

HydroWorks Limited (In Liquidation)

Liquidators' Six Monthly Report

As at 5 April 2018

Deloitte
PO Box 2691
Wellington 6140

W: www.deloitte.co.nz

Our Ref: 388089



On 17 August 2017, David Vance and David Webb were appointed interim liquidators, jointly and severally of HydroWorks Limited (In Liquidation) ("the Company"). On 5 October 2017, they were appointed liquidators, jointly and severally of the Company. As a result of this appointment, the interim liquidation came to an end.

This is our first six monthly report covering the liquidation as required by section 255 (2) (d) of the Companies Act 1993.

Restrictions

We take no responsibility for any incorrect information contained in this report that has been supplied by the company, its officers or other persons.

This document is a report to creditors and shareholders, and notices to creditors in terms of the Companies Act 1993. This report is for the use of creditors and shareholders and is not to be reproduced or used for any other purpose without our prior written consent in each case. We do not accept any liability whatsoever to any party from any use of, or reliance on, this report.

Conduct of the Liquidation during the Preceding Six Months

As advised in our first liquidator's report, it was determined by the interim liquidators, that the Company lacked ability to continue trading following our appointment as interim liquidators due to a lack of sufficient working capital funding and staffing constraints. The interim liquidators decided to cease trading immediately.

Physical assets of the Company were secured upon our appointment as interim liquidators. Company information, both electronic data, physical books and records on site were also collected and secured.

The majority of the plant and equipment was secured to secured creditors. Most of the secured assets were leased to the Company. Where required, we provided assistance to the secured creditors to deal with their assets held at the Company's premises.

Powerhouse Ventures Managers Limited (**PVML**) held a General Security Agreement over Company assets on behalf of the Company's bondholders, acting as a security custodian. By arrangement, PVML consented to the Liquidators dealing with their security/assets. Arrangements were made for the selling of the Company's remaining plant and equipment and we invited proposals for the most appropriate way to realise these assets. The majority of the Company assets were sold by auction. The auction sale program was completed at the end of January 2018 at which time we vacated the Company's premises.

The Company had operated a foundry at the premises. An expression of interest to buy the foundry including assignment of two resource consents for its operation was received and accepted by the liquidators.

Significant amounts of time and disbursements were spent on removing Company assets and records and the associated clean-up of the Company's premises.

At the time of our appointment as interim liquidators of the Company, we wrote to debtors requesting payment and received payments in full from all but two debtors. Further information from these two debtors showed that the work commissioned was never completed (notwithstanding they had been invoiced). We took steps to finalise details of all unbilled work in progress and we were successful in reaching commercial settlements through negotiations with former customers.



Throughout the process of liaising with former customers, requests were received for the return of records, intellectual property and equipment. With the assistance of Deloitte's Computer Forensics team, we analysed and conducted comprehensive searches of the Company's databases to extract data required by former customers and arranged for this information to be securely return to them. Plant and equipment belonging to the former customers held at the Company's premises were identified and arrangements made for their return to customers.

Our investigations have highlighted that the Company held little to no intellectual property. Most intellectual property was actually the property of the customers of the Company and not HydroWorks.

Our investigations to date into the Company records have highlighted other possible recoveries actions which the liquidators are currently pursuing or are looking to pursue.

Based on realisations made to date, an interim distribution of 20 cents in the dollar was made in December 2017 towards the preferential entitlements filed by the former employees of the Company.

The petitioning creditor's Court-awarded costs were also paid in full during the period of this report.

Realisations and Distributions

A statement of the realisations and distributions in the six months covered by this report is detailed in Appendix A.

The liquidators have incurred fees at a Court-approved rate in the liquidation of \$120,190. Based on recoveries to date, \$107,479 has been billed and paid.

The work completed in respect of the six months period covered by this report included:

- Initial investigations into the Company's financial affairs;
- Liquidation planning;
- Corresponding with former directors and shareholders of the Company regarding the status of liquidation;
- Corresponding with secured creditors and/or their agents regarding their security and realisations of assets;
- Corresponding with the landlord of the Company's premises;
- Reviewing security documents received from secured creditors;
- Securing all remaining plant and equipment owned by the Company and arranging for valuation to be completed for these assets;
- Reviewing proposals received for realisations of Company assets;
- Liaising with our agents in relation to the asset sale process;
- Reviewing the offer received for the foundry and drafting of the agreement for sale and purchase following acceptance of the offer;
- Liaising with the Christchurch City Council and the buyer to arrange for the transfer of the two resource consents following the completion of the foundry sale;
- Identifying and returning moulds held at the Company's premises to its appropriate owners;
- Reconciliation of outstanding debtors ledger;
- Liaising with debtors and requesting payment of outstanding accounts and where applicable, responding to disputes/queries raised by debtors;
- Liaising with former employees regarding the termination of their employment contracts with the Company, collating all employment files, calculating & finalising the outstanding entitlements due to former employees, responding to queries regarding the calculation of the employee's entitlements owing and where applicable, make amendments to their claims in accordance to new information received from former employees;
- Calculating and finalising the quantum of the interim dividend distribution to former employees, drafting correspondence regarding the interim distribution to former employees;
- Calculating the quantum of the unbilled work in progress and negotiating commercial settlements with the relevant former customers in relation to this unbilled work. Drafting of the deed of settlement for a former customer and reviewing the draft deed of settlement prepared by our legal advisors for another former customer.
- Collecting agreed settlement payments;
- Analysing and compiling all relevant electronic information and intellectual property belonging to former customers with the assistance of Deloitte's Computer Forensics team and arranging the secured return of this information to the appropriate parties;

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- Arranging for the return of plant and equipment belonging to various parties held at the Company's premises at the time of liquidation;
- Analysing and extracting information from the Company's accounting system;
- Reviewing all available Company books and records;
- Identifying and analysing potential voidable claims against creditors;
- Corresponding with a party in relation to a potential claim against them;
- Completing a general clean out of the Company's premises;
- Archiving of Company records and arranging for the destruction of older Company records;
- Reviewing creditor's claims and responding to queries received from creditors or their agents/insurers;
- Cash managements;
- Attending to all statutory matters.

Creditors Claims

We have received the following creditors' claims:

Preferential Claims	\$504,232
Unsecured Claims*	\$9,664,179
	<u>\$10,168,411</u>

*NB: Overseas creditor's claims received and filed in foreign currency were converted to New Zealand Dollars based on the foreign exchange rates on 5 October 2017 (date of liquidation).

Further Proposals for Completing the Liquidation

We will continue our investigations into the Company's affairs to determine whether there are any further recovery avenues which the liquidators can pursue for the benefit of creditors. Further, we will continue the action, made pursuant to section 292 of the Companies Act (voidable transaction), against a creditor.

Distribution to Creditors

As advised earlier, we have made an interim distribution towards preferential claims filed by former employees of the Company.

From the realisations of the remaining assets of the Company, there will be a distribution to secured creditors, the quantum of which has not yet been determined.

Any distribution to unsecured creditors is dependent on the realisations of any recoveries identified and ongoing liquidation costs. Based on investigations and realisations to date, the distribution (if any) to unsecured creditors would be minimal.

Notice to Creditors/Shareholders/Director or Other Entitled Person

Section 284(1)(e) of the Companies Act 1993 details the right of a creditor, shareholder, director or other entitled person to seek the leave of the Court to, in the respect of any period, review or fix the remuneration of the liquidator at a level which is reasonable in the circumstances.

Estimated Completion Date

We cannot at present provide a reliable estimate of the date by which the liquidation will be completed.



If you require any further information please contact Colin Owens or Samantha Wulff.

Dated: 3 May 2018

A handwritten signature in blue ink, appearing to read "David Webb", written over a horizontal line.

David Webb
Liquidator

Colin Owens
DDI: +64 4 470 3779
Email: cowens@deloitte.co.nz

Samantha Wulff
DDI: 04 470 3679
Email: swulff@deloitte.co.nz

Appendix A

Realisations and Distributions for HydroWorks Limited (In Liquidation)

Period 5 October 2017 to 5 April 2018

All figures exclude GST

	\$
Opening Bank Balance (5 October 2017) - Transferred from Interim Liquidators' Trust Account	222,232
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Realisations	
Pre-Liquidation Debtors	88,532
Sale of Inventory	4,500
Sale of Assets	436,882
GST Nett	40,976
Net Interest	1,220
Total Receipts	572,110
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Distributions	
Sub-Contractors	2,916
Costs relating to the Sale of Assets	193,190
Company Records Handling Costs	3,006
Insurance	4,071
Legal Fees	38,285
Accounting Software Costs	3,000
Rent	25,000
Liquidators' Fees	107,479
Liquidators' Disbursements	477
Petitioning Creditor Court-Awarded Costs	9,558
Preferential Creditors Distribution - Former Employees	93,034
Total Payments	480,016
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Closing Bank Balance (5 April 2018)	314,326

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