

Castle Trust and Management Services Limited (in liquidation)

Liquidators' Progress Report for the period
from 27 October 2023 to 26 October 2024

Progress Report pursuant to S406 of the Companies Act 2014

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We, Edgar Lavarello and Luke Walsh, both of PricewaterhouseCoopers Limited of 327 Main Street, Gibraltar, were appointed as the Liquidators by the Supreme Court of Gibraltar to manage the affairs and property of Castle Trust and Management Services Limited (“the Company” or “CTMS”). We act as agents of the Company only and without personal liability. Edgar Lavarello is authorised to act as an insolvency practitioner by the Gibraltar Financial Services Commission (IP Licence Number FSCo892FSA). Luke Walsh is authorised to act as an insolvency practitioner by the Gibraltar Financial Services Commission (IP Licence Number FSCo982FSA). We may act as Data Controllers of personal data as defined by the Data Protection Act, depending upon the specific processing activities undertaken. PwC may act as a data processor on the instructions of the Liquidators. Personal data will be kept secure and processed only for matters relating to our appointment as Liquidators.

We have prepared this report as Liquidators of the Company, solely to comply with our statutory duty to report to creditors under the Gibraltar Insolvency Act 2011 and the Gibraltar Insolvency Rules 2014 on the liquidators, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This report has not been prepared in contemplation of it being used, and it is not suitable to be used, to inform any investment decision in relation to the debt of the Company.

Any estimated outcome for creditors included in this report are illustrative only and cannot be relied upon as guidance as to the actual outcome for creditors.

Some reference is made in this report to occasions on which we have consulted legal advisers. However, we do not intend to waive any privilege that we have in any legal advice.

Any persons choosing to rely on this report for any purpose or in any context other than under the Gibraltar Insolvency Act 2011 and the Gibraltar Insolvency Rules 2014 do so at their own risk. To the fullest extent permitted by law, we do not assume any liability in respect of this report to any such person.

1. Abbreviations and definitions

The following table shows the abbreviations and insolvency terms that may be used in this report:

<i>Abbreviation or definition</i>	<i>Meaning</i>
<i>Company or CTMS</i>	<i>Castle Trust and Management Services Limited</i>
<i>Liquidators, we or ourselves</i>	<i>Edgar C Lavarello and Luke Walsh</i>
<i>Firm or PwC</i>	<i>PricewaterhouseCoopers Limited</i>
<i>IA</i>	<i>Insolvency Act 2011</i>
<i>Shareholders</i>	<i>Steven Andrew Knight (52.94%) Sovereign Trust International Limited as Trustees of La Rocque View (46.32%) Castle Nominees Limited (0.74%)</i>
<i>Directors</i>	<i>Steven Andrew Knight Colin Charles Gibbs Paula Joanne Bullock</i>
<i>Secretary</i>	<i>Castle Secretaries Limited</i>

2. Key messages

2.1 Why we have sent you this report

This is the annual progress report prepared by the Liquidators of the Company pursuant to Section 406 of the Companies Act.

Creditors may wish to read this report in conjunction with the Preliminary Report, which is available on our website at https://www.pwc.gi/services/business_recoveries/ctms-liquidation.html. The information in that report is not repeated here unless considered necessary or beneficial for this update.

This report provides an update on the work we have undertaken, and the progress made since our appointment.

2.2 Creditors' claims received and potential outcome for creditors

During the administration and liquidation of the Company, we received a number of claims from creditors of the Company, that are summarised in the below schedule. No claims were paid during the administration of the Company and all claims received were automatically carried forward as claims into the liquidation. As a result, creditors were not required to re-submit claim forms already received during the administration. Please note that as at the date of this report, the Liquidators have not adjudicated on any claims as we do not expect there to be sufficient assets to enable a distribution to be made to unsecured creditors.

Class of creditor	Description	Value of claims (£)
Secured	No secured creditors*	Nil
Preferential	Employees/HMGoG Insolvency Fund for wages and holiday pay and HMGoG for PAYE and SI	25,910
Unsecured	General unsecured creditors	51,158,757
Total	Total claims received	51,184,666

* We have received a claim from a creditor that submitted two claims in the administration, one as a secured claim and the other as an unsecured claim. We have yet to fully adjudicate this claim and have therefore not made a determination, the claim is therefore included as an unsecured claim in the above schedule but may be subject to change.

3. What we've done during the liquidation

3.1 General

A full explanation of the Company's background and the circumstances leading to our appointment are explained in full in the Preliminary Report and are therefore not repeated in this final report. However, following the discharge of our appointment as Joint Administrators and our appointment as Joint Liquidators on 27 October 2023, our focus changed from continuing to trade the business to winding it down.

Our appointment was advertised and we contacted all creditors and informed them that they did not need to re-submit their proof of debt if they submitted it in the administration, but if they had not submitted it in the administration, that we required a proof of debt to be submitted.

During the administration of the Company, we were unable to sell any assets of the Company due to an undertaking we provided the Court, which are explained in more detail in the reports we issued during the administration, which can be viewed on our website: <https://www.pwc.gi/services/ctms.html>

A Creditors Committee was formed by the creditors of the Company during the administration preceding the liquidation, and that creditors' committee continues in the liquidation process. We had one Creditors Committee meeting during the first year following our appointment, with a second Committee meeting shortly after on 8 November 2024. There was one change to the membership of the Committee with a representative change.

3.2 Employees and consultants

At the date of entering liquidation the four remaining employees were terminated by way of redundancy. As we had adopted their contracts of employment during the administration, we settled their salaries and related costs that we were responsible for as an expense of the administration. The employees were able to claim against the HM Government of Gibraltar Insolvency Fund for redundancy and payment in lieu of notice, subject to certain conditions and exceptions. We assisted the employees in filing their claims against the HMGoG Insolvency Fund, if employees are paid by the Insolvency Fund, their claim is subrogated.

As we still needed to wind down the Company, including the sale of each line of business, we needed to enter into consultancy contracts with the ex-employees so that they could assist us in winding down the Company and selling the business and assets. With the assistance of the consultants, we were able to generate additional fees during the liquidation and secure the sale of two significant lines of the Company's business.

3. What we've done during the liquidation - continued

3.3 Sale and transfer of CTMS business and assets

Sale and transfer of CTMS business

As explained in our preliminary report, the business of CTMS can be segregated into four distinct service lines:

1. QROPS
2. Trust and company management
3. Fund administration
4. Security trustee

In relation to the QROPS and trust and company management books of business, we are pleased that together with the assistance of the ex-employees working as consultants, we were able to secure the sale and transfer of the clients and their business. The process of selling these books of business were heavily involved and included us speaking to several potential acquirers before undertaking due diligence with the preferred bidders. The sales were successfully concluded at the end of December 2023, with the majority of the clients within these business lines transferring to the new providers. The sales secured recoveries for the liquidation, which are presented within section 6, with one of the sales including deferred consideration which will be received over two years from the date of the sale.

As well as winding down the business and securing the sales, services were still being provided to clients of CTMS at this time, with additional fees being generated by the Company with the assistance of the consultants, who were invaluable in their assistance with providing information to assist with the sales of the business.

Unfortunately, we were not able to secure sales and transfers of the fund administration or security trustee books of business. This was mainly due to the nature of these books of business, however individual transfers were facilitated and supported by our team where possible.

Any clients of CTMS that have not been contacted by a new service provider are encouraged to contact us on gi_ctmsbrs@pwc.com so that we may assist where possible in transferring them to new service providers.

Sale of remaining CTMS assets

As part of the liquidation process, we secured and attempted to realise any valuable assets of the Company. The majority of computer equipment and furniture owned by the Company was old and of little value, however we still managed to sell assets, realising small recoveries in the liquidation.

3. What we've done during the liquidation - continued

3.4 Closure of offices and data cleansing

Prior to handing back the lease, we ensured that the office was cleansed of all physical and electronic data. Any files relating to clients that were transferred to new service providers were transferred to those service providers. In addition, we identified that the Company had records held in a storeroom which were older than the legal data retention policy in Gibraltar and prior to our appointment, were marked for destruction by the Company, but had not been destroyed. We reviewed the data and based on the review, either transferred the data to storage or destroyed the data as applicable. Full backups of the CTMS servers were retained by PwC.

The CTMS offices were closed on 21 December 2023, ceasing all company operations and the office premises were returned to the landlord on 4 January 2024.

3.5 Investigations

During the year, we have investigated and continue to diligently investigate the Company's affairs and financial transactions in accordance with the Insolvency Act 2011. Our efforts include actively pursuing funds and loans made to connected entities and individuals. Despite our persistent efforts, these attempts have not yet yielded successful results. We are considering legal actions to recover these funds, although the associated costs are a significant factor in our decision-making process, with us considering the cost of taking action against the potential recoveries and the probability of success. Should any possibility arise to secure additional recoveries for the benefit of the liquidation and its creditors, we will consider the cost benefit of the action, and if appropriate, pursue the action.

During the course of our investigations, we identified a number of debts owed to CTMS and its controlled subsidiaries, from related parties and related persons. In attempting to recover those debts, we have issued several letters demanding repayment and in some cases have had to attempt to recover through more formal legal means. To this end, we have served Statutory Demands in our efforts to actively pursue and enforce the repayment of these debts and are in the process of dealing with these in accordance with the Insolvency Act 2011.

During our investigation, we have a responsibility to consider if any transactions and/or dealings of the Company would be considered to be within scope of Part 9 'Voidable transactions' and/or Part 10 'Malpractice' of the Insolvency Act 2011. Due to the nature of these investigations, we are unable to include further details within this report.

Given the complexities of the circumstances and the limited resources available to us, we are carefully considering our options following our investigations. This includes the possibility of pursuing recovery actions through legal channels or reaching a settlement to conclude the liquidation process in a manner that maximises the benefit to the creditors, with minimal legal costs.

3. What we've done during the liquidation - continued

3.6 Legal actions

Following the approval of the administration proposals on 29 August 2023, we progressed the legal process to remove the undertaking and liquidate the Company. One of the directors opposed the application which resulted in applications to the Court of Appeal and the Supreme Court, including extensive exhibits, subsequent responses and then Court appearances. The legal process resulted in Liquidators costs in preparing the documents of £203,569 and legal costs exceeding £115,000.

On 27 October 2023, the Supreme Court of Gibraltar discharged the administration order and appointed the joint administrators as Joint Liquidators of the Company, whilst at the same time awarding costs on an indemnity basis of the liquidation application which are to be borne by the director in question personally.

During the course of the liquidation, we have had to oppose a Court application made by the same director of CTMS that opposed the liquidation application. We were served with the application notice on 1 August 2024, and the application was heard by the Supreme Court on 9 September 2024, with the judgment handed down on 1 November 2024. As CTMS is in liquidation, legal action cannot be pursued against a company in liquidation without the leave of the Court. The director sought permission to bring legal proceedings against CTMS and us, the liquidators, under section 165(1)(c)(i) of the Insolvency Act 2011. The Court ultimately denied this application, supporting our position that the liquidation process should proceed without interference and the matters raised by the director of CTMS were best dealt with during the course of the liquidation. Please note that the judgment has allowed for the director to renew his application should an out-of-court settlement not be reached or should we as liquidators not pursue claims against the director, within four months of the date of the judgment.

The application involved complex legal arguments and required substantial work, including producing a witness statement, attending the court hearing, and liaising closely with our legal counsel. The court's decision reinforces our commitment to managing the liquidation process in the best interests of the creditors. The costs incurred in opposing this application amount to approximately £50,000, which we were awarded on an indemnity basis against the director personally.

The above-mentioned costs orders required the director in question to pay a portion of the costs order within a certain amount of days from the judgment, with the remaining costs to be assessed if they cannot be agreed, we are still in the process of having our costs agreed regarding both the costs order and are actively working towards a cost effective resolution.

We are pursuing the recovery of the two costs orders mentioned above which were both awarded to us on an indemnity basis.

3.7 Further recoveries

Whilst we are actively pursuing recoveries and potential recoveries, as explained above, unless we are able to secure recoveries through the legal process, we do not envisage any further significant recoveries that will enable a return to creditors.

4. Creditors

The Liquidators continue to liaise with the Creditors' Committee that was appointed during the administration of the Company as the Committee continues in the Liquidation. All creditors' claims that we received in the administration were carried forward into the Liquidation and creditors were not required to re-submit their claims. If creditors have not yet submitted their claim, they are encouraged to do so by following the directions on our website:

https://www.pwc.gi/services/business_recoveries/ctms-liquidation.html

Please note that claims made by creditors have not been approved or declined by the Liquidators as they are of the view that there will not be sufficient assets within the liquidation to provide for a return to unsecured creditors.

4.1 Secured creditors

We are aware of one creditor that submitted two claims in the liquidation, one as a secured claim and the other as an unsecured claim. We have yet to fully adjudicate this claim, as a result, we are currently classifying it as unsecured.

4.2 Preferential creditors

Preferential creditors are those creditors whose claims take priority over the unsecured creditors and are determined by Schedule 1 of the Insolvency Rules 2014.

The preferential claims total £25,910.

4.3 Unsecured creditors

We have received unsecured creditor claims of £51,158,757. The majority of these claims relate to legal claims against the Company from Court Judgments.

4.4 Summary and outcome

As previously communicated to the creditors, the expenses of the liquidation currently outweigh the recoveries, meaning that there are currently insufficient funds to cover the expenses of the liquidation. As such, the probability of there being a distribution to creditors is unlikely unless we are able to recover substantial funds through the legal process.

5. Liquidators' fees and expenses

The time and fees incurred during the liquidation up to the date of preparing this report by ourselves and our team, split by staff grade and project are presented below. All costs are presented in Pounds Sterling (£) and all figures are rounded to the nearest whole number.

	Associate		Senior Associate		Manager		Senior Manager		Partner		Total	
	Time (hours)	Time costs	Time (hours)	Time costs	Time (hours)	Time costs	Time (hours)	Time costs	Time (hours)	Time costs	Time (hours)	Time costs
General	63	6,930	292	49,294	2	495	91	39,840	52	34,655	500	131,214
Claims	119	13,035	236	44,591	3	1,073	38	16,915	142	94,900	538	170,514
Assets	23	2,503	47	7,673	1	330	38	16,615	30	19,475	139	46,596
Managing business	18	2,008	62	11,110	17	5,450	6	2,420	14	8,965	117	29,953
Transfer of business	53	5,803	107	17,696	-	-	48	20,900	61	39,950	269	84,349
Creditors	4	468	51	9,048	-	-	18	7,810	14	8,940	87	26,266
Employees/ consultants	1	138	31	5,308	-	-	12	5,170	13	8,770	57	19,386
Total	281	30,885	826	144,720	23	7,348	251	109,670	326	215,655	1,707	508,278
Disbursements												1,357
Total Liquidator costs and expenses												509,635

5. Liquidators' fees and expenses - continued

The above costs represent the time costs incurred by the Liquidators and their team for the first period from the date of entering liquidation to 26 October 2024. The most significant costs incurred are in relation to pursuing and defending legal claims, as reported previously in this report, and is attributable to investigations, correspondence and communication with external counsel and time spent on drafting legal documents to pursue or defend legal claims.

General time costs above include costs related to the surrender of the office lease, data cleansing and security, correspondence and provision of documents to authorities, such as the Gibraltar Financial Services Commission and the preparation of reports and other required documents.

The Joint Liquidators received funding from the Official Receiver of HM Government of Gibraltar of £150,000 at the end of October 2023, which were to be used to cover fees and expenses in the Liquidation. These funds were used by the Liquidators to settle a portion of their own liquidation fees of £75,000 and legal costs paid to Signature Litigation LLP incurred by the Liquidators to support the legal actions of £75,000. The funding was provided by way of an informal agreement whereby should there be recoveries in the liquidation to enable the Liquidators to pay distributions, the Official Receiver would receive a repayment of the funding provided. As such, HM Government of Gibraltar is a creditor of the Company.

As reported in our final report in the administration, time costs of £524,439 were presented to the Creditors' Committee who approved the costs on 2 October 2023 and resolved that the administrators could draw the costs when deemed appropriate. Of the fees approved by the Committee on 2 October 2023, total fees drawn in the administration and in the liquidation total £195,000.

6. Statement of receipts and payments

Receipts	£
Cash balance upon appointment	120,493
Fee income and recovery of debtors	206,865
Proceeds from sale of fixed assets	3,900
Sale of business	198,301
Interest income	1,079
Total receipts	530,638
Payments	£
Office & general expenses	(8,944)
Bank charges	(3,780)
Consultancy fees	(33,130)
Tax & social insurance	(6,199)
IT expenses	(2,702)
Legal fees	(231,750)
Liquidators' fees	(165,000)
FX loss	(13)
Total payments	(451,518)
Cash held by Liquidators	79,120

A substantial portion of the receipts are as a result of the ability to sell the business and transfer the clients to other regulated service providers. As noted previously, in addition to the funds already received, a portion of one of the deals includes deferred consideration, so there will be additional funds to be received based on the results of the portfolio sold.

The Liquidators were also able to generate substantial amounts from the recovery of debtors and additional fee income up to the date of cease of trading.

It should be noted that the legal fees incurred by the Liquidators exceed the fees paid, with external counsel working on an agreement to support the Liquidation with the aim of future recoveries to cover the fees incurred.

7. *Future communications*

We will be in contact with you during the liquidation, in accordance with the requirements of the IA.

If you have any questions, please get in touch with our offices by emailing us on gi_ctmsbrs@pwc.com or calling us on +350 200 73520.



Luke Walsh

On behalf of the Joint Liquidators

18 December 2024

Edgar Lavarello and Luke Walsh of PricewaterhouseCoopers Limited, Gibraltar have been appointed Liquidators by the Supreme Court of Gibraltar (the “Company”) to manage the affairs and property of the Company. The Liquidators act as agents of the Company only and without personal liability. Edgar Lavarello is authorised to act as an insolvency practitioner by the Gibraltar Financial Services Commission (IP Licence Number FSC 0892 IPA). Luke Walsh is authorised to act as an insolvency practitioner by the Gibraltar Financial Services Commission (IP Licence Number FSC 0982 IPA).

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For further information on the liquidation of the Company please contact us on gi_ctmsbrs@pwc.com.