



THURSDAY



A27 12/12/2019 #200
COMPANIES HOUSE

1 Company details

Company number 0 7 4 8 7 6 8 4
Company name in full Hutchinson Networks Limited

→ Filling in this form
Please complete in typescript or in
bold black capitals.

2 Administrator's name

Full forename(s) Alistair
Surname McAlinden

3 Administrator's address

Building name/number Saltire Court
Street 20 Castle Terrace
Post town Edinburgh
County/Region
Postcode E H 1 2 E G
Country

4 Administrator's name ^①

Full forename(s) Blair Carnegie
Surname Nimmo

① Other administrator
Use this section to tell us about
another administrator.

5 Administrator's address ^②

Building name/number Saltire Court
Street 20 Castle Terrace
Post town Edinburgh
County/Region
Postcode E H 1 2 E G
Country

② Other administrator
Use this section to tell us about
another administrator.

AM10

Notice of administrator's progress report

6 Period of progress report

From date	^d 1	^d 3	^m 0	^m 5	^y 2	^y 0	^y 1	^y 9
To date	^d 1	^d 2	^m 1	^m 1	^y 2	^y 0	^y 1	^y 9

7 Progress report

☒ I attach a copy of the progress report

8 Sign and date

Administrator's
signature

Signature

X

Al Sheld

X

Signature date

^d 0	^d 6	^m 1	^m 2	^y 2	^y 0	^y 1	^y 9
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Notice of administrator's progress report



Presenter information

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

Contact name Kristian Bell

Company name KPMG LLP

Address Saltire Court
20 Castle Terrace

Post town Edinburgh

County/Region

Postcode E H 1 2 E G

Country

DX

Telephone Tel +44 (0) 131 222 2000



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and number match the information held on the public Register.
- ☐ You have attached the required documents.
- ☐ You have signed the form.



Important information

All information on this form will appear on the public record.



Where to send

You may return this form to any Companies House address, however for expediency we advise you to return it to the address below:

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.



Further information

For further information please see the guidance notes on the website at www.gov.uk/companieshouse or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.gov.uk/companieshouse



Joint
Administrators'
progress
report for the
period 13 May
2019 to 12
November
2019

Hutchinson Networks Limited
- in Administration

6 December 2019

Notice to creditors

This progress report provides an update on the administration of the Company.

We have included (Appendix 2) an account of all amounts received and payments made since the date of our appointment.

We have also explained our future strategy for the administration and how likely it is that we will be able to pay each class of creditor.

You will find other important information in this progress report such as the costs which we have incurred to date.

A glossary of the abbreviations used throughout this document is attached (Appendix 6).

Finally, we have provided answers to frequently asked questions and a glossary of insolvency terms on the following website, <http://www.insolvency-kpmg.co.uk/case+KPMG+HJ514E4507.html>. We hope this is helpful to you.

Please also note that an important legal notice about this progress report is attached (Appendix 7).

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1 Executive summary

- The Directors of Hutchinson Networks Limited ("the Company") resolved to place the Company into administration on 6 May 2019. They wrote to Clydesdale Bank plc ("Clydesdale Bank"), as holder of a qualifying floating charge, to request that Blair Carnegie Nimmo and I be appointed Joint Administrators. Clydesdale Bank lodged the notice of appointment at the High Court of Justice on 13 May 2019 and we were duly appointed.
- We delivered our statement of proposals ("Proposals") to all known creditors on 8 July 2019. A decision was taken by the creditors on 24 July 2019 to approve our proposals without modification. This progress report covers the period from the date of our appointment to 12 November 2019, and should be read in conjunction with our Proposals.
- We continued to trade part of the business after the administration, and subsequently sold the trade and assets of that part of the business to PN21 on 13 June 2019. The headline price achieved was £50,000 and the transaction also mitigated certain creditor claims.
- The main assets excluded from the sale were trade debtors and cash balances. We have recovered £1.95 million from trade debtors and approx. £0.09 million of cash. The debt collection process is ongoing with trade debtor balances of approx. £0.19 million remaining outstanding as at 12 November 2019. (Section 2 - Progress to date).
- The only secured creditors of the Company were Clydesdale Bank and Clydesdale Bank Invoice Finance, both of which have now been repaid in full. Preferential creditors will also be paid in full, and we anticipate a partial payment will be made to unsecured creditors. The timing and quantum of the dividend payment will depend upon the outcome of the debt collection process, costs of the Administration and the level of valid unsecured claims we receive. (Section 3 - Dividend prospects and dividends paid).
- Our remuneration has been agreed by the secured, preferential and unsecured creditors. We intend to draw a first interim fee of £321,497.75, reimbursement for category 1 disbursements of £723.95 and recovery of pre-administration costs of £9,942.00; plus VAT on all of these elements. If any creditor wishes to object they must do so within 8 weeks of receipt of this report.
- The administration is due to expire on 12 May 2020. We are seeking approval to an extension to 12 May 2021 via a decision of creditors by deemed consent. The decision date is 24 December 2019. If any creditor wishes to object to this then they must do so in writing before that date.
- Please note: you should read this progress report in conjunction with our proposals which were issued to the Company's creditors and can be found at <http://www.insolvency-kpmg.co.uk/case+KPMG+HJ514E4507.html>. Unless stated otherwise, all amounts in this progress report and appendices are stated net of VAT.



Alistair McAlinden
Joint Administrator

2 Progress to date

This section updates you on our strategy for the administration and on our progress to date. It follows the information provided in our Proposals.

2.1 Strategy and progress to date

Following the administration, we closed the majority of the Company's business, but continued to trade its Network Operations Centre. After a period of one month, we sold this part of the business to PN21 and all remaining employees were transferred under TUPE. Details of this are provided in our Proposals.

Excluded from the sale were the Company's trade debtor and cash balances. Following the sale of the business, the focus of the administration has been to ingather outstanding sums due from customers.

2.2 Asset realisations

Realisations during the period are set out in the attached receipts and payments account (Appendix 2). Summaries of the most significant realisations during the period are provided below.

Debtors

The Company's largest asset by value at the date of administration was its debtors' ledger. A summary of the position in relation to the recovery of debtors is set out in the table.

Debtors summary	£'000
Opening ledger balance 13 May 19	2,086
Invoices raised post administration	145
Other adjustments to invoices	20
Recovered to date	(1,947)
Amounts written off	(117)
Outstanding ledger as at 12 Nov 19	187

Source Joint Administrators' records

Following the administration we examined all of the current customer contracts and, where work had been completed but not invoiced, we brought the billing up to date. This resulted in an additional £0.17 million being added to the opening ledger balance of £2.09 million.

We worked together with the Company's finance team to make contact with customers with outstanding debtor balances to request repayment. Where customers continued to trade with us via the Network Operations Centre, we included repayment of debts as a requirement for ongoing trade to continue.

After the sale of the business to PN21 on 13 June 2019, the Company's remaining finance team transferred to PN21 under TUPE. The finance team are integral to the debt collection process, having access to detailed customer files relating to each outstanding invoice. As part of the business sale agreement, we agreed terms under which PN21 would act as agent

to pursue the debts, using the transferred finance employees, and would be paid a fee which is based on the level of debts recovered. As at 12 November 2019, fees of approx. £79,000 had been paid to PN21.

The debt collection process has resulted in recoveries totalling £1.95 million as at 12 November 2019. We have written off balances totalling £0.12 million which has arisen from a number of reasons including (a) insolvency of customer; (b) set off of creditors contra and/or valid contractual claims arising as a result of the insolvency of the Company; and (c) errors in the original invoicing process (duplicates or service/ product not delivered).

There remains outstanding debtor balances totalling £0.19 million. We have commenced legal action against two debtors, and remain in correspondence with others, which are all disputed. We will continue to pursue these debtor balances as long as it is economical to do so.

Cash at bank

All funds from the Company's pre-administration accounts at Clydesdale Bank and HSBC have been transferred into the administration bank account, net of sums due to each bank. In total approx. £90,000 has been recovered.

Sale to PN21

The sale to PN21 included all customer contracts, owned tangible assets, intellectual property, stock and goodwill. The headline price was £50,000 which compared favourably with the valuation reports we received from our plant and intangible asset agents.

Trading surplus

We traded the Network Operations Centre for a one month period, and made sales of £222,500 during that period. We also received rent of approx. £10,000 from PN21 under a licence to occupy agreement.

The Receipts and Payments account at Appendix 2 shows a cash surplus of approx. £105,000 being generated, however there remain a number of outstanding suppliers whose accounts have not been finalised. We estimate the final trading surplus will be approx. £90,000.

Other Assets

We have received approx. £9,000 from the settlement of a loan due from a Company director.

We also received approx. £15,000 from the sale of a financed asset, although this entire sum was paid to the finance company in full settlement of that creditor's debt. Our plant agents advised that the realisable value of the asset, net of costs, was less than the debt due to the creditor.

Investigations

We are reviewing the affairs of the Company to find out if there are any actions which can be taken against third parties to increase recoveries for creditors.

We have complied with the relevant statutory requirements by submitting the online director conduct assessment to the Department for Business, Energy and Industrial Strategy. The contents of our submission are confidential.

2.3 Costs

Payments made in this period are set out in the attached receipts and payments account (Appendix 2). Summaries of the most significant payments made during the period are provided below.

Trading costs

The largest trading cost is the salary, PAYE & NIC costs for the retained employees (approx. £81,000). There were also a number of IT and telephony suppliers, together with overhead costs such as rent, rates, utilities and insurance (in aggregate approx. £48,000 has been paid to date).

Debt collection agents

We have engaged PN21 as agents to assist us to pursue debts, and approx. £79,000 has been paid to date.

Solicitors' fees

Our solicitors advised in relation to the administration appointment process, agreeing customer contracts for post administration trading, drawing up a contract to sell the business and assets to PN21, and sundry other advice. Payments totalling approx. £51,000 have been made.

Agents' fees

We engaged the following agents to assist with aspects of the administration process.

- Evolve IS Limited – provision of services relating to employee claims processing (approx. £4,000)
- GMG Asset Management Limited – tangible asset valuation (approx. £2,000)
- Hilco Appraisal Limited – intangible asset valuation (approx. £2,000)

2.4 Schedule of expenses

We have detailed the costs incurred during the period, whether paid or unpaid, in the schedule of expenses attached (Appendix 3). We have also provided an updated schedule of expenses at Appendix 4.

3 Dividend prospects and dividends paid

3.1 Secured creditors

CBIF held an assignation in relation to most of the Company's trade debtors, which is equivalent to fixed charge security over these debtors. CBIF's final claim at the date of the administration, including interest and charges totalled £770,462.90. CBIF have been repaid in full from sums received from Company's debtors since the administration date.

The Company granted a debenture in favour of Clydesdale Bank, which includes a floating charge security over the Company's assets. Clydesdale Bank's final claim at the date of the administration, including interest and charges, totalled £204,042.83 and was repaid by means of offset against cash balances held by Clydesdale Bank.

Our solicitors have advised that both CBIF and Clydesdale Bank securities are valid, and that the offset performed by Clydesdale Bank is permitted under the facility terms.

3.2 Preferential creditors

We estimate the amount of preferential claims to be £150,000. Based on current estimates, we anticipate that preferential creditors should be repaid in full. We are in the process of adjudicating on preferential creditors' claims and are liaising with the Redundancy Payments Service.

3.3 Unsecured creditors

Based on current estimates, we anticipate that unsecured creditors should receive a dividend. We have yet to determine the amount of this, but we will do so when we have completed the realisation of assets and payment of associated costs.

4 Joint Administrators' remuneration, disbursements and pre-administration costs

4.1 Joint Administrators' remuneration and disbursements

During the period, the secured, preferential and unsecured creditors have provided approval that:

- our remuneration will be drawn on the basis of time properly given by us and the various grades of our staff in accordance with the fees estimate provided in Appendix 3 of our Proposals and the charge-out rates included in Appendix 5 of our Proposals.
- disbursements for services provided by KPMG (defined as Category 2 disbursements in Statement of Insolvency Practice 9) will be charged in accordance with KPMG's policy as set out in Appendix 5 of our Proposals.

Time costs and disbursements

From the date of our appointment to 12 November 2019, we have incurred time costs of £321,497.75. These represent 841.87 hours at an average rate of £381.89 per hour.

During the period, we have incurred category 1 disbursements of £723.95 and category 2 disbursements of £128.25.

Remuneration

During the period, we have not drawn any remuneration or have been reimbursed for any disbursements.

We now intend to draw a first interim fee of £321,497.75 and reimbursement of category 1 disbursements of £723.95, plus VAT on both.

Additional information

We have attached (Appendix 5) an analysis of the time spent, the charge-out rates for each grade of staff and the expenses paid directly by KPMG for the period from our appointment to 12 November 2019. We have also attached our charging and disbursements policy.

In the event that any creditor wishes to object to our remuneration or recovery of disbursements, we provide details of the relevant process and timescales at Appendix 5.

4.2 Pre-administration costs

We incurred pre-administration costs totalling £9,942.00, and provided details of these in our Proposals. These were unpaid at the date of our appointment.

In the period we obtained approval from the secured, preferential and unsecured creditors to pay all of these pre-administration costs as an expense of the administration.

We now intend to draw a fee of £9,942.00 plus VAT as reimbursement of these costs.

5 Future strategy

5.1 Future conduct of the administration

We will continue to manage the affairs, the business and the property of the Company in order to achieve the purpose of the administration. This will include but not be limited to:

- Collection of debtor balances still due to the Company
- Payment of final supplier trading accounts still remaining outstanding
- Adjudicate on all preferential and unsecured creditor claims and pay dividends to creditors
- Complete VAT and Corporation Tax returns paying any outstanding balances due to HMRC
- Deregister for VAT
- Seek Corporation Tax clearance
- To seek an extension to the administration period with the consent of the secured, preferential and unsecured creditors.

5.2 Discharge from liability

The secured, preferential and unsecured creditors have granted approval that we be discharged from liability in respect of any actions as Joint Administrators upon the filing of our final receipts and payments account with the Registrar of Companies.

Discharge does not prevent the exercise of the Court's power in relation to any misfeasance action against us.

5.3 Extension of administration

The current administration is due to expire on 12 May 2020. As noted in section 5.1 there are a number of ongoing matters we continue to work through in this case. Accordingly we are seeking approval from the creditors that the period of the administration be extended by 12 months to 12 May 2021.

We are seeking this decision of creditors by deemed consent, and a formal notice to this effect is included in a letter sent to all creditors dated 6 December 2019. The notice can also be found at <http://www.insolvency-kpmg.co.uk/case+kpmg+HJ514E4507.html>

The decision date will be 24 December 2019. If the decision date expires without 10% in value of creditors objecting to the deemed consent, the creditors will be treated as having made the proposed decision(s) on the decision date.

5.4 Future reporting

We will provide a further progress report within one month of 12 May 2020 or earlier if the administration has been completed prior to that time.

Appendix 1 Statutory information

Company information

Company name	Hutchinson Networks Limited
Date of incorporation	11 January 2011
Company registration number	07487684
Present registered office	1 Sovereign Square, Sovereign Street, Leeds, LS1 4DA

Administration information

Administration appointment	The administration appointment granted in High Court of Justice, CR-003238 of 2019
Appointor	QFC Holder – Clydesdale Bank PLC (at request of Directors)
Date of appointment	13 May 2019
Joint Administrators' details	Alistair McAlinden and Blair Nimmo
Functions	The functions of the Joint Administrators are being exercised by them individually or together in accordance with Paragraph 100(2)
Current administration expiry date	12 May 2020

Appendix 2 Joint Administrators' receipts and payments account

Abstract of receipts & payments			From 13/05/2019
Statement of affairs (£)			To 12/11/2019 (£)
FIXED CHARGE ASSETS			
1,800,000.00	Book debts		1,946,813.13
			<hr/> 1,946,813.13
FIXED CHARGE CREDITORS			
(555,000.00)	Fixed charge creditor		(770,462.90)
	Debt collection costs		(79,346.07)
			<hr/> (849,808.97)
HP/LEASING			
150,000.00	HP/Leasing asset		15,184.74
(190,000.00)	HP/Leasing creditor		(15,184.74)
180,000.00	Cash held at bank		225,377.85
(180,000.00)	Debt due to Bank		(204,042.83)
			<hr/> 21,335.02
ASSET REALISATIONS			
	Intellectual property		5,000.00
	Customer contracts		5,000.00
50,000.00	Plant & equipment		25,000.00
10,000.00	Stock		7,500.00
	Goodwill		7,494.00
	Other assets		6.00
46,000.00	Cash at bank		69,741.87
10,000.00	Director's loan		8,650.31
			<hr/> 128,392.18
OTHER REALISATIONS			
	Bank interest, gross		2,856.56
	Trading surplus (see below)		104,889.02
			<hr/> 107,745.58
COST OF REALISATIONS			
	ERA outsourcing costs		(4,110.00)
	Payroll bureau costs		(512.64)
	Agents'/Valuers' fees		(4,580.00)
	Legal fees		(51,035.50)
	Statutory advertising		(73.00)

Abstract of receipts & payments		
Statement of affairs (£)		From 13/05/2019 To 12/11/2019 (£)
	Employee expenses	(1,626.70)
		(61,937.84)
	PREFERENTIAL CREDITORS	
(72,000.00)	Employees' wage arrears	NIL
(69,000.00)	Employees' holiday pay	NIL
		NIL
	UNSECURED CREDITORS	
(3,607,000.00)	Trade & expense	NIL
(273,000.00)	Employees	NIL
		NIL
(2,700,000.00)		1,292,539.10
	REPRESENTED BY	
	Floating ch. VAT rec'able	21,319.44
	Floating charge current	1,271,219.66
		1,292,539.10

Trading accounts		
Statement of Affairs (£)		From 13/05/2019 To 12/11/2019 (£)
	POST-APPOINTMENT SALES	
	Sales	222,500.00
	Rents received	10,493.38
		232,993.38
	OTHER DIRECT COSTS	
	Direct labour	(80,500.57)
		(80,500.57)
	TRADING EXPENSES	
	Rent and service charge	(20,986.76)
	Rates	(4,913.92)
	Heat & light	(881.03)
	Telephone/Telex/Fax	(18,915.08)
	Repairs and maintenance	(1,907.00)
		(47,603.79)
	Trading surplus/(deficit)	104,889.02

Appendix 3 Schedule of expenses

Schedule of expenses (13/05/2019 to 12/11/2019)			
Expenses (£)	Incurred and paid in the period (£)	Incurred in the period not yet paid (£)	Total (£)
Other direct costs			
Direct labour	80,500.57	0.00	80,500.57
Trading expenses			
Rent and service charge	20,986.76	0.00	20,986.76
Rates	4,913.92	0.00	4,913.92
Heat & light	881.03	0.00	881.03
Telephone/Telex/Fax	18,915.08	0.00	18,915.08
Repairs and maintenance	1,907.00	0.00	1,907.00
Provision for final supplier accounts not settled	0.00	15,000.00	15,000.00
Cost of realisations			
Debt collection costs	79,346.07	-	79,346.07
ERA outsourcing costs	4,110.00	0.00	4,110.00
Payroll bureau costs	512.64	0.00	512.64
Agents'/Valuers' fees	4,580.00	0.00	4,580.00
Legal fees	51,035.50	81.16	51,116.66
Statutory advertising	73.00	0.00	73.00
Employee expenses	1,626.70	0.00	1,626.70
TOTAL	269,388.27	15,081.16	284,469.43

Joint Administrators' fees estimate

The Joint Administrators' fees have been excluded from the schedule of expenses provided above. In our Proposals, which were approved by the secured, preferential and unsecured creditors, we provided a fee estimate of £449,782.75 comprising 1,171.81 hours at an average hourly rate of £383.84. At this time we consider this estimate to remain appropriate and as such we have not provided a revised estimate of our fees.

Requests for further information and right to challenge our remuneration and expenses

Creditors' requests for further information

If you would like to request more information about our remuneration and expenses disclosed in this progress report, you must do so in writing within 21 days of receiving this progress report.

Requests from unsecured creditors must be made with the concurrence of at least 5% in value of unsecured creditors (including, the unsecured creditor making the request) or with the permission of the Court.

Creditors' right to challenge our remuneration and expenses

If you wish to challenge the basis of our remuneration, the remuneration charged, or the expenses incurred during the period covered by this progress report, you must do so by making an application to Court within eight weeks of receiving this progress report.

Applications by unsecured creditors must be made with concurrence of at least 10% in value of unsecured creditors (including the unsecured creditor making the challenge) or with the permission of the Court.

The full text of the relevant rules can be provided on request by writing to Kristian Bell at KPMG LLP, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG.

Appendix 4 Joint Administrators' revised expenses estimate

Summary of Expenses from appointment				
	Total for Administration			
Narrative	Initial Estimates (£'000)	Paid to date (£'000)	Future costs (£'000)	Total (£'000)
Other direct costs				
Direct labour and employee expenses	85	83	-	83
Trading expenses				
Insurance, rent and rates	30	25	2	27
Trading expenses	40	22	15	37
Cost of realisations				
Debt collection agent costs	27	79	TBC*	79*
Agents'/Valuers' fees	10	9	-	9
Legal fees	50	51	9	60
Provision for sundry costs	5	-	5	5
Pre administration costs	10	-	10	10
TOTAL	257	269	41	310

* - Debt collection agent costs – final sum due will depend on outcome of debt collection activity.

We set out a summary of administration expenses in the table. This is an indicative high level estimate, which is subject to change as the administration progresses. All figures are exclusive of VAT.

We included a total expenses provision of £257,000 in our Administrators' Proposals report dated 8 July 2019. We now estimate the total administration expenses will be £310,000. The main difference relates to the sum payable to our debt collection agents, which has increased as a result of the level of receipts collected from trade debtors being higher than anticipated at the time of our previous report.

Appendix 5 Joint Administrators' charging and disbursements policy

Joint Administrators' charging policy

The time charged to the administration is by reference to the time properly given by us and our staff in attending to matters arising in the administration. This includes work undertaken in respect of tax, VAT, employee, pensions and health and safety advice from KPMG in-house specialists.

Our policy is to delegate tasks in the administration to appropriate members of staff considering their level of experience and requisite specialist knowledge, supervised accordingly, so as to maximise the cost effectiveness of the work performed. Matters of particular complexity or significance requiring more exceptional responsibility are dealt with by senior staff or us.

A copy of "A Creditors' Guide to Joint Administrators Fees" from Statement of Insolvency Practice 9 ('SIP 9') produced by the Association of Business Recovery Professionals is available at:

<https://www.r3.org.uk/what-we-do/publications/professional/fees/administrators-fees>

If you are unable to access this guide and would like a copy, please contact Kristian Bell on 0131 527 6878.

Hourly rates

Set out below are the relevant hourly charge-out rates for the grades of our staff actually or likely to be involved on this administration. Time is charged by reference to actual work carried out on the administration; using a minimum time unit of six minutes.

All staff who have worked on the administration, including cashiers and secretarial staff, have charged time directly to the administration and are included in the analysis of time spent. The cost of staff employed in central administration functions is not charged directly to the administration but is reflected in the general level of charge-out rates.

Charge-out rates (£) for: Hutchinson Networks Limited – in administration

Grade	From 13 May 2019 £/hr
Partner	655
Director	590
Senior Manager	535
Manager	445
Senior Administrator	310
Administrator	225
Support	140

The charge-out rates used by us might periodically rise (for example to cover annual inflationary cost increases) over the period of the administration. In our next statutory report, we will inform creditors of any material amendments to these rates.

Policy for the recovery of disbursements

Where funds permit the officeholders will seek to recover both Category 1 and Category 2 disbursements from the estate. For the avoidance of doubt, such expenses are defined within SIP 9 as follows:

Category 1 disbursements: These are costs where there is specific expenditure directly referable to both the appointment in question and a payment to an independent third party. These may include, for example, advertising, room hire, storage, postage, telephone charges, travel expenses, and equivalent costs reimbursed to the officeholder or his or her staff.

Category 2 disbursements: These are costs that are directly referable to the appointment in question but not to a payment to an independent third party. They may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis, for example, business mileage.

Category 2 disbursements charged by KPMG Restructuring include mileage. This is calculated as follows:

Mileage claims fall into three categories:

- Use of privately-owned vehicle or car cash alternative – 45p per mile.
- Use of company car – 60p per mile.
- Use of partner's car – 60p per mile.

For all of the above car types, when carrying KPMG passengers an additional 5p per mile per passenger will also be charged where appropriate.

We have incurred the following disbursements from the date of our appointment to 12 November 2019.

SIP 9 - Disbursements					
Disbursements	Category 1		Category 2		Totals (£)
	Paid (£)	Unpaid (£)	Paid (£)	Unpaid (£)	
Courier & delivery costs	58.25		NIL		58.25
External printing	218.42		NIL		218.42
Meals	99.50		NIL		99.50
Mileage	NIL		128.25		128.25
Postage	250.42		NIL		250.42
Stationery	4.00		NIL		4.00
Sundry	82.00		NIL		82.00
Telecommunications	11.36		NIL		11.36
Total	723.95		128.25		852.20

We have the authority to pay Category 1 disbursements without the need for any prior approval from the creditors of the Company.

Category 2 disbursements have been approved in the same manner as our remuneration.

Narrative of work carried out for the period 13 May 2019 to 12 November 2019

The key areas of work have been:

Statutory and compliance	<ul style="list-style-type: none"> ■ collating initial information to enable us to carry out our statutory duties, including creditor information, details of assets and information relating to the licences; ■ providing initial statutory notifications of our appointment to the Registrar of Companies, creditors and other stakeholders, and advertising our appointment; ■ posting creditor information on a dedicated web page; ■ preparing statutory receipts and payments accounts; ■ arranging bonding and complying with statutory requirements; ■ ensuring compliance with all statutory obligations within the relevant timescales.
Strategy documents, Checklist and reviews	<ul style="list-style-type: none"> ■ formulating, monitoring and reviewing the administration strategy, including the decision to trade and meetings with internal and external parties to agree the same; ■ briefing of our staff on the administration strategy and matters in relation to various work-streams; ■ regular case management and reviewing of progress, including regular team update meetings and calls; ■ meeting with management to review and update strategy and monitor progress; ■ reviewing and authorising junior staff correspondence and other work; ■ dealing with queries arising during the appointment; ■ reviewing matters affecting the outcome of the administration; ■ allocating and managing staff/case resourcing and budgeting exercises and reviews; ■ liaising with legal advisors regarding the various instructions, including agreeing content of engagement letters; ■ complying with internal filing and information recording practices, including documenting strategy decisions.
Reports to debenture holders	<ul style="list-style-type: none"> ■ providing written and oral updates to representatives of Clydesdale Bank PLC regarding the progress of the administration and case strategy.
Cashiering	<ul style="list-style-type: none"> ■ setting up administration bank accounts and dealing with the Company's pre-appointment accounts; ■ preparing and processing vouchers for the payment of post-appointment invoices; ■ creating remittances and sending payments to settle post-appointment invoices; ■ preparing payroll payments for retained staff, dealing with salary related queries and confirming payments with the employee's banks; ■ reviewing and processing employee expense requests; ■ reconciling post-appointment bank accounts to internal systems; ■ ensuring compliance with appropriate risk management procedures in respect of receipts and payments.
Tax	<ul style="list-style-type: none"> ■ gathering initial information from the Company's records in relation to the taxation position of the Company; ■ submitting relevant initial notifications to HM Revenue and Customs; ■ reviewing the Company's pre-appointment corporation tax and VAT position; ■ analysing and considering the tax effects of various sale options, tax planning for efficient use of tax assets and to maximise realisations; ■ working initially on tax returns relating to the periods affected by the administration; ■ analysing VAT related transactions; ■ reviewing the Company's duty position to ensure compliance with duty requirements; ■ dealing with post appointment tax compliance.
Shareholders	<ul style="list-style-type: none"> ■ providing notification of our appointment; ■ responding to enquiries from shareholders regarding the administration; ■ providing copies of statutory reports to the shareholders.
General	<ul style="list-style-type: none"> ■ reviewing time costs data and producing analysis of time incurred which is compliant with Statement of Insolvency Practice 9; ■ locating relevant Company books and records, arranging for their collection and dealing with the ongoing storage/ transfer to PN21.
Trading	<ul style="list-style-type: none"> ■ preparing cash flow statements to monitor the cash position; ■ attending to supplier and customer queries and correspondence; ■ raising, approving and monitoring purchase orders and setting up control systems for trading; ■ negotiating and making direct contact with various suppliers as necessary to provide additional information and undertakings, including agreeing terms and conditions, in order to ensure continued support; ■ securing petty cash on site and monitoring spend; ■ dealing with issues in relation to stock and other assets required for trading; ■ communicating and negotiating with customers regarding ongoing supplies, including

	<ul style="list-style-type: none"> ■ agreeing terms and conditions; ■ monitoring stock and stock reconciliations; ■ dealing with hauliers to ensure ongoing services; ■ ensuring ongoing provision of emergency and other essential services to site.
Asset realisations	<ul style="list-style-type: none"> ■ collating information from the Company's records regarding the assets; ■ liaising with finance companies in respect of assets subject to finance agreements; ■ liaising with agents regarding the sale of assets; ■ reviewing outstanding debtors and management of debt collection strategy; ■ liaising with Company credit control staff and communicating with debtors; ■ seeking legal advice in relation to book debt collections; ■ liaising with the debt collection agent regarding debtor recoveries; ■ reviewing the inter-company debtor position between the Company and other group companies.
Property matters	<ul style="list-style-type: none"> ■ reviewing the Company's leasehold properties, including review of leases; ■ communicating with landlords regarding rent, property occupation and other issues; ■ agreeing terms of a renunciation of the Company's leases; ■ performing land registry searches.
Sale of business	<ul style="list-style-type: none"> ■ planning the strategy for the sale of the business and assets, including instruction and liaison with professional advisers; ■ seeking legal advice regarding sale of business, including regarding non-disclosure agreements; ■ collating relevant information and drafting information memorandum in relation to the sale of the Company's business and assets and advertising the business for sale; ■ dealing with queries from interested parties and managing the information flow to potential purchasers, including setting up a data room; ■ managing site visits with interested parties, fielding due diligence queries and maintaining a record of interested parties; ■ carrying out sale negotiations with interested parties; ■ negotiating Heads of Terms and thereafter a legal contract for sale; ■ completing the sale to PN21 and dealing with post transaction matters.
Health and safety	<ul style="list-style-type: none"> ■ liaising with internal health and safety specialists in order to manage all health and safety issues and environmental issues, including ensuring that legal and licensing obligations are complied with; ■ liaising with the Health and Safety Executive regarding the administration and ongoing health and safety compliance.
Open cover insurance	<ul style="list-style-type: none"> ■ arranging ongoing insurance cover for the Company's business and assets; ■ liaising with the post-appointment insurance brokers to provide information, assess risks and ensure appropriate cover in place; ■ assessing the level of insurance premiums.
Employees	<ul style="list-style-type: none"> ■ dealing with queries from employees regarding various matters relating to the administration and their employment; ■ dealing with statutory employment related matters, including statutory notices to employees and making statutory submissions to the relevant government departments; ■ holding employee briefing meetings to update employees on progress in the administration and our strategy; ■ administering the Company's payroll, including associated taxation and other deductions, and preparing PAYE and NIC returns; ■ communicating and corresponding with HM Revenue and Customs; ■ dealing with issues arising from employee redundancies, including statutory notifications and liaising with the Redundancy Payments Office; ■ managing claims from employees; ■ ensuring security of assets held by employees.
Pensions	<ul style="list-style-type: none"> ■ collating information and reviewing the Company's pension schemes; ■ calculating employee pension contributions and review of pre-appointment unpaid contributions; ■ ensuring compliance with our duties to issue statutory notices; ■ liaising with the trustees of the defined benefit pension scheme, the Pensions Regulator and the Pensions Protection Fund concerning the changes caused to the pension scheme as a result of our appointment; ■ communicating with employees representatives concerning the effect of the administration on pensions and dealing with employee queries.
Creditors and claims	<ul style="list-style-type: none"> ■ drafting and circulating our proposals; ■ convening and preparing for the meeting of creditors; ■ creating and updating the list of unsecured creditors; ■ responding to enquiries from creditors regarding the administration and submission of their claims;

	<ul style="list-style-type: none"> ■ reviewing completed forms submitted by creditors, recording claim amounts and maintaining claim records; ■ dealing with suppliers with retention of title claims, including reviewing supporting documentation and arranging and carrying out stock inspection visits; ■ agreeing secured/preferential/unsecured claims; ■ arranging distributions to the secured creditors; ■ drafting our progress report.
Committees	<ul style="list-style-type: none"> ■ dealing with the formation of the Creditor's Committee, arranging and chairing meetings of the Creditors' Committee and providing regular reports.
Investigations/ directors	<ul style="list-style-type: none"> ■ reviewing Company and directorship searches and advising the directors of the effect of the administration; ■ liaising with management to produce the Statement of Affairs and filing this document with the Registrar of Companies; ■ arranging for the redirection of the Company's mail; ■ reviewing the questionnaires submitted by the Directors of the Company; ■ reviewing pre-appointment transactions; ■ submitting the online director conduct assessment to the relevant authority.

Time costs

Pre-Administration costs (07/05/2019 to 12/05/2019)

	Hours				Total	Time Cost (£)	Average Hourly Rate (£)
	Partner / Director	Manager	Administrator	Support			
Advising directors	2.70	6.00			8.70	4,803.00	552.07
Appointment documents		4.60			4.60	2,461.00	535.00
Pre-administration checks	0.80	1.40	4.70		6.90	2,678.00	388.12
Total	3.50	12.00	4.70	0.00	20.20	9,942.00	492.18

SIP 9 –Time costs analysis (13/05/2019 to 12/11/2019)

	Hours	Time Cost (£)	Average Hourly Rate (£)
Trading			
Cashiering			
General (Cashiering)	10.30	3,193.00	310.00
Employees			
Correspondence	3.30	1,639.50	496.82
Pension funds	1.25	281.25	225.00
Pensions reviews	1.30	403.00	310.00
Employee Matters / PAYE	62.30	21,225.50	340.70
Trading			
Cash & profit projections & strategy	3.50	1,872.50	535.00
Negotiations with suppliers / landlords	3.90	1,309.50	335.77
Purchases and trading costs	51.90	17,310.00	333.53
Sales	8.78	4,289.50	488.55

SIP 9 –Time costs analysis (13/05/2019 to 12/11/2019)

	Hours	Time Cost (£)	Average Hourly Rate (£)
Negotiations with customers	2.00	1,070.00	535.00
Trading Management	2.10	472.50	225.00
Administration & planning			
Directors & Members			
Notification of appointment	3.00	1,177.50	392.50
Cashiering			
General (Cashiering)	11.30	3,494.50	309.25
Reconciliations (& IPS accounting reviews)	2.90	771.50	266.03
General			
Books and records	1.80	963.00	535.00
Mail redirection	1.90	427.50	225.00
Statutory and compliance			
Appointment and related formalities	12.90	6,041.50	468.33
Bonding & Cover Schedule	0.20	62.00	310.00
Budgets & Estimated outcome statements	3.20	1,712.00	535.00
Checklist & reviews	0.20	45.00	225.00
Reports to debenture holders	9.10	5,111.50	561.70
Strategy	24.77	13,629.25	550.23
Tax			
Initial reviews - CT and VAT	11.50	4,252.50	369.78
Post appointment corporation tax	24.20	7,187.00	296.98
Post appointment VAT	11.20	3,490.00	311.61
Creditors			
Creditors and claims			
Agreement of unsecured claims	23.96	6,326.00	264.02
Creditors Meeting	0.60	135.00	225.00
General correspondence	152.80	40,149.50	262.76
Notification of appointment	17.70	5,599.50	316.36
Payment of dividends	1.50	554.50	369.67
ROT Claims	5.20	2,512.00	483.08
Statutory reports	36.20	12,135.50	335.23
Employees			
Correspondence	15.80	5,730.50	362.69
DTI redundancy payments service	2.80	868.00	310.00
Pensions reviews	0.70	217.00	310.00
Investigation			

SIP 9 –Time costs analysis (13/05/2019 to 12/11/2019)

	Hours	Time Cost (£)	Average Hourly Rate (£)
Directors			
Correspondence with directors	1.50	802.50	535.00
D form drafting and submission	9.00	2,025.00	225.00
Directors' questionnaire / checklist	7.70	3,444.50	447.34
Statement of affairs	5.60	2,996.00	535.00
Investigations			
Review of pre-appt transactions	0.70	217.00	310.00
Realisation of assets			
Asset Realisation			
Cash and investments	2.70	867.50	321.30
Debtors	116.63	60,197.25	516.14
Insurance	6.00	1,641.50	273.58
Leasehold property	10.40	4,322.00	415.58
Office equipment, fixtures & fittings	2.00	710.00	355.00
Plant and machinery	6.90	3,109.50	450.65
Rent	2.30	517.50	225.00
Sale of business	137.88	61,342.00	444.89
Stock and WIP	1.20	642.00	535.00
Vehicles	5.30	2,835.50	535.00
Total in period	841.87	321,497.75	381.89
Brought forward time (appointment date to SIP 9 period start date)	0.00	0.00	
SIP 9 period time (SIP 9 period start date to SIP 9 period end date)	841.87	321,497.75	
Carry forward time (appointment date to SIP 9 period end date)	841.87	321,497.75	

Appendix 6 Glossary

CBIF	Clydesdale Bank Invoice Finance
Clydesdale Bank	Clydesdale Bank PLC
Company	Hutchinson Networks Limited - in Administration
Directors	The directors of the Company
GMG	GMG Asset Management (UK) Limited
Hilco	Hilco Appraisal Limited
HSBC	HSBC UK Bank Limited
Joint Administrators/we/our/us	Alistair McAlinden and Blair Nimmo
KPMG	KPMG LLP
PN21	PlanNet21 Communications Limited
Proposals	The Administrators' Proposals document dated 8 July 2019
QFC / QFCH	Qualifying Floating Charge Holder
TUPE	Transfer of Undertakings (Protection of Employment) Regulations 2006

Any references in this progress report to sections, paragraphs and rules are to Sections, Paragraphs and Rules in the Insolvency Act 1986, Schedule B1 of the Insolvency Act 1986 and the Insolvency Rules (England and Wales) 2016 respectively.

Appendix 7 Notice: About this report

This report has been prepared by Alistair McAlinden and Blair Nimmo, the Joint Administrators of Hutchinson Networks Limited – in Administration (the 'Company'), solely to comply with their statutory duty to report to creditors under the Insolvency Rules (England and Wales) 2016 on the progress of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This report has not been prepared in contemplation of it being used, and is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in the Company.

Any estimated outcomes for creditors included in this report are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors.

Any person that chooses to rely on this report for any purpose or in any context other than under the Insolvency Rules (England and Wales) 2016 does so at its own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of this report to any such person.

Alistair McAlinden and Blair Carnegie Nimmo are authorised to act as insolvency practitioners by the Institute of Chartered Accountants of Scotland.

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