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Smith & Williamson

Inclarity Limited (in Liquidation)

First Progress Report of the Joint Liquidators to
Members and Creditors of the above Company
pursuant to Rule 4.49B of the Insolvency Rules
1986

16 July 2012

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18/07/2012

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Contents

1. Introduction	1
2. Receipts and payments account	1
3. Progress of liquidation	2
3.1 Actions since appointment	2
3.2 Future work and asset recovery routes	2
4. The prescribed part	2
5. Outcome for creditors and dividend prospects	3
5.1 Secured creditors	3
5.2 Preferential creditors	3
5.3 Unsecured creditors	3
6. Statutory obligations	4
7. Professional advisers	4
8. Investigations and directors' conduct report	4
9. Joint liquidators' disbursements	4
10. Joint liquidators' remuneration	4
11. Conclusion	5
Appendix A Statutory information	1
Appendix B. Receipts and payments account to 18 May 2012	3
Appendix C Breakdown of time costs (SIP9) to 18 May 2012	4
Appendix D. Breakdown of time costs (SIP9) to date	5
Appendix E. Schedule of Charge Out Rates - Restructuring & Recovery	6
Appendix F. Schedule of Charge Out Rates – Corporate Tax	7

1. Introduction

Inclarity Limited ("the Company") went into administration on 22 April 2010 and Simon Thomas and Fied Satow of Moorfields Corporate Recovery LLP were appointed joint administrators of the Company

The Company was subsequently wound up by way of a court order on 28 January 2011, on a petition presented on 22 October 2010 by the joint administrators of the Company. The Official Receiver subsequently decided not to convene a meeting of creditors and made an application to the Secretary of State on for the appointment of Steven Edward Butt and myself, both of Smith & Williamson Limited, 25 Moorgate, London EC2R 6AY as the joint liquidators, which was confirmed on 19 May 2011.

On 10 January 2012 Steven Edward Butt was removed as joint liquidator by an order made by Registrar Baister sitting in the Companies Court, Chancery Division in the High Court of Justice pursuant to an application for a block transfer of insolvency appointments. Henry Anthony Shinnars of Smith & Williamson Limited, 25 Moorgate, London, EC2R 6AY replaced Steven Edward Butt as joint liquidator.

Please note that following an internal change to Smith & Williamson's legal structure a new limited liability partnership "Smith & Williamson LLP" has been established. The business which was undertaken by Smith & Williamson Limited is now being conducted through the limited liability partnership with effect from 1 May 2012. Other services provided by entities within the Smith & Williamson Group have remained unaffected by these changes.

This is the first progress report to members and creditors of the Company pursuant to Rule 4.49B of the Insolvency Rules 1986. It gives an account of our acts and dealings and of the conduct of the winding up for the period from our appointment to 18 May 2012 and should be read in conjunction with our previous correspondence.

I enclose the relevant statutory information in respect of the Company as Appendix A.

A summarised account of our receipts and payments for the first year ended 18 May 2012 is attached as Appendix B, which I trust is self explanatory.

An analysis of the time spent attending to the matters arising in the winding up for the first year ended 18 May 2012 is attached as Appendix C. This has been prepared in accordance with the requirements of Statement of Insolvency Practice 9 ("SIP9").

2. Receipts and payments account

I understand that all creditors of the Company will have received a copy of the Official Receiver's report following the winding up of the Company from which you will note that the only asset that the Official Receiver was aware of at that stage was the cash in the administrators' account totalling £4,796.

These funds were recovered by the Official Receiver and have been used to defray the Official Receiver's costs. The net funds totalling £414.34 have been passed across to the joint liquidators in the liquidation estate.

A summarised account of our receipts and payments for the first year ended 18 May 2012 is attached as Appendix B, which I trust is self explanatory.

3. Progress of liquidation

A meeting of creditors has not yet been called as previously advised in our letter to creditors dated 27 June 2011. At this stage, no assets have been realised and therefore no meeting of creditors is required to be held. However, creditors are advised that they may request a meeting of creditors to be summoned, pursuant to Rule 4.57 of the Insolvency Rules 1986.

3.1 Actions since appointment

Since being appointed as joint liquidators we have spent considerable time and effort sourcing the Company records to ascertain possible routes to recovery of assets for the benefit of creditors.

Our investigation into the Company's financial affairs and the actions undertaken by the former joint administrators are still on going.

3.2 Future work and asset recovery routes

The above matter is currently on going, but the recovery of these sums is uncertain.

Under the provisions of Section 176A of the Insolvency Act 1986 we must report on the amount of funds available for distribution to unsecured creditors in respect of the prescribed part.

4. The prescribed part

Pursuant to the Insolvency Act (1986) (Prescribed Part) Order 2003, the Prescribed Part of the Company's net property to be made available for the satisfaction of unsecured debts is calculated as follows:

- 50% of the first £10,000 of net property, and
- 20% of that part of the net property which exceeds £10,000 in value, provided that the Prescribed Part cannot exceed £600,000
- Where the net property is less than the prescribed minimum (fixed at £10,000) and the cost of making a distribution to the unsecured creditors would be disproportionate to the benefits, the office-holder is excused from his obligation to set aside the prescribed part.

The Company's net property is the amount of its property available for the satisfaction of the claims of the holders of debentures secured by, or holders of, any floating charges created by the Company after 15 September 2003

As stated in joint administrators previous reports, the assets of Company are subject to fixed and floating charges by virtue of the debenture granted to Barclays Bank Plc on 31 August 2000 which was subsequently assigned to Danston Holdings Limited ("Danston") dated 30 March 2010 and a second fixed and floating charge was granted in favour of Aktiva Invest International N V ("Aktiva") on 29 March 2008

As the Danston debenture was created prior to 15 September 2003, the floating charge realisations are not subject to a Prescribed Part to the extent that they are required to settle the amounts owing to Danston. However, Danston have been repaid in full and the residual realisations are subject to the second fixed and floating charge in favour of Aktiva

As the Aktiva debenture was created after 15 September 2003, the residual floating charges realisations are subject to a Prescribed Part

5. Outcome for creditors and dividend prospects

5.1 Secured creditors

As stated in the joint administrator's final report Danston have been repaid in full in respect of their fixed and floating charge claim against the Company

As detailed in the joint administrator's final report Aktiva the second fixed and floating chargeholder, was paid £55,694 under its fixed charge.

The nature and the quantum of the chargeholders outstanding claims are part of the joint liquidators on going investigations

5.2 Preferential creditors

A sale of the Company's business and assets as a going concern was completed by the former joint administrators. As such no preferential creditor claims have been received

5.3 Unsecured creditors

The Statement of Affairs provided to the former joint administrator listed unsecured creditors of £3,274,890.54

Since our appointment we have not been made aware of additional unsecured creditors' claims in respect of tax liabilities of £161,925.00. To date, we have received 104 creditors' claims totalling £3,440,470.75. None of these claims were adjudicated and agreed due to the absence of funds to enable me to declare a dividend to this class of creditor

6. Statutory obligations

We have complied with the various statutory obligations required under the relevant provisions of the insolvency legislation

7. Professional advisers

During the winding up, the joint liquidators have not instructed any third party professional advisers in respect of the finalisation of the Company's affairs

8. Investigations and directors' conduct report

The Official Receiver is responsible for investigating and reporting on the directors' conduct

9. Joint liquidators' disbursements

In accordance with SIP 9 disbursements may be either category 1 disbursements or category 2 disbursements

Category 1 disbursements do not require approval by the creditors. Disbursements that may be charged under category 1 generally comprise specific external supplies of incidental services that are specifically identifiable to the winding up and are payable to independent third parties. These include postage, case advertising, invoiced travel and external printing, room hire and document storage. Properly reimbursed expenses incurred by personnel in connection with the winding up will also fall under category 1.

During period of the winding up the sum of £36.00 has been charged to category 1 disbursements. To date, I have not been paid against these costs.

Category 2 disbursements require approval by the creditors. Disbursements that fall under category 2 generally comprise elements of shared or allocated costs. These include the provision of internal services such as photocopying, printing, room hire and document storage. It is not my firm's policy to seek recovery of such category 2 disbursements.

10. Joint liquidators' remuneration

A meeting of creditors has not yet been called as previously advised in our letter to creditors dated 27 June 2011. At this stage, no significant assets have been realised and I do not intend, at this

stage, to summon a meeting of the Company's creditors for the purpose of determining whether a Liquidation Committee should be established and the basis of the joint liquidator's remuneration agreed

However, creditors are advised that they may request a meeting of creditors to be summoned, pursuant to Section 141(2) of the Insolvency Act 1986 and Rule 4.57 of the Insolvency Rules 1986 if a request is made by at least ten per cent in value of the creditors or contributories

During the first year of the winding up a total of 44.90 hours to a value of £11,097.50 was spent dealing with the liquidation, representing an average hourly charge out rate of £247.16. In accordance with Statement of Insolvency Practice 9 ("SIP9"), we attach a breakdown of our time costs for the year ended 18 May 2012 as Appendix C

A cumulative analysis of the time spent during the winding up to date is attached as Appendix D. During the period of the winding up the liquidator and his staff spent a total of 61.70 hours dealing with the liquidation at a cost of £15,035.00 representing an average hourly charge out rate of £243.68. To date I have not drawn any remuneration against these costs

Details of the current charge out rates for the joint liquidators' and their staff are attached as Appendix E and F

I would advise that pursuant to Rule 4.49E of the Insolvency Rules 1986, secured creditors or unsecured creditors (with concurrence of at least 5% in value of total claims) or an unsecured creditor with permission of the Court, may, within 21 days of receipt of this progress report, ask the joint liquidators for further information about the remuneration or expenses set out in this progress report

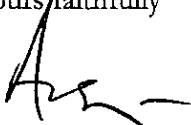
Pursuant to Rule 4.131 of the Insolvency Rules 1986, any secured creditor, or unsecured creditor (with the support of at least 10% in value of the creditors) or with the permission of the court, may within 8 weeks of the receipt of this progress report apply to the court on the grounds that the remuneration charged by the joint liquidators, or basis fixed for the joint liquidators' remuneration, or the expenses incurred by the joint liquidators, is or are considered to be excessive or inappropriate

11. Conclusion

Our investigations into the affairs of the Company are on going and will report to the creditors again either when we have some matters of note to report or when our next periodic report is due

Should you have any queries in connection with this report please do not hesitate to contact us

Yours faithfully



Anthony Spicer
Joint Liquidator

Appendix A. Statutory information

Company Name.	Inclarity Limited
Previous Company Name	Inclarity Plc (until 22 March 2007)
Court Reference	6077 of 2010 in the High Court of Justice, Chancery Division, Companies Court
Office Holders	Anthony Cliff Spicer and Henry Anthony Shunners
Registered Number	02673204
Date of Incorporation:	19 December 1991
Registered Office	25 Moorgate, London, EC2R 6AY
Previous Registered Office	88 Wood Street, London, EC2V 7RS (until 18/10/11) 8 Fulton Road, Wembley, Middlesex, HA9 0NU (until 27/04/10) Inclarity House, 607 High Road, London, N12 0DZ (until 10/03/07)
Trading Address	607 High Road, Finchley, London, N12 0DZ
Director	Andrej Rucigaj (appointed on 25/02/08) Arc Management Limited (appointed on 19/03/10)
Former Directors:	Ahal Besorai (15/05/98 – 19/03/10)
Company Secretary	Sephelino Chileshe Lukashu (appointed 12/02/10)
Former Company Secretary	Ian Geoffrey Evans (22/06/07 – 12/02/10)
Authorised share capital	£10,498,153
Allotted, issued and fully paid share capital.	1,479,696 Common shares of £1 each 9,018,457 Preferred A Shares of £1 each
Charge holders	Danston Holding (fixed and floating charge) Aktiva Ventures B V (fixed and floating charge)

Shareholders.

**INCLARITY LIMITED
SHARE REGISTER**

**Total issued
as at 15 Sept 09
£1 Shares**

**SHAREHOLDER
ORDINARY £1 SHARES**

East Reef Holdings Ltd (Jersey)	526,792	5.02%
Headlong Holdings Inc	263,395	2.51%
Mr Jean Luc Alexandre	5,643	0.05%
Mr Matteo Mazzocchi	3,200	0.03%
Siune SA	113,795	1.08%
Roschill Corporation	9,655	0.09%
Lisa T Rosenbaum, TTEE of the Fisher Family 1995 Trust U/T/A With Ronald D Fisher as Donor	90,962	0.87%
Kor Hedva and Abraham	10,344	0.10%
Schundlers Reg. Treuunternehmen	38,095	0.36%
Trident Nominees Ltd	27,586	0.26%
Ron Beller	52,000	0.50%
Julian Costley	11,800	0.11%
Adrian Hughes	154,490	1.47%
Enzo Viscito	92,694	0.88%
Ian Evans	46,347	0.44%
Dave Millett	30,898	0.29%
Linor Vancina	0	0.00%
Aktiva Invest International NV	2,000	0.02%
Ben Andrada	0	0.00%
Kenny Kamal	0	0.00%

TOTAL COMMON SHARES	1,479,696	14.09%
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PREFERENCE A SHARES

Aktiva Invest International NV	222,640	2.12%
Aktiva Invest International NV	3,690,897	54.21%
Aktiva Invest International NV	2,000,000	19.05%
Rustdale Group	533,522	5.08%
Rustdale Group	160,168	1.53%
Headlong Holdings Inc	275,765	2.63%
Mr Jean Luc Alexandre	460	0.00%
Mr Jean Luc Alexandre	2,057	0.02%
Schundlers Reg. Treuunternehmen	7,346	0.07%
Dave Millett	17,874	0.17%
Adrian Hughes	26,676	0.25%
Enzo Viscito	8,892	0.08%
Mr Okorn	72,160	0.69%

TOTAL PREFERRED A SHARES	9,018,457	85.91%
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TOTAL SHARES	10,498,153	100.00%
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Appendix B. Receipts and payments account to 18 May 2012

Inclarity Limited
(In Liquidation)
Joint Liquidators' Abstract of Receipts & Payments

Final Administrators Report Analysis of Affairs		From 19/05/2011 To 18/05/2012	From 19/05/2011 To 16/07/2012
£		£	£
	ASSET REALISATIONS		
4,796 00	Cash in Administration Account	NIL	NIL
	DTI Interest Gross	1 76	1 76
	O R Credit Balance (Net)	414 34	414 34
		<u>416 10</u>	<u>416 10</u>
	COST OF REALISATIONS		
	DTI Banking Fees	72 00	90 00
	Sec of State Fees	1 06	1 06
	Corporation Tax	0 35	0 35
		<u>(73 41)</u>	<u>(91 41)</u>
	FLOATING CHARGE CREDITORS		
(466,305 53)	Floating Charge Creditor - AKTIVA	NIL	NIL
		<u>NIL</u>	<u>NIL</u>
	UNSECURED CREDITORS		
(3,274,891 00)	Trade & Expense Creditors	NIL	NIL
		<u>NIL</u>	<u>NIL</u>
	DISTRIBUTIONS		
(9,018,457 00)	Preference Shareholders	NIL	NIL
(1 479,696 00)	Ordinary Shareholders	NIL	NIL
		<u>NIL</u>	<u>NIL</u>
<u>(14,234,553 53)</u>		<u>342 69</u>	<u>324 69</u>
	REPRESENTED BY		
	ISA Interest Bearing		324 69
			<u>324 69</u>

Appendix C. Breakdown of time costs (SIP9) to 18 May 2012

Classification of work function	Hours					Total hours	Time cost	Average hourly rate
	Partner	Associate Director	Manager/ Assistant Manager	Senior Administrator/ Administrator	Assistants & support staff			
Administration & planning Case planning administrative set-up Appointment notification Maintenance of records statutory reporting	1 00	9 85	15 30	0 00	4 30	30 45	£7 869 25	£258 43
Investigations SIP2 review CDDA reports Investigating antecedent transactions	0 00	3 70	1 55	0 00	0 00	5 25	£1 603 75	£305 48
Realisation of Assets Identifying securing insuring assets Retention of title Debt collection Property business and asset sales	0 00	0 70	0 00	0 00	0 00	0 70	£234 50	£335 00
Creditors Communication with creditors Creditors claims (including employees and other preferential creditors)	0 00	2 00	1 75	0 00	4 75	8 50	£1 390 00	£163 53
Corporate Tax	0 00	0 00	0 00	0 00	0 00	0 00	£0 00	
Totals	1 00	16 25	18 60	0 00	9 05	44 90	£11 097 50	£247 18

Appendix D. Breakdown of time costs (SIP9) to date

Classification of work function	Partner	Associate Director	Hours Manager/ Assistant Manager	Senior Administrator/ Administrator	Assistants & support staff	Total hours	Time cost	Average hourly rate
Administration & planning								
Case planning administrative set up Appointment notification	1 00	9 85	22 30	0 00	4 60	37 75	£9 574 25	£253 62
Maintenance of records statutory reporting								
Investigations								
SIP2 review CDDA reports Investigating antecedent transactions	0 00	3 70	11 05	0 00	0 00	14 75	£3 636 25	£260 08
Realisation of Assets								
Identifying securing insuring assets Retention of title Debt collection Property business and asset sales	0 00	0 70	0 00	0 00	0 00	0 70	£234 50	£335 00
Creditors								
Communication with creditors Creditors claims (including employees and other preferential creditors)	0 00	2 00	1 75	0 00	4 75	8 50	£1 390 00	£163 53
Corporate Tax								
	0 00	0 00	0 00	0 00	0 00	0 00	£0 00	
Totals	1 00	16 25	35 10	0 00	9 35	61 70	£15 035 00	£243 68
Pre appointment								
	0 00	4 30	0 20	0 00	1 50	6 00	£1 585 00	£264 17

Appendix E. Schedule of Charge Out Rates - Restructuring & Recovery

Smith & Williamson LLP Restructuring & Recovery	
Charge out rates listed by staff classification	
	£
Partner	440-500
Associate Director	3335 - 420
Senior Manager	275 - 325
Manager	265 - 310
Assistant Manager	235 - 250
Administrator	140 - 200
Assistant and support staff	65 - 250

Appendix F. Schedule of Charge Out Rates – Corporate Tax

Smith & Williamson LLP Corporate Tax	
Charge out rates listed by staff classification	
	£
Partner	435-520
Associate Director	340 - 350
Senior Manager	285
Manager	235
Assistant Manager	180
Senior	155
Tax Trainee	80 - 95