

# AM10

## Notice of administrator's progress report



Companies House

WEDNESDAY



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10/06/2020

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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	<sup>d</sup> 1	<sup>d</sup> 3	<sup>m</sup> 1	<sup>m</sup> 1	<sup>y</sup> 2	<sup>y</sup> 0	<sup>y</sup> 1	<sup>y</sup> 9
To date	<sup>d</sup> 1	<sup>d</sup> 2	<sup>m</sup> 0	<sup>m</sup> 5	<sup>y</sup> 2	<sup>y</sup> 0	<sup>y</sup> 2	<sup>y</sup> 0

**7** Progress report☒ I attach a copy of the progress report**8** Sign and dateAdministrator's  
signature

Signature

X



X

Signature date

<sup>d</sup>  
0<sup>d</sup>  
8<sup>m</sup>  
0<sup>m</sup>  
6<sup>y</sup>  
2<sup>y</sup>  
0<sup>y</sup>  
2<sup>y</sup>  
0

# AM10

## 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](http://www.gov.uk/companieshouse) or email [enquiries@companieshouse.gov.uk](mailto: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](http://www.gov.uk/companieshouse)



Joint  
Administrators'  
progress  
report for the  
period 13  
November  
2019 to 12  
May 2020  
Hutchinson Networks Limited  
- in Administration

10 June 2020

# **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 7).

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 8).**

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# 1 Executive summary

- This progress report covers the period from 13 November 2019 to 12 May 2020.
- 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 should be read in conjunction with our Proposals and the previous progress report dated 6 December 2019.
- We have continued to pursue outstanding debtor balances due to the Company and have now recovered over £2.0 million. The debt collection process is coming to an end with trade debtor balances of approx. £70,000 remaining outstanding as at 13 May 2020.
- 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 are expected to be paid in full.
- We currently anticipate to make a partial distribution to unsecured creditors although the sum will depend on the final outcome of the debtor collection process, the costs of administration and the amount of creditor claims admitted to rank.
- Our remuneration has been agreed by the secured, preferential and unsecured creditors, based on an original fee estimate in our Proposals of approximately £450,000. We are now seeking approval of a revised fee estimate of £550,000 by a decision of the secured, preferential and unsecured creditors by correspondence.
- During the period, the Company's creditors granted a 12 month extension to the period of the administration to 12 May 2021.
- Please note: you should read this progress report in conjunction with our previous progress reports and proposals issued to the Company's creditors which 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 previous progress report.

Following the administration, we continued to trade part of the business and were successful in agreeing a sale to PN21. Excluded from the sale was the Company's trade debtor balances and the focus of the administration has been on the completion of the debt collection process.

### 2.1 Asset realisations

Realisations during the period are set out in the attached receipts and payments account (Appendix 2).

Aside from debtor recoveries, no other substantial realisations were made in this period. Please refer to our previous reports for details of past asset realisations made.

#### Debtors

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

Debtors summary	£'000
Opening ledger balance as at 13 May 2019	2,086
Invoiced since the administration	145
Other adjustments to invoices	22
Recovered to date	(2,006)
Amounts written off	(182)
Outstanding ledger as at 12 May 2020	65

The debt collection process has resulted in recoveries totalling £2.0 million as at 13 May 2020. We have written off balances totalling £0.18 million due to 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).

We engaged PN21 to act as debt collection agent. PN21 have employed certain of the Company's former finance team, who have been assisting to pursue outstanding debtor balances, particular in relation to disputed debts where contractual documentation has been necessary. We have also engaged a specialist debt recovery agent, a sheriff officer and a solicitor to pursue a small number of debtors where an agreed settlement could not be reached.



There remains outstanding debtor balances totalling £70,000 due from two debtors, both of which are disputed. We will continue to pursue these debtor balances as long as it is economical to do so.

Other asset realisations

In the period we have received approx. £3,000 in bank interest and also received refunds of approx. £3,000.

## **2.2 Costs**

Payments made in this period are set out in the receipts and payments account attached at Appendix 2. The only notable cost has been £2,500 paid to debt collection agents.

## **2.3 Schedule of expenses**

We have detailed the costs incurred during the period, whether paid or unpaid, in the schedule of expenses attached (Appendix 3).

# **3 Dividend prospects**

## **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 also 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.

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 in that regard.

## **3.3 Unsecured creditors**

Based on current estimates, we anticipate that unsecured creditors should receive a partial dividend. We have yet to determine the amount of this, but we will do so when we have

completed the realisation of assets, payment of associated costs, and completed the adjudication of all creditors' claims.

## **4 Joint Administrators' remuneration and disbursements**

### **4.1 Joint Administrators' remuneration and disbursements**

#### **Time costs to date**

From 13 November 2019 to 12 May 2020, we have incurred time costs of £80,822.80 which comprises 233.70 hours at an average rate of £345.84 per hour.

Our time costs from the date of our appointment to 12 May 2020 total £402,320.55.

#### **Overall fee estimate**

In our Proposals we estimated our time costs for the administration would total £449,782.75. This was previously approved by secured, preferential and unsecured creditors.

It has become apparent that we will exceed this and therefore, we are now seeking approval for a revised fee estimate of £550,211.25 as set out in the revised fees estimate attached at Appendix 4.

Our time costs have increased due to a higher amount of time than originally anticipated being spent on the adjudication of creditors' claims, debtor recovery work and statutory reporting.

We enclose a copy of a resolution form for a decision by correspondence which creditors should complete and return in order to approve or reject our proposed revised fee estimate.

#### **Disbursements**

During the period, we have not incurred any disbursements.

#### **Fees and disbursements drawn to date**

During this period we drew a first interim fee of £331,439.75 plus category 1 disbursements of £723.95, plus VAT on both.

#### **Fees and disbursements proposed to be drawn**

We intend to draw a second interim fee of £80,822.80 which comprises the time incurred in the six month period ending 12 May 2020, together with category 2 disbursements of £128.25 incurred in the previous period, plus VAT on both. As this sum is within the original fee estimate approved by creditors, we already have approval to draw this fee. If any creditor wishes to object they must do so by making an application to Court within eight weeks of receiving this progress report.

#### Additional information

We have attached a revised expenses estimate at Appendix 5. Our estimated expenses have increased due to a higher than expected amount of debtor recovery, therefore, a higher fee to be paid to the debtor recovery agents for carrying out their work.

We have attached (Appendix 6) 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 14 November 2019 to 12 May 2020. We have also attached our charging and disbursements policy.

## 4.2 Pre-administration costs

We incurred pre-administration costs totalling £9,942.00 and provided details of these in our Proposals. These costs were approved by the secured, preferential and unsecured creditors in the previous period and have subsequently been paid.

# 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 final debtor balances due to the Company
- Adjudicate on all preferential and unsecured creditor claims and pay dividends to creditors
- Complete final VAT and Corporation tax returns
- Deregister for VAT
- Seek Corporation Tax clearance
- If required, seek an extension to the administration period with the consent of the secured, preferential and unsecured creditors.

## 5.2 Extension of the administration

During the period the secured, preferential and unsecured creditors granted a 12 month extension to the period of the administration.

The administration is currently due to end on 12 May 2021.

## 5.3 Future reporting

We will provide a further progress report within one month of 12 November 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 Carnegie 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 2021

## Appendix 2 Joint Administrators' receipts and payments account

Hutchinson Networks Limited - in Administration

### Abstract of receipts & payments

Statement of affairs (£)		From 13/11/2019 To 12/05/2020 (£)	From 13/05/2019 To 12/05/2020 (£)
<b>FIXED CHARGE ASSETS</b>			
1,800,000.00	Book debts	57,555.90	2,006,346.36
		57,555.90	2,006,346.36
<b>FIXED CHARGE CREDITORS</b>			
(555,000.00)	Fixed charge creditor	NIL	(770,462.90)
	Debt collection costs	(2,500.00)	(81,846.07)
		(2,500.00)	(852,308.97)
<b>HP/LEASING/SECURED CREDITORS</b>			
150,000.00	HP/Leasing asset	NIL	15,184.74
(190,000.00)	HP/Leasing creditor	NIL	(15,184.74)
180,000.00	Cash held at bank	NIL	225,377.85
(180,000.00)	Debt due to Bank	NIL	(204,042.83)
		NIL	21,335.02
<b>ASSET REALISATIONS</b>			
	Intellectual property	NIL	5,000.00
	Customer contracts	NIL	5,000.00
50,000.00	Plant & equipment	NIL	25,000.00
10,000.00	Stock	NIL	7,500.00
	Goodwill	NIL	7,494.00
46,000.00	Cash at bank	NIL	69,741.87
10,000.00	Director's loan	NIL	8,650.31
		NIL	128,386.18
<b>OTHER REALISATIONS</b>			
	Bank interest, gross	3,150.04	6,006.60
	Other assets	NIL	6.00
	Sundry refunds	1,321.69	1,321.69
	Trading surplus/(deficit)	2,071.65	106,960.67
		6,543.38	114,294.96
<b>COST OF REALISATIONS</b>			
	ERA outsourcing costs	NIL	(4,110.00)
	Administrators' fees	(331,439.75)	(331,439.75)
	Administrators' expenses	(723.95)	(723.95)
	Payroll bureau costs	NIL	(512.64)
	Agents'/Valuers' fees	NIL	(4,580.00)

	Legal fees	(81.16)	(51,116.66)
	Statutory advertising	NIL	(73.00)
	Insurance of assets	(477.46)	(477.46)
	Employee expenses	NIL	(1,626.70)
		(332,722.32)	(394,660.16)
<b>PREFERENTIAL CREDITORS</b>			
(72,000.00)	Employees' wage arrears	NIL	NIL
(69,000.00)	Employees' holiday pay	NIL	NIL
		NIL	NIL
<b>UNSECURED CREDITORS</b>			
(3,607,000.00)	Trade & expense	NIL	NIL
(273,000.00)	Employees	NIL	NIL
		NIL	NIL
<b>(2,700,000.00)</b>		<b>(271,123.04)</b>	<b>1,023,393.39</b>
<b>REPRESENTED BY</b>			
	Floating ch. VAT rec'able		66,432.74
	Floating charge current		956,960.65
			<b>1,023,393.39</b>

#### Trading accounts

Statement of Affairs (£)	From 13/11/2019 To 12/05/2020 (£)	From 13/05/2019 To 12/05/2020 (£)
<b>POST-APPOINTMENT SALES</b>		
Sales	NIL	222,500.00
Rents received	NIL	10,493.38
	NIL	232,993.38
<b>OTHER DIRECT COSTS</b>		
Direct labour	NIL	(80,500.57)
	NIL	(80,500.57)
<b>TRADING EXPENSES</b>		
Rent and service charge	NIL	(20,986.76)
Rates	NIL	(4,913.92)
Water rates	(143.98)	(143.98)
Heat & light	NIL	(881.03)
Telephone/Telex/Fax	2,215.63	(16,699.45)
Repairs and maintenance	NIL	(1,907.00)
	2,071.65	(45,532.14)
<b>Trading surplus/(deficit)</b>	<b>2,071.65</b>	<b>106,960.67</b>

## Appendix 3 Schedule of expenses

Schedule of Expenses (13/11/19 to 12/05/2020)	
Expenses (£)	Incurred and paid in the period (£)
<b>Trading expenses</b>	
Water rates	143.98
Telephone/Telex/Fax - refund	(2,215.63)
<b>Fixed charge costs</b>	
Debt collection costs	2,500.00
<b>Cost of realisations</b>	
Administrators' fees	331,439.75
Administrators' expenses	723.95
Legal fees	81.16
Insurance of assets	477.46
<b>TOTAL</b>	<b>333,150.67</b>

### 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 Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG.

## Appendix 4 Joint Administrators' revised fees estimate

Estimated time costs for the engagement				
Narrative		Estimated total hours	Estimated time cost (£)	Estimated average hourly rate (£)
<b>Shareholders - correspondence</b>		3.00	1,177.50	392.50
<b>Cashiering</b> - processing receipts, payments and bank reconciliations	Note 1	25.70	8,404.00	327.00
<b>General</b> - books & records, fees & work in progress	Note 2	4.30	1,977.40	459.86
<b>Statutory and compliance</b> - appointment & related formalities, bonding, checklist & reviews, reports to secured creditors, advertising, strategy	Note 3	134.77	65,332.15	484.77
<b>Tax</b> - VAT & Corporation tax, initial reviews, pre and post appointment tax	Note 4	96.40	30,439.70	315.76
<b>Creditors and claims</b> - general correspondence, notification of appointment, statutory reports	Note 5	469.66	143,404.60	305.34
<b>Employees</b> - correspondence	Note 6	26.40	9,114.00	345.23
<b>Directors</b> - correspondence, statement of affairs, questionnaires	Note 7	24.50	9,594.90	391.63
<b>Investigations</b> - director conduct and affairs of the Company	Note 8	4.00	972.70	243.18
<b>Asset Realisation</b> - including insurance of assets	Note 9	473.31	223,108.85	471.38
<b>Trading</b> - purchases, sales, cash projections	Note 10	162.83	56,685.45	348.13
<b>Total</b>		<b>1,424.87</b>	<b>550,211.25</b>	<b>386.15</b>

### Note 1

A new bank account has been opened and is being maintained during the administration; receipts and payments will be processed and reconciled.

### Note 2

General time will be spent on administration matters, such as handling and accessing the Company books and records.

### Note 3

We are required to comply with our statutory obligations throughout the duration of the administration. Time is spent planning, updating the strategy for the administration, and ensuring all other statutory requirements are addressed.

### Note 4

Time spent reviewing pre-appointment tax and VAT returns, preparing and submitting post-appointment statutory returns and dealing with general tax and VAT issues throughout the administration.

### Note 5

Liaising with creditors regarding the progress of the administration, responding to general enquiries, preparing creditor reports, seeking approval for the administrators' proposals,



adjudicating on creditor claims and paying a dividend to creditors. There has been a higher number of creditor enquiries than expected, therefore an increased amount of communication is expected to be made with all classes of creditors.

**Note 6**

Time spent corresponding with employees of the Company, excluding in relation to claims and trading matters, which are included within the appropriate headings.

**Note 7**

Liaising with the Directors regarding the Statement of Affairs; the request that Directors' Questionnaires be completed; and other general queries about the Company's operations.

**Note 8**

As part of our statutory obligations, we are required to formally investigate the affairs of the Company and the conduct of Directors prior to the Joint Administrators' appointment.

**Note 9**

Estimated time costs to realise the Company's assets. In this case this includes significant time in relation to recovering the Company's debtors' ledger, and for marketing and selling the business and assets as a going concern. The time required for the collection of monies from debtors has increased to a higher level than originally expected.

**Note 10**

Time costs in relation to the trading of the Company's business post administration, including working with customers, suppliers, employees and the landlord. Preparation of cashflow projections, customer contracts, supplier agreements, organising payrolls and payments of other employee benefits.

In our Proposals we provided a fee estimate of 1,171.81 hours at an estimated cost of £449,782.75. Our latest estimate is set out in the table above and comprises an increase of 253.06 hours at a time cost of £100,428.50. The additional estimated time has been / will be incurred primarily in the debt collection exercise, but also in relation to adjudication of creditors' claims.

## Appendix 5 Joint Administrators' revised expenses estimate

Summary of Expenses from appointment				
Expenses (£)	Total for Administration			
	Initial Estimates (£'000)	Paid to date (£'000)	Future costs (£'000)	Total (£'000)
<b>Other direct costs</b>				
Direct labour	85	83	-	83
<b>Trading expenses</b>				
Insurance, rent and rates	30	30	-	30
Trading expenses	40	37	-	37
<b>Cost of realisations</b>				
Debt collection agent costs	27	100	21*	121*
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
<b>TOTAL</b>	<b>257</b>	<b>320</b>	<b>35</b>	<b>355</b>

\* - 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, including our latest estimates. 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 £310,000 in our Report to Creditors dated 6 December 2019. We now estimate the total administration expenses will be £355,000. The main difference related 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 6 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/technical-library/england-wales/technical-guidance/fees/more/29113/page/1/guide-to-administrators-fees/>

<https://www.r3.org.uk/technical-library/england-wales/technical-guidance/fees/more/29113/page/1/guide-to-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 01 Oct 2019 £/hr	From 01 Jan 2020 £/hr
Partner	655	690
Director	590	620
Senior Manager	535	560
Manager	445	467
Senior Administrator	310	325
Administrator	225	236
Support	140	147

#### Table of charge-out rates

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 not incurred any disbursements during the period.

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

Narrative of work carried out for the period 13 November 2019 to 12 May 2020

The key areas of work have been:

Statutory and compliance	<ul style="list-style-type: none"><li><input type="checkbox"/> collating initial information to enable us to carry out our statutory duties, including creditor information, details of assets and information relating to the licences;</li><li><input type="checkbox"/> posting information on a dedicated web page;</li><li><input type="checkbox"/> preparing statutory receipts and payments accounts;</li><li><input type="checkbox"/> arranging bonding and complying with statutory requirements;</li><li><input type="checkbox"/> obtaining approval from creditors of a 12-month extension of the administration;</li><li><input type="checkbox"/> ensuring compliance with all statutory obligations within the relevant timescales.</li></ul>
Strategy documents, Checklist and reviews	<ul style="list-style-type: none"><li><input type="checkbox"/> monitoring and reviewing the administration strategy;</li><li><input type="checkbox"/> briefing of our staff on the administration strategy and matters in relation to various work-streams;</li><li><input type="checkbox"/> regular case management and reviewing of progress, including regular team update meetings and calls;</li><li><input type="checkbox"/> meeting with management to review and update strategy and monitor progress;</li></ul>

	<ul style="list-style-type: none"> <li>■ reviewing and authorising junior staff correspondence and other work;</li> <li>■ dealing with queries arising during the appointment;</li> <li>■ reviewing matters affecting the outcome of the administration;</li> <li>■ allocating and managing staff/case resourcing and budgeting exercises and reviews;</li> <li>■ liaising with legal advisors regarding the various instructions;</li> <li>■ complying with internal filing and information recording practices, including documenting strategy decisions.</li> </ul>
Reports to debenture holders	<ul style="list-style-type: none"> <li>■ providing written and oral updates to representatives of Clydesdale Bank PLC regarding the progress of the administration and case strategy.</li> </ul>
Cashiering	<ul style="list-style-type: none"> <li>■ preparing and processing vouchers for the payment of post-appointment invoices;</li> <li>■ creating remittances and sending payments to settle post-appointment invoices;</li> <li>■ reconciling post-appointment bank accounts to internal systems;</li> <li>■ ensuring compliance with appropriate risk management procedures in respect of receipts and payments.</li> </ul>
Tax	<ul style="list-style-type: none"> <li>■ working initially on tax returns relating to the periods affected by the administration;</li> <li>■ analysing VAT related transactions;</li> <li>■ reviewing the Company's duty position to ensure compliance with duty requirements;</li> <li>■ completing and submitting VAT and Corporation Tax returns;</li> <li>■ dealing with post appointment tax compliance.</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>■ responding to enquiries from shareholders regarding the administration;</li> <li>■ providing copies of statutory reports to the shareholders.</li> </ul>
General	<ul style="list-style-type: none"> <li>■ reviewing time costs data and producing analysis of time incurred which is compliant with 'Statement of Insolvency Practice 9';</li> <li>■ drawing remuneration in accordance with the basis which has been approved by the creditors.</li> </ul>
Trading	<ul style="list-style-type: none"> <li>■ attending to supplier and customer queries and correspondence;</li> <li>■ 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;</li> <li>■ payment of utility suppliers' outstanding trading period invoices.</li> </ul>
Asset realisations	<ul style="list-style-type: none"> <li>■ liaising with Company's former credit control staff and communicating with debtors;</li> <li>■ seeking legal advice in relation to book debt collections;</li> <li>■ reviewing outstanding debtors and management of debt collection strategy;</li> <li>■ liaising with external agents and solicitors regarding debtor recoveries.</li> </ul>
Open cover insurance	<ul style="list-style-type: none"> <li>■ liaising with the post-appointment insurance brokers to provide information, assess risks and ensure appropriate cover in place;</li> <li>■ assessing the level of insurance premiums.</li> </ul>
Employees	<ul style="list-style-type: none"> <li>■ dealing with statutory employment related matters, including statutory notices to employees and making statutory submissions to the relevant government departments;</li> <li>■ communicating and corresponding with HM Revenue and Customs;</li> <li>■ dealing with issues arising from employee redundancies, including statutory notifications and liaising with the Redundancy Payments Office;</li> <li>■ managing claims from employees.</li> </ul>
Creditors and claims	<ul style="list-style-type: none"> <li>■ responding to enquiries from creditors regarding the administration and submission of their claims;</li> <li>■ reviewing completed forms submitted by creditors, recording claim amounts and maintaining claim records;</li> <li>■ agreeing creditor claims;</li> <li>■ drafting our progress report.</li> </ul>

## Time costs

### SIP 9 –Time costs analysis (13/11/2019 to 12/05/2020)

	Hours	Time Cost (£)	Average Hourly Rate (£)
<b>Administration &amp; planning</b>			
Cashiering			
General (Cashiering)	1.40	443.00	316.43
Reconciliations (& IPS accounting reviews)	3.00	1,387.50	462.50
General			
Fees and WIP	1.30	342.40	263.38
Mail redirection	1.20	281.00	234.17
Statutory and compliance			
Appointment and related formalities	3.50	2,259.00	645.43
Budgets & Estimated outcome statements	0.50	280.00	560.00
Extension related formalities	3.30	778.80	236.00
Strategy documents	7.50	4,003.00	533.73
Tax			
Initial reviews - CT and VAT	3.70	1,087.50	293.92
Post appointment corporation tax	7.40	3,313.70	447.80
Post appointment VAT	17.50	5,177.60	295.86
<b>Creditors</b>			
Creditors and claims			
Agreement of unsecured claims	73.20	23,391.90	319.56
General correspondence	45.00	12,075.40	268.34
Statutory reports	28.40	9,714.40	342.06
Employees			
Correspondence	2.70	868.50	321.67
<b>Investigation</b>			
Directors			
Correspondence with directors	0.70	326.90	467.00
<b>Realisation of assets</b>			
Debtors	26.30	12,730.00	484.03
Insurance	0.70	157.50	225.00
Leasehold property	3.20	1,449.50	452.97
<b>Trading</b>			
Post trading related matters	2.80	660.80	236.00
Purchases and trading costs	0.40	94.40	236.00
<b>Total in period</b>	<b>233.70</b>	<b>80,822.80</b>	<b>345.84</b>

**SIP 9 –Time costs analysis (13/11/2019 to 12/05/2020)**

	Hours	Time Cost (£)	Average Hourly Rate (£)
Brought forward time (appointment date to SIP 9 period start date)	841.87	321,497.75	
SIP 9 period time (SIP 9 period start date to SIP 9 period end date)	233.70	80,822.80	
Carry forward time (appointment date to SIP 9 period end date)	1,075.57	402,320.55	

## Appendix 7      Glossary

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

This report has been prepared by Alistair McAlinden and Blair Carnegie 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.

We are bound by the Insolvency Code of Ethics.

The Officeholders are Data Controllers of personal data as defined by the Data Protection Act 2018. Personal data will be kept secure and processed only for matters relating to the appointment. For further information, please see our Privacy policy at – [home.kpmg.com/uk/en/home/misc/privacy-policy-insolvency-court-appointments.html](http://home.kpmg.com/uk/en/home/misc/privacy-policy-insolvency-court-appointments.html).

The Joint Administrators act as agents for the Company and contract without personal liability. The appointments of the Joint Administrators are personal to them and, to the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability to any person in respect of this report or the conduct of the administration.

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