the making of the winding-up Order which are subject to S 127 of the Act are ongoing

9. OTHER RELEVANT INFORMATION

Investigations

You may be aware that a liquidator has a duty to enquire into the affairs of an insolvent company to determine its property and liabilities and to identify any actions which could lead to the recovery of funds. We can confirm that our work is ongoing in these respects

Connected party transactions

Our investigations into transactions with connected parties in the period prior to our appointment are ongoing

HMRC VAT Tribunals

A number of VAT assessments raised by HMRC which were appealed by the Company are progressing through the VAT tribunal process and our work in connection with this matter is ongoing

10. CREDITORS' RIGHTS

Right to request further information

Pursuant to Rule 4.49E of the Rules, 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, including that creditor, (or an unsecured creditor with less than 5% in value of the unsecured creditors, but with the permission of the court) may request in writing that we provide further information about our remuneration or expenses which have been detailed in this progress report

Right to make an application to court

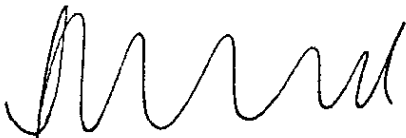
Pursuant to Rule 4.131 of the Rules, any secured creditor or any unsecured creditor with the concurrence of at least 10% in value of the unsecured creditors including that creditor, (or any unsecured creditors with less than 10% in value of the unsecured creditors, but with the permission of the court) may within 8 weeks of receipt of this progress report make an application to court on the grounds that the remuneration charged or the expenses incurred as set out in this progress report are excessive or, in relation to the basis fixed for our remuneration, inappropriate

11. RESOLUTIONS BY CORRESPONDENCE

We are seeking resolutions in relation to our remuneration and disbursements by correspondence pursuant to Rule 4.63A of the Rules. This progress report is intended to provide sufficient information for creditors to be able to properly consider the resolutions being sought by correspondence. Should any creditors require further explanation of matters contained within the report, they should contact our office and speak in the first instance to the case manager Jason Ange who will be pleased to assist

12. CONCLUSION

We will report again in approximately twelve month's time or at the conclusion of the liquidation, whichever is the sooner



N Reed
Joint Liquidator

Dated 3 August 2016



APPENDIX 1

ACCOUNT OF RECEIPTS AND PAYMENTS

Period: 5 June 2015 to 4 June 2016

	£	£
ASSET REALISATIONS		
Settlement with Entatech	569,999 99	
Cash at Bank	2,844 52	
Recovery of post-petition dispositions	1,979,517 70	
Interest Accrued on Walker Morns Client A/C	183 35	
Bank Interest Gross	4,376 01	
Deposit on creditor petition	1,165 00	
		<u>2,558,086 57</u>
COST OF REALISATIONS		
O R Administration fee	2,400 00	
DBIS Audit Fees	88 00	
DBIS Payment Fees	2 75	
Secretary of State Fees	80,000 00	
Specific Bond	500 00	
Bank charges	58 50	
Liquidators' Fees	190,742 50	
Search and filing fees	164 00	
Travel costs	2,052 39	
Mileage costs	144 96	
Agents/valuers fees	2,750 00	
Legal Fees	254,273 00	
Legal travel expenses	270 10	
Corporation Tax	875 20	
Legal search fees	163 00	
Legal agent fees re hearings	350 00	
Photocopying costs	1,462 50	
Transcriber fees	150 00	
Postage Costs	100 44	
Subsistence	69 36	
Counsel Fees	10,685 00	
Statutory Advertising	169 20	
Legal Disbursements	740 15	
Sage Hosting Costs	1,730 00	
Accountant's Fees	10,000 00	
		<u>(559,941 05)</u>
		<u>1,998,145 52</u>

REPRESENTED BY

Vat Receivable

95,236 49

Insolvency Services Account

1,902,909 03

1,998,145 52

TIME COSTS AND DISBURSEMENTS

- a Fees estimate,
- b Begbies Traynor charging policy,
- c Narrative summary of time costs incurred, and
- d Table of time spent and charge-out value for the period from 5 June 2015 to 4 June 2016

THE LIQUIDATORS' FEES ESTIMATE

Further to our appointment as liquidators, we are seeking to be remunerated on a time costs basis. Details of our firm's hourly charge-out rates are set out in the charging policy which accompanies this estimate. To assist creditors when determining the basis upon which we are to be remunerated, we are obliged to produce a fees estimate and to provide it to each creditor of whose details we are aware so that it can be approved at the same time as the basis of our remuneration.

In view of the size and complexity of this liquidation, we have provided a fees estimate for the next twelve months of the liquidation in the attached schedule. Please note that blended hourly rates have been used which take account of the various levels of staff that are likely to undertake each area of work. These can be seen in the average hourly rate column.

Should creditors require further information on how this estimate has been produced this can be obtained from our website at <http://www.begbies-traynorgroup.com/fee-estimates>

A more detailed explanation of the work that falls into the categories mentioned in the table above can be obtained from our website at <http://www.begbies-traynorgroup.com/work-details>

Dated 3 August 2016

Staff Grade	Partner	Director	Sr Mgr	Mgr	Asst Mgr	Sr Admin	Admin	Jr Admin	Support	Total Hours	Time Cost £	Average hourly rate £
General Case Administration and Planning	55.00	1.00	35.00	2.00			50.00	10.00	-	153.00	41,300.00	269.93
Administration	30.00		25.00	2.00			25.00	10.00	8.00	100.00	25,465.00	254.85
Total for General Case Administration and Planning	85.00	1.00	60.00	4.00			75.00	20.00	8.00	233.00	66,765.00	286.97
Compliance with the Insolvency Act, Rules and best practice	1.00		1.00	3.00			1.00			6.00	1,635.00	272.50
Appointment	10.00		2.00	1.00			3.00	3.00	8.00	27.00	6,450.00	238.89
Banding and Bonding												
Case Closure												
Statutory reporting and statement of affairs	15.00		10.00	2.00			25.00	2.00		54.00	13,150.00	243.52
Total for Compliance with the Insolvency Act, Rules and best practice	28.00		13.00	5.00			28.00	4.00		87.00	21,235.00	244.09
Investigations	85.00		165.00	12.00			180.00	20.00		462.00	114,405.00	247.63
CUDA and investigations inc bank, accounts etc	85.00		188.00	12.00			718.00	20.00		462.00	114,405.00	247.63
Total for Investigations	85.00		188.00	12.00			718.00	20.00		462.00	114,405.00	247.63
Realisation of assets	1.00		8.00				2.00			11.00	3,145.00	285.91
Debt collection inc property loan accounts assets	1.00		8.00				2.00			11.00	3,145.00	285.91
Property business and asset sales	80.00	30.00	65.00	15.00			40.00			210.00	63,575.00	302.74
Rebation of Title/Third party assets												
Total for Realisation of assets	81.00	30.00	73.00	16.00			42.00			221.00	66,720.00	301.90
Trading												
Total for Trading												
Dealing with all creditors claims (including employees), correspondence and distributions	10.00		50.00	15.00			20.00	5.00		100.00	29,875.00	298.75
Others												
Creditors committee												
Total for Dealing with all creditors claims (including employees), correspondence and distributions	10.00		50.00	16.00			20.00	5.00		100.00	29,875.00	298.75
Other matters which includes meetings, tax, litigation, pensions and travel	100.00		100.00	5.00			30.00	10.00		275.00	87,325.00	317.55
Meetings	15.00	50.00	25.00	8.00			10.00	5.00	15.00	128.00	36,595.00	285.90
Other	35.00		45.00	20.00			10.00			110.00	34,425.00	312.95
Tax												
Litigation	75.00		105.00				20.00			200.00	64,875.00	324.38
Total for Other matters	225.00	60.00	275.00	33.00			70.00	15.00	15.00	713.00	223,220.00	313.07
Total hours by staff grade	492.00	111.00	638.00	85.00			418.00	65.00	31.00	1,838.00		
Total time cost by staff grade	194,340.00	38,295.00	197,160.00	22,625.00			86,160.00	7,150.00	3,410.00	618,040.00		
Average hourly rate £	395.00	346.00	310.00	268.00			138.00	110.00	110.00			282.70
Total fees drawn to date £												

BEGBIES TRAYNOR CHARGING POLICY

INTRODUCTION

This note applies where a licensed insolvency practitioner in the firm is acting as an office holder of an insolvent estate and seeks creditor approval to draw remuneration on the basis of the time properly spent in dealing with the case. It also applies where further information is to be provided to creditors regarding the office holder's fees following the passing of a resolution for the office holder to be remunerated on a time cost basis. Best practice guidance¹ requires that such information should be disclosed to those who are responsible for approving remuneration.

In addition, this note applies where creditor approval is sought to make a separate charge by way of expenses or disbursements to recover the cost of facilities provided by the firm. It also applies where payments are to be made to parties other than the firm, but in relation to which the office holder, the firm or any associate has an interest. Best practice guidance² indicates that such charges should be disclosed to those who are responsible for approving the office holder's remuneration, together with an explanation of how those charges are calculated.

OFFICE HOLDER'S FEES IN RESPECT OF THE ADMINISTRATION OF INSOLVENT ESTATES

The office holder has overall responsibility for the administration of the estate. He/she will delegate tasks to members of staff. Such delegation assists the office holder as it allows him/her to deal with the more complex aspects of the case and ensures that work is being carried out at the appropriate level. There are various levels of staff that are employed by the office holder and these appear below.

The firm operates a time recording system which allows staff working on the case along with the office holder to allocate their time to the case. The time is recorded at the individual's hourly rate in force at that time which is detailed below.

EXPENSES INCURRED BY OFFICE HOLDERS IN RESPECT OF THE ADMINISTRATION OF INSOLVENT ESTATES

Best practice guidance classifies expenses into two broad categories:

- *Category 1 disbursements (approval not required)* - specific expenditure that is directly related to the case and referable to an independent external supplier's invoice. All such items are charged to the case as they are incurred.
- *Category 2 disbursements (approval required)* - items of expenditure that are directly related to the case which include an element of shared or allocated cost and are based on a reasonable method of calculation, but which are not payable to an independent third party.

(A) The following items of expenditure are charged to the case (subject to approval)

- Internal meeting room usage for the purpose of statutory meetings of creditors is charged at the rate of £100 (London £150) per meeting.
- Car mileage is charged at the rate of 45 pence per mile.
- Storage of books and records (when not chargeable as a *Category 1 disbursement*) is charged on the basis that the number of standard archive boxes held in storage for a particular case bears to the total of all archive boxes for all cases in respect of the period for which the storage charge relates.

¹ Statement of Insolvency Practice 9 (SIP 9) – Remuneration of insolvency office holders in England & Wales

² *Ibid* 1

Expenses which should be treated as Category 2 disbursements (approval required) – in addition to the two categories referred to above, best practice guidance indicates that where payments are to be made to outside parties in which the office holder or his firm or any associate has an interest, these should be treated as Category 2 disbursements

Services provided by other entities within the Begbies Traynor group

The following items of expenditure which relate to services provided by entities within the Begbies Traynor group, of which the office holder's firm is a member, are also to be charged to the case (subject to approval)

Instruction of Eddisons Commercial Limited to provide valuation advice Their charges will be calculated on a time costs basis at the prevailing hourly rates for their various grades of staff which are currently as follows

Grade of staff	Charge-out rate (£ per hour)
Director	£275
Associate	£180
Surveyor	£120
Graduate	£100
Administration	£80
Porters	£35

Eddisons Commercial Limited may also be instructed to dispose of any assets identified in the liquidation estate Their costs of disposal will be fixed at 15% in respect of stock, plant and machinery and fixtures and fittings and 2% in respect of real estate property

Instruction of Eddisons Insurance Services Limited to provide insurance broking services and specifically open cover insurance for the insurable risks relating to the case The cost of open cover insurance will vary during the course of the case depending upon the value of the assets and liability risks The forecasted cost of insurance for the 3 month period immediately following appointment is £nil based on current information The costs of insurance cover for subsequent quarter periods will be dependent upon prevailing insurance market conditions and the ongoing insurable risks on the case Eddisons Insurance Services Limited is not paid from the assets of the estate for the services it provides In accordance with standard insurance industry practice, Eddisons Insurance Services Limited will receive payment of commission for the services it provides directly from the open cover insurer The commission is calculated as a percentage of the insurance premiums payable and such percentage will depend upon the class or classes of assets being insured

(B) The following items of expenditure will normally be treated as general office overheads and will not be charged to the case although a charge may be made where the precise cost to the case can be determined because the item satisfies the test of a *Category 1 disbursement*

- Telephone and facsimile
- Printing and photocopying
- Stationery

Additional payments received by Eddisons Commercial Limited from purchasers where assets are disposed of by way of auction

In addition to the charges of Eddisons Commercial Limited detailed above for providing the services to the office holder, where any machinery and business assets (other than freehold/leasehold property) are disposed of by way of auction, Eddisons Commercial Limited will also receive a payment from the purchaser, known as a buyer's premium, equivalent to 15% of the successful bid

Where any freehold/leasehold property is disposed of by way of auction, Eddisons Commercial Limited will also receive a payment from the purchaser, known as a buyer's administration fee, in the sum of £600. It is standard auction industry practice for a buyer's premium and buyer's administration fee to be charged. The buyer's premium and buyer's administration fee is paid by the purchaser of the assets and is not paid by the office holder from the assets of the estate.

BEGBIES TRAYNOR CHARGE-OUT RATES

Begbies Traynor is a national firm. The rates charged by the various grades of staff that may work on a case are set nationally, but vary to suit local market conditions. The rates applying to the Leeds office as at the date of this report are as follows:

Grade of staff	Charge-out rate (£ per hour) 1 May 2011 – until further notice
Partner	395
Director	345
Senior Manager	310
Manager	265
Assistant Manager	205
Senior Administrator	175
Administrator	135
Trainee Administrator	110
Support	110

Time spent by support staff such as secretarial, administrative and cashiering staff is charged directly to cases. It is not carried as an overhead.

Time is recorded in 6 minute units.

The office holder may use the services of BTG Forensic during the course of the case. BTG Forensic is a specialist department of the office holder's firm which provides forensic accounting services. The current charge-out rates applying to work carried out by BTG Forensic are as follows:

Grade of staff	Charge-out rate (£ per hour)
Partner	250
Senior Manager	175
Assistant Manager	100

Changtel Solutions UK Limited

HIGH COURT OF JUSTICE 4093 OF 2013

SUMMARY OF TIME COSTS AND EXPENSES

This summary, which should be read in conjunction with the Time Costs Analysis in the accompanying report, is intended to provide sufficient information to enable the body responsible for the approval of our fees to consider the level of our fees and expenses in the context of the case

What work has been since we were appointed, why was that work necessary and what has been the financial benefit (if any) to creditors?

Details of the types of work that generally fall into the headings mentioned below are available on our firm's website - <http://www.begbies-traynorgroup.com/work-details> Under the following headings we have explained the specific work that has been undertaken on this case. Not every piece of work has been described, but we have sought to give a proportionate overview which provides sufficient detail to allow creditors to understand what has been done, why it was necessary and what financial benefit (if any) the work has provided to creditors.

The costs incurred in relation to each heading are set out in the Time Costs Analysis which is attached.

General case administration and planning

In view of the complexity of this case, a significant amount of time has been incurred in case planning and strategy. This time contributed to the settlement reached with Entatech and is necessary to ensure that a number of matters, including the various ongoing HMRC VAT tribunals, are progressed properly and in line with our duties to creditors as a whole.

It is necessary for the duly appointed liquidators and their staff to carry out regular reviews of the case and how the case has been administered. This includes full case compliance reviews, six monthly reviews, reviews of the assets realised in the case and still to be realised and the costs and expenses being incurred. This is to ensure that the case is cost effective and is being administered both properly and efficiently.

It is our duty to maintain records to demonstrate how the case has been administered and to document our reasoning for any decisions made that may materially affect the case.

Compliance with the Act, Rules and best practice

The liquidators have a duty to comply with the Act, Rules and best practice. Throughout the period of this report we have ensured that the case funds have been appropriately invested and any monies received placed into the correct accounts ensuring the best interests of creditors and members are protected. In order to comply with statutory duties, time has been spent preparing and sending to creditors and members the annual progress report.

Investigations

As discussed in the main body of this report we are undertaking a wide range of investigations, in line with our duties, including an analysis of the transactions occurring in the significant post-petition period in this liquidation. As detailed in the body of the accompanying report, it is not appropriate to provide details of our ongoing investigations at this time as to do so may be prejudicial to potential realisations in the liquidation. However, we are hopeful of this work resulting in enhanced realisations in the liquidation.

Realisation of assets

Details in respect of asset realisations are discussed in the main body of this report. Further realisations are dependent upon our ongoing investigations, which, for the reasons set out above, we do not comment upon further at this time.

Dealing with all creditors' claims (including employees), correspondence and distributions

Creditors were invited to bring any matters to the attention of the liquidators which they consider require consideration by the liquidators in the initial notification letter sent to all known creditors on 13 July 2015. We remain receptive to any such information.

More generally, due to the nature of the Company's Winding-up and the amounts due to the main creditor, HM Revenue & Customs, it has resulted in considerable correspondence in respect of the insolvency. Specifically, the liquidators have had to engage with the VAT tribunal processes that are ongoing.

Furthermore, ongoing correspondence with creditors in respect of the liquidation is necessary to keep creditors informed as the matter progresses.

Other matters which includes meetings, tax, litigation and travel

It has been necessary to meet with a number of parties in order to both progress the case generally and specifically in respect of the considerable associated ongoing investigations in to the affairs of the Company.

Additionally, it has been required to meet with professionals in respect of the Company's complex tax affairs.

Litigation time includes costs incurred in connection with applications to Court by recipients of payments between the winding up petition and the making of the winding up Order which are subject to the provisions of S 127 of the Act. The purpose of this section of the Act is to maintain an equal, or *pari passu*, distribution of the Company's assets among its creditors.

Time Costs Analysis

An analysis of time costs is attached showing the time spent by each grade of staff on the different types of work involved in the case, and giving the total costs and average hourly rate charged for each work type.

Please note that the analysis provides details of the work undertaken by us and our staff following our appointment only.

Expenses

Details of all of the expenses incurred since the date of our appointment are attached at Appendix 3.

Category 2 Disbursements

In accordance with the resolution obtained in relation to disbursements, the following Category 2 disbursements and disbursements which should be treated as Category 2 disbursements have been charged to the case since the date of our appointment.

Other amounts paid or payable to the office holder's firm	
Type and purpose	Amount £
Mileage	144 96
TOTAL	144 96

Disbursements treated as Category 2 disbursements

Amounts paid to any party in which we or our firm or any associate has an interest	
Type and purpose	Amount £
Eddisons Commercial Limited for their professional valuation relating to the Entatech Settlement	2,750 00
TOTAL	2,750 00

What work remains to be done, why is this necessary and what financial benefit (if any) will it provide to creditors?

General case administration and planning

As set out above and in the main body of the accompanying report, this is a complex matter which requires considerable case strategy and planning time to consider a number of issues. This time is necessary to ensure that considered approaches are taken to achieve the best outcome for creditors as a whole in the liquidation in line with our duties as liquidators.

The general administration time is expected to be significant in view of the volume of records and paperwork associated with this liquidation and the maintaining of accurate records as to our work undertaken.

Compliance with the Act, Rules and best practice

The Act and Rules require the Joint Liquidators to produce annual reports and seek the views of creditors, as necessary, in the Liquidation. Also included in this category is time spent addressing statutory filing requirements, including the filing of reports and notices with the Registrar of Companies. The complexities of this liquidation and the need to keep creditors fully informed as to the progress of the liquidation and the costs associated gives rise to the forecasted costs in the accompanying fee estimate.

Investigations and Realisation of Assets

As set out in the accompanying report, the liquidators will be required to spend a considerable amount of time investigating the Company's affairs, including the analysis of transactions which are subject to the provisions of S 127 of the Act.

It is apparent that the outcome of the liquidation is dependent upon the ongoing investigations being carried out. For the reasons set out in this document and the accompanying report, it is not therefore appropriate to give details as to the specifics of our investigations.

Dealing with all creditors' claims (including employees), correspondence and distributions

Time in this category is projected to include a significant amount of time dealing with the ongoing HMRC VAT tribunals, comprising reviewing documents relevant to those proceedings

Time included in this category will include that spent agreeing the claims of creditors in the liquidation. We are also required to liaise with creditors regarding the progress of the liquidation.

Other matters which includes meetings, tax, litigation and travel

Given the complex nature of this matter a number of meetings will be required, both internally and with our advisors in order to progress the Liquidation.

Travel time is projected in connection with meetings with various parties in connection with the liquidation and time costs are also forecast under the litigation category which relate to ongoing work concerning, among other matters, the void dispositions of the Company's property in accordance with S 127 of the Act.

How much will this further work cost?

As discussed in the main body of this report, we are seeking approval of our fees estimate, which may be found at Appendix 2, comprising the work required in order to progress the Liquidation in the next 12 months.

This is an estimate based upon the time spent on this case historically and the work required dependent upon investigations and the ease with which the liquidators are able to progress these matters. Unfortunately Statement of Insolvency Practice 9 does not allow the liquidators to provide a range of estimated charges, however, the schedule included represents our best estimate of the likely charges in the next 12 months of the liquidation.

Expenses

Details of the expenses that we expect to incur in connection with the work to be done prior to the second anniversary of the winding up are outlined at Appendix 3 this report.

SIP9 Changtel Solutions UK Limited - In Compulsory Liquidation - Time Costs Analysis From 05/06/2015 to 04/06/2016

Staff Grade	Partner	Director	Snr Mngr	Mngr	Asst Mngr	Snr Admin	Admin	Jnr Admin	Support	Total Hours	Time Cost £	Average hourly rate £
General Case Administration and Planning	70 00	1 60		28 20			44 50	9 50		153 80	42 655 00	277 34
Administration	42 20			24 10			28 30	6 50	3 20	102 30	27 673 00	270 51
Total for General Case Administration and Planning	112 20	1 60		52 30			70 80	16 00	3 20	268 10	70 328 00	274 81
Compliance with the Insolvency Act, Rules and best practice	7 00							8 30		15 30	3 678 00	240 39
Appointment	4 00						1 40	1 30	1 90	8 60	2 121 00	246 63
Banking and Bonding												
Case Closure												
Statutory reporting and statement of affairs	16 70			19 20			3 60			39 50	12 170 50	308 11
Total for Compliance with the Insolvency Act, Rules and best practice	27 70			19 20			6 00	8 80	1 80	63 40	17 069 50	268 43
Investigations	59 30		63 50	245 80	45 00		19 80	10 30		480 70	116 411 50	242 17
Total for Investigations	59 30		63 50	245 80	45 00		19 80	10 30		480 70	116 411 50	242 17
Realisation of assets	0 80									0 90	197 50	385 00
Debt collection inc property loan accounts assets												
Property business and asset sales	24 10	15 30		117 80						157 20	46 015 00	292 72
Retention of Identified party assets												
Total for Realisation of assets	24 90	16 30		117 80						167 70	46 212 00	283 04
Trading												
Total for Trading												
Dealing with all creditors claims (including employees), correspondence and distributions	5 80			55 70				0 90		62 40	17 150 50	274 85
Secured												
Others												
Creditors committees												
Total for Dealing with all creditors claims (including employees), correspondence and distributions	6 60			55 70				0 90		62 40	17 150 50	274 85
Other matters which includes meetings, tax, litigation, pensions and travel	108 60	4 30		77 10			6 60	5 20		200 00	65 512 00	327 56
Meetings												
Other		3 00		25 90				3 80		32 50	8 294 50	255 22
Tax	14 50			10 30				1 20		27 50	8 781 50	319 69
Litigation	38 40			7 00						43 40	16 233 00	374 03
Total for Other matters	167 50	7 30		120 30			6 30	10 00		302 40	93 831 00	310 74
Total hours by staff grade	397 10	24 20	63 50	611 10	45 00		100 90	48 80	6 10	1 323 70		
Total time cost by staff grade	151 419 50	6 349 00	16 362 50	161 941 50	4 500 00		13 621 50	6 148 00	561 00		366 903 00	
Average hourly rate £	383 90	345 00	178 00	266 00	100 00		135 00	110 00	110 00			277 18
Total fees drawn to date £											190 742 50	

**DETAILS OF THE EXPENSES THAT THE LIQUIDATORS
CONSIDER WILL BE, OR ARE LIKELY TO BE INCURRED,
WITHIN THE NEXT 12 MONTHS**

	Expense type	Description	Incurred to date £	To be incurred in the next 12 months £	Total £
1	Statutory Advertising	Of appointment, meetings, dividends etc	169 20	0 00	169 20
2	Bond	An Insolvency Practitioner is required to have a bond in place to protect the estate from misappropriation of funds	500 00	500 00	1,000 00
3	Insurance	An Insolvency Practitioner is required to ensure that there is sufficient insurance cover over the assets of the insolvent entity This will become applicable in the event physical Company assets are identified	0 00	5,000 00	5,000 00
4	Property agent's valuation fees and disbursements	For professional property valuation services provided	2,500 00	0 00	2,500 00
5	Legal fees and disbursements	The fees of any solicitors and/or barristers instructed to assist the Insolvency Practitioner and their anticipated disbursements	330,989 15	480,000 00	810,989 15
6	Investigation expenses	Sums paid to third parties assisting the Insolvency Practitioner with investigating the affairs of the insolvent entity	4,000 00	17,000 00	21,000 00
7	Travel and Mileage Costs	In relation to various meetings	2,500 49	2,499 51	5,000 00
8	Insolvency Services Account Quarterly fee	In a compulsory liquidation the Insolvency Practitioner is required by statute to hold all of the estate funds in the Insolvency Services Account	88 00	352 00	440 00
9	Insolvency Service payment fees	Where the Insolvency Practitioner is obliged to use the Insolvency Services Account he/she is required to pay a fee when monies are paid out of the account	2 75	7 25	10 00
10	Secretary of State Fees	Fees calculated as a percentage of the sum paid into the Insolvency Services Account operated in the liquidation	80,000 00	0 00	80,000 00
11	Accountant's Fees	In dealing with the Company's tax affairs	10,000 00	5,000 00	15,000 00

12	Sage Hosting Costs	In order to properly investigate the Company's Sage accounting data	1,730 00	3,460 00	5,190 00
13	Search and Filing Fees	Various costs in relation to HM Land Registry search and general filing fees	164 00	36 00	200 00
14	Postage Costs	Relating to all documentation postage costs other than that of standard delivery	100 44	149 56	250 00
15	Bank Charges and Insolvency Services Account payment Fees	Relating to all costs associated with payments made from the Insolvency Services Account	58 50	31 50	100 00
16	Subsistence Costs	In connection with meetings and matters out of the office by members of the Firm	69 36	230 64	300 00
17	Photocopying Costs	In relation to our investigations and obtaining records in concerning the company and its affairs	1,462 50	1,000 00	2,462 00
18	Stationery	In relation to data storage	3 95	11 05	15 00