

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 2014
to 2 April 2015

Signed



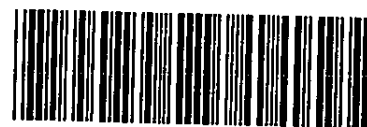
Date

27/5/15

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

DAVID JAMES KELLY

FRIDAY



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COMPANIES HOUSE



**Third progress report
to members & creditors**

29 May 2015

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**

Dividend Prospects	Current estimate p in £	Previously paid p in £
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’ third 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 -

	Actual realisations £
Recoveries from investigations	29,375
Surplus from the Administration	1,899,129
Refunds	637
Interest	8,598
	<hr/> 1,937,739 <hr/>

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

As reported previously, Earlestown Technology Limited (“Earlestown”) owes 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 have now received confirmation that there will not be a dividend payable to the Company due to insufficient funds.

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 are £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

Name of Professional Adviser	Nature of Work	Basis of Fee Arrangement	Fees paid in this period £
Addleshaw Goddard LLP	Legal advice in relation to the forensic investigations	Time costs	£19,500

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 2015, the liquidators have incurred time costs of £233,508. This represents 802.12 hours at an average hourly rate of £291.11. 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 2014 to 2 April 2015, by work category, are attached at Appendix C.

In common with all professional firms, scale rates increase from time to time over the period of the administration of each insolvency case. PricewaterhouseCoopers LLP, or any successor firm, reserves the right to change the rates and grade structure. Full details of the charge out rates charged to this case from this date are included at Appendix C. Specialist departments within PricewaterhouseCoopers LLP, such as tax, VAT, property and pensions, sometimes charge a small number of hours should the liquidators require their expert advice. Their rates vary, however, the figures given provide an indication of the maximum rate per hour.

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)

Liquidators' disbursements

Category 1 disbursements

The liquidators' have incurred disbursements of £581 during the period 3 April 2014 to 2 April 2015. Disbursements of £150 have been drawn 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 disbursements of £209 during the period 3 April 2014 to 2 April 2015 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 2015.

Expenses statement

A statement of the expenses incurred and paid by the Administrators in the period 3 April 2014 to 2 April 2015 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-apr-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



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 2015

Appendix A

	Total for the period from appointment to 2 April 2014	For the period from 3 April 2014 to 2 April 2015	Total from appointment to 2 April 2015	Estimated outcome
	£	£	£	£
Fixed Charge Realisations				
Surplus from administration	2 00	-	2 00	2 00
	<u>2 00</u>	<u>-</u>	<u>2 00</u>	<u>2.00</u>
Fixed Charge Payments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance of Fixed Charge Funds	<u>2 00</u>	<u>-</u>	<u>2 00</u>	<u>2 00</u>
Floating Charge Realisations				
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	14 23	622 85	637 08	637 08
Interest	6,380 52	2,217 81	8,598 33	9,000 00
	<u>1,934,896 49</u>	<u>2,840 66</u>	<u>1,937,737 15</u>	<u>Unknown</u>
Floating Charge Payments				
Insurance	(106 00)		(106 00)	(106 00)
Legal fees	(136,458 37)	(19,500 00)	(155,958 37)	(236,458 37)
Storage Costs	(308 23)	(157 40)	(465 63)	(600 00)
Statutory Advertising	(147 24)	-	(147 24)	(220 86)
Corporation Tax	(6,829 41)	(45 52)	(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	(9,953 92)	6,028 43	(3,925 49)	-
	<u>(228,994 17)</u>	<u>(13,674 49)</u>	<u>(242,668 66)</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)
Balance of Floating Charge Funds	<u>735,346 57</u>	<u>(10,833.83)</u>	<u>724,512 74</u>	<u>Unknown</u>
Balance at Bank	<u>735,348 57</u>		<u>724,514 74</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 B

Expenses incurred for the period 3 April 2014 to 2 April 2015

	Unpaid Expenses as at 2 April 2014	Incurred this period	Expenses Paid	Unpaid expenses as at 2 April 2015
Legal Costs & Disbursements	38,571 00	7,548 60	(19,500 00)	26,619 60
Liquidators' Fees	104,495 04	54,012 70	-	158,507 74
Liquidators' Expenses	199,18	789,83	-	989,01
Storage Costs	-	157 40	(157 40)	-
Statutory Advertising	-	-	-	-
Corporation Tax	-	45 52	(45 52)	-
Bank Charges	-	-	-	-
Total	143,265 22	62,554.05	(19,702.92)	186,116.35

H2O Networks Ltd

Analysis of time costs for the period from 3 April 2014 to 2 April 2015

Aspect of assignment	Partner	Director	Senior Manager	Manager	Senior Associate	Associate	Secretarial	Total hours	Time cost £	Average hourly rate £
1 Strategy & Planning	-	15.50	0.05	2.45	1.90	0.50	2.00	22.40	8,928.15	398.58
2 Secured creditors	-	-	-	-	-	3.80	-	3.80	577.60	152.00
3 Assets	-	-	-	0.10	0.80	-	-	0.90	304.40	338.22
4 Investigations	22.50	-	18.50	6.30	32.90	12.00	4.50	96.70	29,695.50	307.09
5 Creditors	-	-	-	-	1.80	0.10	-	1.90	416.10	219.00
6 Accounting and treasury	-	-	0.45	1.30	2.30	10.61	0.30	14.96	2,903.65	194.09
7 Statutory and compliance	8.20	-	0.90	4.35	5.40	6.40	-	25.25	8,808.10	348.84
8 Tax & VAT	-	-	-	0.45	5.50	3.45	-	9.40	2,379.20	253.11
Total for the period	30.70	15.50	19.90	14.95	50.60	36.86	6.80	175.31	54,012.70	308.10
Brought forward at 2 April 2014								626.81	179,495.04	286.36
Total								802.12	233,507.74	291.11

Current Charge out rates per hour

- insolvency	575	480	415	330	250	160	85
- specialist	1180	1085	870	520	440	230	120

Area of work	Work undertaken includes
Strategy & Planning	Case updates and planning meetings
Investigations	Liaising with lawyers and other government bodies
Accounting and treasury	Managing company accounts
Statutory and compliance	All statutory filing required and six month reviews
Tax & VAT	Preparing and submitting post appointment VAT and tax returns

Unable to provide more information due to confidentiality issues