

The Insolvency Act 1986

**Administrator's progress report****2.24B**

Name of Company Damovo III SA (In Administration)	Company number FC027549
In the High Court of Justice, Chancery Division, Companies Court [full name of court]	Court case number 2997/07

(a) Insert full name(s) and address(es) of administrator(s) I / We (a) M E Mills and S J Harris of  
Ernst & Young LLP, One More London Place, London, SE1 2AF

administrator(s) of the above company attach a progress report for the period

from to

(b) Insert date (b) 25 October 2011 (b) 24 April 2012

Signed

Joint / Administrator(s)

Dated

24 May 2012

**Contact Details:**

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record.

For the attention of Kay Heywood	
Ernst & Young LLP, One More London Place, London, SE1 2AF	
	Tel 020 7951 1655
DX Number	DX Exchange

When you have completed and signed this form please send it to the Registrar of Companies at

Companies House, Crown Way, Cardiff, CF14 3UZ

DX 33050 Cardiff



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COMPANIES HOUSE

To All Potential Creditors

24 May 2012

Ref MEM/ST/KIH/LO2973/24

Direct line 020 7951 1655  
Kay Heywood  
Email kheywood1@uk.ey.com

Dear Sirs

**Damovo III SA**  
**(In Administration) ("the Company") ("DIII")**

**High Court of Justice, Chancery Division, Companies Court Number 2997-07**

I write, in accordance with Rule 2.47 of the Insolvency Rules 1986, to provide creditors with a report on the progress of the administration. This report covers the period from 25 October 2011 to 24 April 2012 and should be read in conjunction with the Joint Administrators' Statement of Proposals dated 15 June 2007 and my previous progress reports dated 27 October 2008, 7 May 2009, 18 November 2009, 29 April 2010, 22 November 2010, 19 May 2011 and 22 November 2011.

For the avoidance of doubt this report relates solely to the progress of the Damovo III SA administration and does not relate to any other Damovo group company.

#### **Extension of the Administration Order**

As highlighted in my previous report the affairs of DIII are not yet concluded. The Joint Administrators made an application to the High Court to extend the Administration Order for a further 12 month period. The High Court granted a 12 month extension to the Administration Order, until 22 April 2013.

#### **Background**

DIII, a company registered in Luxembourg, registered number B106891, with English foreign company registration number, FC027549, entered administration on 25 April 2007 and M E Mills and S J Harris of Ernst & Young LLP were appointed as Joint Administrators of the Company, pursuant to Article 3 of the EC Regulation on an application to the High Court of Justice by the directors pursuant to paragraph 12(1) of Schedule B1 to the Insolvency Act 1986.

Upon the making of the Administration Order, the Joint Administrators entered into an Asset Sale Agreement ("ASA") to transfer certain assets of DIII (substantively being the inter-group receivables owed to DIII by Damovo II Sarl ("DII")) to a newly incorporated company funded and owned by the 2005 Note holders, Damovo Holdings Sarl ("DHS") for total consideration of €24 million. DHS is registered in Luxembourg. The Asset Sale Agreement excluded the shares



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held by DIII in the Italian subsidiaries being, Damovo Holdings Italy SPA ("DHI") and Enterprise Digital Architects SPA ("EDA")

## **Summary of Progress Since Last Report**

### **Claims in respect of pre-appointment matters**

Work has been undertaken to review events arising in the period prior to the appointment of the Joint Administrators and, in particular the events in respect of the circumstances in connection with Enterprise Digital Architects SPA and issue of the Notes in December 2006 ("the 2007 Notes"), and advancing of proceeds to the Italian subsidiaries. The Joint Administrators have commenced legal proceedings to recover losses suffered by Damovo Group SA and Damovo III SA. The costs of this work are being funded by a subsidiary of the restructured group.

### **Receipts & Payments**

Pursuant to Rule 2.47 of the Insolvency Rules, a receipts and payments account has been prepared and is provided at Appendix 1.

The costs of the DIII administration are being met from funds provided by the restructured group and funds drawn down from the DIII estate. Funds provided by the restructured group are held in an account outside of the DIII estate until such time that they are drawn to meet the expenses of the DIII administration.

### **Secured Creditors**

The only assets of DIII subject to security are certain of the shares held in its Italian subsidiaries which were excluded from the Asset Sale Agreement. No secured asset has been realised. All asset realisations to date have been in respect of unsecured assets.

### **Preferential Creditors**

The Statement of Affairs included at Appendix 3 of the Administrators' Statement of Proposals indicates that DIII does not have any preferential creditors.

No assets were secured by floating charges and consequently the "prescribed part" under section 176A of the Insolvency Act 1986, does not apply.

### **Non Preferential Creditors**

As previously reported, all non cash sale consideration of €22.5m has been distributed in-specie. A further cash dividend is expected to be made in due course before exit from the administration.

### **Exit from Administration**

In accordance with the Joint Administrators' proposals, approved by creditors, DGSA and DIII may be placed into Luxembourg liquidation at the conclusion of the administrations. The Joint Administrators will assess steps required nearer the time. In accordance with Luxembourg law

shareholder consent is required. Thus the timing of the liquidations need to be concurrent once all administration matters have been concluded. An English liquidation or dissolution may be undertaken if the Joint Administrators consider it more appropriate.

#### **Joint Administrators' Remuneration**

The Joint Administrators have drawn fees and disbursements to 2 April 2010 of £400,207. The Joint Administrators will seek approval to draw our fees incurred from 3 April 2010 to date in due course.

#### **Other Matters**

The Joint Administrators will continue to progress the administration in accordance with the agreed proposals.

Yours faithfully  
for Damovo III SA (In Administration)



S J Harris  
Joint Administrator

Enc                      Appendix 1 – Receipts & Payments Account  
                             Appendix 2 – Joint Administrators' Time Costs  
                             Form 2 24B Administrator's Progress Report

M E Mills and S J Harris are licensed in the United Kingdom to act as insolvency practitioners by the The Institute of Chartered Accountants in England and Wales in the UK.

The affairs, business and property of the Company are being managed by the Joint Administrators, M E Mills and S J Harris, who act as agents of the Company only and without personal liability.

**Appendix 1 – Receipts & Payments Account**

<b>Damovo III SA (In Administration)</b> <b>Joint Administrators Receipts &amp; Payments Account</b> <b>for the period 25 October 2011 to 24 April 2012</b>			
	<b>25 April 2007 to 24 October 2011 £</b>	<b>25 October 2011 to 24 April 2012 £</b>	<b>Total £</b>
<b><u>Receipts</u></b>			
Interest	1,881 00	724 72	2,605 72
Transfer from Damovo III € a/c	244,655 00	-	244,655 00
Transfer from funding account	124,251 00	-	124,251 00
	<b>370,787.00</b>	<b>724.72</b>	<b>371,511.72</b>
<b><u>Payments</u></b>			
Agents Fees	2,798 00	-	2,798 00
Legal Fees	130,675 00	17,633 00	148,308 00
Corporation Tax / VAT	18,165 00	410 37	18,575 37
Administrators' Fees	196,094 00	-	196,094 00
Administrators' Disbursements	1,621 00	-	1,621 00
Sundry Expenses	2,510 00	20 00	2,530 00
	<b>351,863.00</b>	<b>18,063.37</b>	<b>369,926.37</b>
<b>Balances in hand</b>	<b>18,924 00</b>		<b>1,585.35</b>

**Appendix 1 – Receipts & Payments Account**

<b>Damovo III SA (Euro) (In Administration) Joint Administrators Receipts &amp; Payments Account for the period 25 October 2011 to 24 April 2012</b>			
	<b>25 April 2007 to 24 October 2011 €</b>	<b>25 October 2011 to 24 April 2012 €</b>	<b>Total €</b>
<b><u>Receipts</u></b>			
Sale of Assets	1,505,000 00	-	1,505,000 00
Transfer from Funding A/c	3,115 00	-	3,115 00
Bank Interest	93,712 76	2567 12	96,279 88
Luxembourg VAT Refund	46,786 00	-	46,786 00
	<b>1,648,613.76</b>	<b>2,567.12</b>	<b>1,651,180.88</b>
<b><u>Payments</u></b>			
Agents Fees	30,976 00	-	30,976 00
Legal Fees	228,519 00	-	228,519 00
Corporation Tax / VAT	4,342 00	-	4,342 00
Administrators' Fees	251,416 00	-	251,416 00
Administrators' Disbursements	340 00	-	340 00
Sundry Expenses	16,693 00	25 20	16,718 20
Creditor Cash Distribution	457 00	-	457 00
Transfer to Damovo III £a/c	345,759 00	-	345,759 00
	<b>878,502.00</b>	<b>25.20</b>	<b>878,527.20</b>
<b>Balances in hand</b>	<b>770,111.76</b>		<b>772,653.68</b>

## Appendix 2

### Damovo III SA (In Administration)

#### Statement on Administrators' Remuneration Pursuant to Statement of Insolvency Practice No.9

##### Charging and Disbursement Policy

##### Administrators' charging policy for fees

It has been determined that the Administrators' remuneration should be fixed on the basis of time properly spent by the Administrators and their staff in attending to matters arising in the Administration

The Administrators have engaged a manager and other staff to work on the cases. The work required is delegated to the most appropriate level of staff taking account of the nature of the work and the individual's experience. Additional assistance is provided by accounting and treasury executives dealing with the company's bank accounts and statutory compliance diaries. Work carried out by all staff is subject to the overall supervision of the Administrators.

All time spent by staff working directly on case-related matters is charged to a separate time cost established for each case. Each member of staff has a specific hourly rate, which is subject to change over time. The average hourly rate for each category of staff over the period is shown below, as are the current hourly rates used.

##### Summary of Joint Administrators' Time-Costs from 25 October 2011 to 24 April 2012

Damovo III SA (In Administration)

Classification of work function	Grade				Total Hours	Average Hourly Rate	Total Cost
	Partner / Director	Manager	Other Senior Professionals	Assistants & Support			
Accounting & Administration		2 50	4 00	24 10	30 60	249 62	7 638 50
Bank & Statutory Reporting		6 00	0 30		6 30	528 33	3 328 50
Creditors		0 50			0 50	540 00	270 00
General	0 50	2 50			3 00	573 33	1,720 00
Legal Issues		17 00	2 00		19 00	518 95	9,860 00
Other Matters		1 50	0 30		1 80	549 17	988 50
Statutory Duties	3 50	3 00	7 30	-	13 80	480 69	6 633 50
VAT & Taxation		1 70	2 40	-	4 10	550 12	2,255 50
<b>Total</b>	<b>4 00</b>	<b>34 70</b>	<b>16 30</b>	<b>24 10</b>	<b>79 10</b>	<b>413 33</b>	<b>32,694 50</b>

  

Average Hourly Rate	740	554	330	213
Total Cost	2,980 00	19,231 00	5,377 00	5,126 50

**Damovo III SA (In Administration)**
**Disbursement Analysis for the period from 25 October 2011 to 24 April 2012**

Expense Type	Amount £
Sundry	31 16
<b>Total</b>	<b>31 16</b>

**Scale Rates**

Grade	2010/2011		2011/2012	
	Restructuring	VAT / Tax	Restructuring	VAT / Tax
Partner	735	990	770	1,040
Exec Director	705	-	740	-
Director	600	830	700	870
Assistant Director	515	770	580	810
Senior Executive	380	610	400	640
Executive	280	450	225	450
Assistant Executive	215	-	265	-
Analyst	180	-	210	-
Accounting and Treasury	205	-	215	-
Business Trainee	150	240	160	240



**Administrators' charging policy for disbursements**

Statement of Insolvency Practice No 9 ("SIP9") published by R3 (The Association of Business Recovery Professionals) divides disbursements into two categories

Category 1 disbursements comprise payments made by the office holders' firm, which comprise specific expenditure relating to the administration of the insolvent's affairs and referable to payment to an independent third party. These disbursements can be paid from the insolvent's assets without approval from the Committee. In line with SIP9, it is our policy to disclose such disbursements drawn but not seek approval for their payment.

The Joint Administrators are prepared to provide such additional information as may reasonably be required to support the disbursements drawn.

To date, the Joint Administrators category 1 disbursements amount to £4,009 and include the following:

Type of Expense	Total Cost (£)
Insurance	1,600
Sundry Costs	788
Tax Services	679
Travel	942
	<b>4,009</b>

Category 2 disbursements comprise payments made by the office holders' firm which include elements of shared overhead costs. Such disbursements are subject to approval from the Company's creditors as if they were remuneration. The Joint Administrators do not intend to charge category 2 disbursements in this case.