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Smith & Williamson

Inclarity Limited (in Liquidation)

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

27 February 2013

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1. Introduction

Inclarity Limited ("the Company") went into administration on 22 April 2010 and Simon Thomas and Fred Satow of Moorfields Corporate Recovery LLP ("Moorfields") 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

This report provides an update on the progress in the liquidation for the year ended 9 January 2013. I enclose the relevant statutory information in respect of the Company as Appendix A

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

2. Receipts and payments account

A cumulative receipts and payments account for the period of the winding up, including a copy of my receipts and payments account for the year ended 9 January 2013 is attached as Appendix A which I trust is self-explanatory

3. Realisation of assets

As stated above the Company went into administration on 22 April 2010 and Simon Thomas and Fred Satow of Moorfields were appointed joint administrators of the Company

A sale of the Company's business and assets were completed within the administration and creditors have been provided with full details of this various sales via Moorfields previous

correspondence, in particular their Statement of Insolvency Practice 16 (SIP 16) report of 27 April 2010, proposals of 10 June 2010 and final report of 22 November 2010

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 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.

Further asset recovery in respect of the Company, are specifically linked to the joint liquidator's investigations and therefore at present we cannot indicate if any further asset recoveries are achievable.

4. Investigations

As you may be aware, in a compulsory liquidation the duty to investigate the Company's affairs is the responsibility of the Official Receiver. There is no requirement on the liquidator to submit a report or return on the directors' conduct to the Department of Business Innovation and Skills, however where matters are brought to the liquidator's attention these are reported as appropriate to the Official Receiver for further consideration.

I would confirm that we have made an initial assessment of whether there could be any matters that might lead to recoveries for the estate and what further investigations may be appropriate and that may need reporting to the Official Receiver. Our investigations have uncovered a number of matters that we believe may require reporting to the Official Receiver. At present we are finalising our investigations to confirm that these merit further investigation by the Official Receiver, after which we will confirm our findings to the Official Receiver.

5. 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

6. Creditors

6.1. 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.

6.2. 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

6.3. 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

7. Joint liquidators' remuneration

A meeting of creditors has not yet been called as previously advised in our letter to creditors dated 27 June 2011. To date, no significant assets have been realised as it is questionable if further recoveries will be achieved to enable a return to creditors. As such the joint liquidators cannot justify incurring such costs in respect of the Company, 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.

Due to the reasons detailed above no resolution has been sought from creditors within 18 months of their appointment in respect of the joint liquidators' remuneration. Therefore in accordance with Rule 4.127A of the Insolvency Rules 1986 the joint liquidators' remuneration will be set in accordance with Schedule 6 of the Insolvency Rules 1986.

Information regarding the fees of liquidators, called "A Creditor's Guide to Liquidators' Fees", can be downloaded from the following website.

[http://www.r3.org.uk/media/documents/publications/professional/Guide to Liquidators' Fees.pdf](http://www.r3.org.uk/media/documents/publications/professional/Guide%20to%20Liquidators%20Fees.pdf)

Should you prefer this document to be sent to you in hard copy, please contact this office and we will forward a copy to you.

During the period of the winding up to 9 January 2013 a total of 37.50 hours to a value of £9,629.75 was spent dealing with the liquidation, representing an average hourly charge out rate of £256.79. In accordance with Statement of Insolvency Practice 9 ("SIP9"), we attach a breakdown of our time costs for the period ending 9 January 2013 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 79.30 hours dealing with the liquidation at a cost of £19,801.50 representing an average hourly charge out rate of £249.70. To date I have not drawn any remuneration against these costs.

Attached as Appendix E is information in relation to the use of staff, subcontractors and advisors, and the recovery of disbursements. Appendix E also includes details of our charge out rates by staff grade and of our disbursements incurred.

8. Creditors' rights


Within 21 days of the receipt of this report, a secured creditor, or an unsecured creditor (with concurrence of at least 5% in value of total claims) may request in writing that the joint liquidators provide further information about his remuneration or expenses which have been itemised in this report.

Any secured creditor, or an unsecured creditor (with the concurrence of at least 10% in value of the unsecured creditors) may within 8 weeks of the receipt of this progress report apply to the court on the grounds that, in all the circumstances, the basis fixed for the joint liquidator's remuneration is inappropriate and/or the remuneration charged for the expenses incurred by the joint liquidators, as set out in this progress report, are excessive

9. Next report

I am required to provide a further report on the progress of the liquidation within two months of the end of the next anniversary of the liquidation, unless we have concluded matters prior to this, in which case I will write to all creditors with my final progress report ahead of convening the final meeting of creditors

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 Shinnars Steven Edward Butt (replaced 10 January 2012)
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 Ruciga (appointed on 25/02/08) Anc Management Limited (appointed on 19/03/10)
Former Directors:	Ahal Besorai (15/05/98 – 19/03/10)
Company Secretary	Sephelino Chileshe Lukashi (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)

**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%
Shine SA	113,795	1.08%
Rosehill 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%
Schndlers Reg. Treuunternehmen	38,095	0.36%
Trident Nominees Ltd	27,586	0.26%
Ron Beller	52,000	0.50%
Juhan 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%
Lenor Vancina	0	0.00%
Aktiva Invest International NV	2,000	0.02%
Ben Andradóttir	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	5,690,897	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%
Schndlers 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 Okom	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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Statement of Affairs	From 10/01/2012 To 09/01/2013	From 19/05/2011 To 09/01/2013
£	£	£
4,796 00		
ASSET REALISATIONS		
Cash in Administration Account	NIL	NIL
DTI Interest Gross	2 59	2 59
O R Credit Balance (Net)	NIL	414 34
	2 59	416 93
COST OF REALISATIONS		
DTI Banking Fees	80 00	134 00
Sec of State Fees	1 56	1 56
Corporation Tax	0 52	0 52
	(82 08)	(136 08)
(466,305 53)		
FLOATING CHARGE CREDITORS		
Floating Charge Creditor - AKTIVA	NIL	NIL
	NIL	NIL
(3,274,891 00)		
UNSECURED CREDITORS		
Trade & Expense Creditors	NIL	NIL
	NIL	NIL
(9,018,457 00)		
DISTRIBUTIONS		
Preference Shareholders	NIL	NIL
Ordinary Shareholders	NIL	NIL
	NIL	NIL
(14,234,553 53)		
	(79 49)	280 85
REPRESENTED BY		
ISA Interest Bearing		280 85
		280 85

Appendix C. Breakdown of time costs (SIP9) to 9 January 2013

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, Maintenance of records statutory reporting	0.00	2.40	26.00	1.40	0.95	30.75	£8,096.00	£263.28
Investigations SF2 review, CDDA reports, investigating antecedent transactions	0.00	0.00	5.00	0.00	0.00	5.00	£1,325.00	£265.00
Realisation of Assets Identifying securing insuring assets Retention of title Debt collection Property business and asset sales	0.00	0.00	0.00	0.00	0.00	0.00	£0.00	
Creditors Communication with creditors, Creditors' claims (including employees and other preferential creditors)	0.00	0.00	0.00	1.00	0.75	1.75	£208.75	£119.29
Corporate Tax	0.00	0.00	0.00	0.00	0.00	0.00	£0.00	
Totals	0.00	2.40	31.00	2.40	1.70	37.50	£9,629.75	£258.79

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	41.15	2.05	4.00	58.05	£15,029.50	£258.91
Maintenance of records, statutory reporting								
Investigations								
SIP2 review, CDDA reports, Investigating antecedent transactions	0.00	3.70	6.55	0.00	0.00	10.25	£2,928.75	£285.73
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	1.00	5.55	10.30	£1,608.75	£156.19
Corporate Tax								
	0.00	0.00	0.00	0.00	0.00	0.00	£0.00	
Totals	1.00	18.25	49.45	3.05	9.55	79.30	£19,801.50	£249.70
Pre-appointment	0.00	4.30	0.35	0.00	1.50	6.15	£1,620.25	£263.46

Appendix E. Additional information in relation to liquidator's fees pursuant to Statement of Insolvency Practice 9 (SIP9)

Policy

Detailed below is Smith & Williamson LLP's policy in relation to

- Staff allocation and the use of subcontractors
- Professional advisors
- Disbursements

Staff allocation and the use of subcontractors

Our general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case

The constitution of the case team will usually consist of a partner and a partner or associate director as joint office holders, a manager, and an administrator or assistant. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment. The charge out rate schedule below provides details of all grades of staff and their experience level.

We have not utilised the services of any sub-contractors in this case

Smith & Williamson Financial Services Limited

Smith & Williamson Financial Services Limited ("S&WFS"), a company associated with Smith & Williamson LLP, has dealt with the Company's pension affairs. Payments to parties in which liquidators or their firm have an interest must be disclosed to, and approved by, creditors.

Their services have not been required in this matter and therefore we have not sought a resolution from creditors at this time.

Professional advisors

On this assignment we have not used any professional advisors

Disbursements

Category 1 disbursements do not require approval by creditors. The type of disbursements that may be charged as a Category 1 disbursement to a case generally comprise external supplies of incidental services specifically identifiable to the case, such as postage, case advertising, invoiced travel and external printing, room hire and document storage. Also chargeable will be any

properly reimbursed expenses incurred by personnel in connection with the case. Please note that in some circumstances storage costs may be Category 2 disbursements

During the period of the winding up the sum of £42 00 has been charged to Category 1 disbursements, in respect of company searches, and statutory bonding. To date we have not drawn against these costs

Category 2 disbursements do require approval from creditors. These are costs incurred in connection with the appointment but may not be invoiced directly to the case. They may also include payments made to parties who are not strictly independent and may also include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis, such as internal room hire, document storage or business mileage

Since 7 July 2012 our policy is to recover two types of Category 2 disbursement, namely business mileage at HM Revenue & Customs' approved mileage rates at the relevant time and document storage provided by a third party where we have not been invoiced specifically to the case. Prior to that, approval may have been obtained to recover other types of Category 2 disbursements. It is our general policy not to seek recovery of such Category 2 disbursements as such no resolution has been sought.

Charge out rates

A schedule of Smith & Williamson LLP's charge out rates was issued to creditors at the time the basis of the liquidators' remuneration was approved. Attached are details of Smith & Williamson LLP's current charge out rates

Time is recorded in a minimum of three minute units at the charge out rate prevailing at the time the work is performed. A schedule of our charge out rates is attached.

**Smith & Williamson LLP
Restructuring & Recovery**

Charge out rates listed by staff classification

	£
Partner	440-500
Associate Director	335-420
Senior Manager	275-325
Manager	265-310
Assistant Manager	235-250
Administrator	140-200
Assistants and support staff	65-250

**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