

## Liquidator's Progress Report

Pursuant to Sections 92A, 104A and 192 of the  
Insolvency Act 1986

# S.192

To the Registrar of Companies

Company Number

04896797

Name of Company

H2O Networks Limited

We Toby Scott Underwood and David James Kelly of  
PricewaterhouseCoopers LLP, 101 Barbirolli Square, Lower Mosley  
Street, Manchester, M2 3PW

the liquidators of the company attach a copy of our Progress Report  
under section 192 of the Insolvency Act 1986

The Progress Report covers the period from 3 April 2015  
to 2 April 2016

Signed

Date

Presenter's name,  
address and  
reference  
(if any)

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27/05/2016

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COMPANIES HOUSE



**Fourth progress report  
to members & creditors**

**27 May 2016**

**Company**                      **H2O Networks Limited - in Liquidation**

**Registered Number**              **04896797**

**Registered address**              **Benson House  
33 Wellington Street  
Leeds  
LS1 4JP**

**Type of Insolvency**              **Creditors' Voluntary Liquidation**

**Date of Appointment**              **3 April 2012**

**Appointees**                      **Toby Underwood and David Kelly**

**Address**                              **PricewaterhouseCoopers LLP  
101 Barbirolli Square  
Lower Mosley Street  
Manchester  
M2 3PW**

<b>Dividend Prospects</b>	<b>Current estimate p in £</b>	<b>Previously paid p in £</b>
Unsecured	Unknown (4p in the £ paid)	4

*Please note that the guidance on dividend prospects is indicative only. It should not be used as the sole or principal basis of any bad debt provision decision.*



## **H2O Networks Limited – In liquidation (“the Company”)**

### **Report to Members & Creditors**

In accordance with Rule 4.49C of the Insolvency Rules 1986 (“IR86”), this is the liquidators’ fourth progress report to members and all known creditors. Attached at appendix A is a summary of the financial information relating to the liquidation.

Background information and updates regarding the disposal of the Company’s assets have been provided to creditors in previous reports in the preceding administration. This information is not repeated here for the purpose of this report.

### **Asset Realisations**

The Company’s assets have been realised as follows -

	<b>Actual realisations £</b>
Recoveries from investigations	29,375
Surplus from the administration	1,899,129
Refunds	637
Interest	10,713
	<hr/> <b>1,939,854</b> <hr/>

### **Balance due from Earlestown Technology Limited (formerly i3 Group Limited)**

As reported previously, Earlestown Technology Limited (“Earlestown”) owed the Company £11.5million. Earlestown entered administration in May 2011 and subsequently moved into Liquidation.

Although the Company submitted an unsecured claim in Earlestown in June 2013, we received confirmation that there would be no dividend payable to the Company due to insufficient funds. Earlestown was dissolved on 20 November 2015.

### **Forensic investigations**

The liquidators and their legal advisers are investigating a small number of unusual transactions which took place prior to the administration. This is in conjunction with action being pursued by the Serious Fraud Office which is still ongoing. For confidentiality reasons, I am unable to give any further information, however if any of our investigations result in recoveries for the creditors of the Company, we will provide an update as soon as they are concluded.



## **Outcome for Creditors**

### **Secured creditors**

A distribution of £150,000 was made to the secured creditor, Cityfibre Holdings Limited ("CFH"), in previous periods. This discharges CFH's lending in full.

### **Preferential creditors**

Preferential claims arise in respect of unpaid wages, subject to statutory limits, and holiday pay for employees. The liquidators believe that there will be no preferential claims against the Company as all employees were transferred to the purchaser on the date of the former administrators' appointment.

### **Unsecured creditors**

The unsecured creditor claims received and admitted total £82,047,212. The former joint administrators' declared and paid the first interim dividend of 3p in the £ to unsecured creditors on 14 November 2011 resulting in a total distribution of £2,461,333.

A second interim distribution of 1p in the £ was paid to unsecured creditors in the liquidation on 23 May 2012. Total funds distributed in relation to this dividend were £820,556.

A final distribution is expected to be paid to unsecured creditors, however, the timing and quantum of this is currently unknown as it is dependent on the outcome of the forensic investigations.

### **Prescribed Part**

The Prescribed Part (Section 176A IA86 and the Insolvency Act 1986 (Prescribed Part) Order 2003) applies where there are floating charge realisations, net of costs, to be set aside for unsecured creditors. For each company, this equates to:

- 50% of net property up to £10,000
- 20% of net property in excess of £10,000
- Subject to a maximum amount of £600,000

The Prescribed Part applies to the Company as there are charges created and registered at Companies House following the Prescribed Part order coming into force on 15 September 2003.

However, as the floating charge debt has been discharged in full the Prescribed Part does not apply. This does not affect the position for unsecured creditors.



### **Professional Advisers**

On this assignment the liquidators have used the professional advisers listed below

<b>Name of Professional Adviser</b>	<b>Nature of Work</b>	<b>Basis of Fee Arrangement</b>	<b>Fees paid in this period £</b>
Addleshaw Goddard LLP	Legal advice in relation to the forensic investigations	Time costs	£22,183

The liquidators' choice was based upon their perception of the advisers' experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of the fee arrangement with them. The liquidators have reviewed the fees charged and are satisfied that they are reasonable in the circumstances of the case.

### **Liquidators' remuneration**

During the preceding administration, in accordance with resolutions passed at the initial creditors meeting held on 23 June 2011, the former administrators' fees were fixed under Rule 2.106 IR86 by reference to time properly given by the administrators' and their staff in attending to matters arising. In accordance with Rule 4.127 IR86, the remuneration basis agreed in the administration continues into the liquidation.

To 2 April 2016, the liquidators have incurred time costs of £256,439. This represents 870.77 hours at an average hourly rate of £294.50. To date, £75,000 has been drawn by the liquidators against these costs.

It has been the joint liquidators' policy to delegate the routine administration of the liquidation to junior staff in order to maximise the cost effectiveness of the work performed. These staff have been supervised by senior staff and the liquidators. Any matter of particular complexity or significance that has required responsibility of an exceptional kind has also been dealt with by senior staff and the liquidators.

Details of the time costs incurred from 3 April 2015 to 2 April 2016, by work category, are attached at Appendix C.

All staff who work on this assignment (including cashiers, support and secretarial staff) charge time directly to the assignment and are included within any analysis of time charged. Each grade of staff is allocated an hourly charge out rate which is reviewed from time to time. Work undertaken by cashiers, support and secretarial staff is charged for separately and is not included in the hourly rates charged by partners or other members of staff. Time is charged by reference to actual work carried out on the assignment in 6 minute units. The minimum time chargeable is 3 minutes (i.e. 0.5 units).



## Hourly rates

Specialist departments within the Administrators' firm also provided expert advice. These teams included Tax, VAT and Pensions. These rates do vary but the figures below provide an indication of the maximum rate per hour.

Set out below are the relevant maximum charge-out rates (before VAT) per hour worked for the grades of the Administrators' staff actually or likely to be involved on these assignments. Time is charged by reference to actual work carried out on the assignment. There has been no allocation of any general costs or overhead costs.

In common with all professional firms, the scale rates used by Administrators may periodically rise (for example to cover annual inflationary cost increases) over the period of administrations.

Grade	Administrators' staff £/hour		Specialist departments £/hour
	1 July 2014 to 30 June 2015	1 July 2015 onwards	
Partner	795	825	1,075
Director	480	490	1,085
Senior manager	415	425	915
Manager	330	340	600
Senior Associate (qualified)	250	255	410
Senior Associate (unqualified)	180	185	-
Associate	160	165	210
Support Staff	85	87	120

## Narrative of Liquidators' time

The following table explains the key elements of our work, as summarised in the table of time costs, by grade of staff and area of work.

Area of Work	Work undertaken	Why the work was necessary	What, if any, financial benefit the work provided to creditors OR whether it was required by statute
Strategy & planning	<ul style="list-style-type: none"> <li>Cost monitoring</li> <li>Holding update meetings</li> </ul>	To ensure case progression and monitoring costs	<ul style="list-style-type: none"> <li>Ensures orderly progression of case</li> </ul>
Investigations	<ul style="list-style-type: none"> <li>Liaising with the lawyers</li> </ul>	To ensure potential assets are realised	<ul style="list-style-type: none"> <li>Financial benefit</li> </ul>



Creditors	<ul style="list-style-type: none"> <li>• Responding to creditor queries received by post and telephone</li> </ul>	To keep creditors informed	<ul style="list-style-type: none"> <li>• No financial benefit</li> </ul>
Accounting and treasury	<ul style="list-style-type: none"> <li>• Bank reconciliations</li> <li>• Accounting for receipts and payments into the liquidation bank account</li> </ul>	To manage the bank account	<ul style="list-style-type: none"> <li>• Ensures proper management of funds held</li> </ul>
Statutory and compliance	<ul style="list-style-type: none"> <li>• Reviewing appointees' bonding</li> <li>• Updating case records</li> <li>• Appointee &amp; manager reviews</li> <li>• Filing documents at Companies House</li> </ul>	To comply with statutory obligations	<ul style="list-style-type: none"> <li>• Required by statute/regulation</li> </ul>
Tax & VAT	<ul style="list-style-type: none"> <li>• Reviewing the Company's tax position</li> <li>• Reviewing the Company's VAT position</li> </ul>	To comply with statutory obligations	<ul style="list-style-type: none"> <li>• Required by statute</li> </ul>

### Future work

We still need to do the following work to finalise the liquidation

Area of Work	Work we need to do	Estimated cost £	Whether or not the work will provide a financial benefit to creditors
Strategy and Planning	<ul style="list-style-type: none"> <li>• Reviewing progress or liquidation strategy and amend as appropriate</li> </ul>	<ul style="list-style-type: none"> <li>• 1,000</li> </ul>	<ul style="list-style-type: none"> <li>• Incidental to proper management of the administration</li> </ul>
Investigations	<ul style="list-style-type: none"> <li>• Liaising with the lawyers</li> </ul>	<ul style="list-style-type: none"> <li>• 1,000</li> </ul>	<ul style="list-style-type: none"> <li>• Potential financial benefit</li> </ul>
Creditors	<ul style="list-style-type: none"> <li>• Responding to creditor queries received by post and telephone</li> <li>• Pay final dividend</li> </ul>	<ul style="list-style-type: none"> <li>• 10,000</li> </ul>	<ul style="list-style-type: none"> <li>• Financial benefit</li> </ul>
Accounting and treasury	<ul style="list-style-type: none"> <li>• Bank reconciliations</li> <li>• Accounting for receipts and payments into the liquidation accounts</li> <li>• Dividend payments</li> </ul>	<ul style="list-style-type: none"> <li>• 3,000</li> </ul>	<ul style="list-style-type: none"> <li>• No financial benefit, ensures proper management of funds held</li> </ul>



Statutory and compliance	<ul style="list-style-type: none"><li>• Reporting to creditors</li><li>• Appointee &amp; manager reviews</li><li>• Complying with statutory filing requirements</li></ul>	• 10,000	• Required by statute
Tax & VAT	<ul style="list-style-type: none"><li>• Completing VAT and Tax returns</li></ul>	• 3,000	• Required by statute
Closure	<ul style="list-style-type: none"><li>• Obtaining clearances</li><li>• Closure procedures</li></ul>	• 4,000	• Required by statute, ensures all liquidation matters have been dealt with

### **Liquidators' disbursements**

#### **Category 1 disbursements**

The liquidators' have incurred disbursements of £9 during the period 3 April 2015 to 2 April 2016  
Disbursements of £150 have been drawn in total to date

#### **Category 2 disbursements**

The liquidators' current disbursements policy, as approved by the creditors, is as follows

- 1 Photocopying for circulars or any other bulk copying is charged at 4p per sheet,
- 2 Mileage – this is reimbursed at a maximum of 64p per mile (up to 2,000cc) and 81p per mile (over 2,000cc)

All other disbursements are reimbursed at cost. The liquidators' have incurred no disbursements during the period 3 April 2015 to 2 April 2016 with respect to photocopying or mileage. Disbursements will be drawn in full.

### **Receipts & payments account**

Attached at Appendix A is an abstract of the receipts and payments up to 2 April 2016





### **Expenses statement**

A statement of the expenses incurred and paid by the Administrators in the period 3 April 2015 to 2 April 2016 is included at Appendix B. The statement excludes any potential tax liabilities that may be payable as an expense of the Administration in due course because amounts due will depend on the position at the end of the tax accounting period.

### **Creditors' rights**

An explanatory note giving creditors a statement of their rights in relation to the Liquidators' remuneration and expenses, and their rights to request further information, can be found online at

<http://www.icaew.com/~media/Files/Technical/Insolvency/creditors-guides/creditors-guide-to-liquidators-fees-england-and-wales-api-10.pdf>

A copy may also be obtained free of charge by contacting Clare Davison on 0113 289 4062, or [clare.n.davison@uk.pwc.com](mailto:clare.n.davison@uk.pwc.com)

### **Additional information**

If any creditor requires further explanations on any aspect of the liquidators' progress report, then please telephone or write to Clare Davison who will be pleased to deal with such enquiries, however, any request for further information regarding the liquidators' remuneration or disbursements should be made in writing (Rule 4.49E).

In addition, should any creditor consider the liquidators' remuneration and disbursements to be excessive or inappropriate, they have the right to challenge the amounts in accordance with Rule 4.131 IR86.

**H2O Networks Limited - in Liquidation**  
**Summary of financial information as at 2 April 2016**

**Appendix A**

	Total for the period from appointment to 2 April 2015	For the period from 3 April 2015 to 2 April 2016	Total from appointment to 2 April 2016	Estimated outcome
	£	£	£	£
<b>Fixed Charge Realisations</b>				
Surplus from administration	2 00	-	2 00	2 00
	<u>2 00</u>	<u>-</u>	<u>2 00</u>	<u>2 00</u>
<b>Fixed Charge Payments</b>	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Balance of Fixed Charge Funds</b>	<u>2 00</u>	<u>-</u>	<u>2 00</u>	<u>2 00</u>
<b>Floating Charge Realisations</b>				
Recoveries from investigations	29 375 00		29 375 00	Unknown
Surplus from the administration	1 899 126 74		1 899 126 74	1 899,126 74
Refunds	637 08	-	637 08	637 08
Interest	8 598 33	2 114 39	10 712 72	9,000 00
	<u>1 937 737 15</u>	<u>2 114 39</u>	<u>1,939,851 54</u>	<u>Unknown</u>
<b>Floating Charge Payments</b>				
Insurance	(106 00)		(106 00)	(106 00)
Legal fees	(155,958 37)	(22 183 00)	(178 141 37)	(236 458 37)
Storage Costs	(465 63)	(104 58)	(570 21)	(600 00)
Statutory Advertising	(147 24)	-	(147 24)	(220 86)
Corporation Tax	(6,874 93)	-	(6,874 93)	(7 800 00)
Liquidators Fees	(75,000 00)	-	(75 000 00)	(175,000)*
Liquidators Expenses	(150 25)	-	(150 25)	(850 00)
Bank Charges	(40 75)	-	(40 75)	(55 75)
VAT Account	(3 925 49)	(4 457 52)	(8 383 01)	-
	<u>(242,668 66)</u>	<u>(26,745 10)</u>	<u>(269 413 76)</u>	<u>(246 090 98)</u>
Distribution to secured creditor	(150,000 00)	-	(150,000 00)	(150 000 00)
Distribution to unsecured creditors - 2nd interim dividend of 1p in the £	(820,555 75)	-	(820,555 75)	(820,555 75)
<b>Balance of Floating Charge Funds</b>	<u>724,512 74</u>	<u>(24,630 71)</u>	<u>699,882 03</u>	<u>Unknown</u>
<b>Balance at Bank</b>	<u>724,514 74</u>		<u>699,884 03</u>	
Estimate of funds available to unsecured creditors				Unknown
Unsecured creditors (Admitted to date)				82 047 212 40
Estimate for 3rd interim dividend for unsecured creditors				Unknown
*subject to final agreement				

## H2o Networks Limited - in Liquidation

## Appendix E

### Expenses incurred for the period 3 April 2015 to 2 April 2016

	Unpaid Expenses as at 2 April 2015	Incurred this period	Expenses Paid	Unpaid expenses as at 2 April 2016
Legal Costs & Disbursements	26,619 60	-	(22,183 00)	4,436 60
Liquidators' Fees	158,507 74	-	-	158,507 74
Liquidators' Expenses	989 01	9 05	-	998 06
Storage Costs	-	104 58	(104 58)	-
Statutory Advertising	-	-	-	-
Corporation Tax	-	-	-	-
Bank Charges	-	-	-	-
<b>Total</b>	<b>186,116 35</b>	<b>113 63</b>	<b>(22,287 58)</b>	<b>163,942 40</b>

## H2O Networks Limited - in liquidation

Analysis of time costs for the period from 3 April 2015 to 2 April 2016

Aspect of assignment	Partner	Director	Senior Manager	Manager	Senior Associate	Associate	Secretarial	Total hours	Time cost £	Average hourly rate £
1 Strategy & Planning,	-	2.50	-	3.65	2.40	1.20	1.40	11.15	3,126.00	289.33
2 Trading	-	-	-	0.10	-	-	-	0.10	34.00	340.00
3 Investigations	16.50	-	-	0.15	2.50	-	-	19.15	10,177.50	531.46
4 Creditors	-	-	-	-	0.40	0.10	-	0.50	118.00	236.00
5 Accounting and Treasury	-	-	0.35	0.90	3.00	1.45	-	5.70	4,265.00	221.93
6 Statutory and compliance	3.00	-	1.00	3.40	6.40	8.65	0.10	22.55	6,081.95	269.71
- IAVAAAF	-	-	0.50	0.15	3.05	5.60	-	9.30	1,992.00	214.19
8 Closure procedures	-	-	-	-	0.20	-	-	0.20	37.00	185.00
<b>Total for the period</b>	<b>19.50</b>	<b>2.50</b>	<b>1.85</b>	<b>8.35</b>	<b>17.95</b>	<b>17.00</b>	<b>1.50</b>	<b>68.65</b>	<b>22,931.45</b>	<b>334.03</b>
<b>Brought forward at 2 April 2015</b>								<b>80.21</b>	<b>233,507.74</b>	<b>291.11</b>
<b>Total</b>								<b>870.77</b>	<b>256,439.19</b>	<b>294.50</b>