

HydroWorks Limited (In Liquidation)

Liquidators' Six Monthly Report

As at 5 October 2018

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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.

As RITANZ Accredited Insolvency Practitioners, we are bound by the RITANZ Code of Professional Conduct when carrying out all professional work relating to our appointment as liquidators.

This is our six monthly report 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

During the six-month period covered by this report, the liquidators continued their review into the Company's financial affairs.

All remaining assets were sold and the nett sale proceeds were duly received by the liquidators.

We were approached by a party, requesting access to a small selection of intellectual property specified to work they have subsequently been engaged to complete for a former customer of the Company. Given the sensitive nature of this intellectual property, consent was first obtained from the former customer for the information requested. We negotiated a non-exclusive right-to-use agreement with the party over the intellectual property they require, which saw consideration being paid by the party for the right-to-use benefit.

Notwithstanding the transaction described above, our investigations to date continued to highlight that the Company held limited intellectual property in its own right. Most intellectual property was in fact property of the Company's former customers.

During our investigations, we identified a possible voidable preference claim. Through their legal advisors, the Creditor initially disputed the claim highlighted. After subsequent discussions with the Creditor, a commercial settlement was achieved. A deed of settlement was entered which will see the agreed settlement payments being made over a period of twelve months. Two scheduled payments due in the six-month period covered in this report were duly received.

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 during the liquidation at a Court-approved rate of \$145,274, of which \$128,218 has been paid.



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

- Liaising with our agents in relation to the sale process of the remaining assets;
- Discussion with the party requesting access to certain intellectual property specified to the project they were engaged to complete. Corresponding with the Company's former customer in relation to this access and obtaining the relevant consent for the information requested to be provided to the party. Negotiating a non-exclusive right-to-use terms with the party and drafting the agreement reflecting the agreed terms of use. Collecting agreed payment;
- Analysing and extracting information from the Company's accounting system;
- Finalising our voidable preference claim against a Creditor of the Company;
- Responding to correspondence received from a Creditor and their legal advisors in relation to a potential voidable claim against them. Meeting with the Creditor to negotiate a resolution of the matter at hand. Liaising with our legal advisors throughout the negotiation process. Reviewing deed of settlement prepared recording the terms of settlement. Collecting agreed settlement payments;
- Responding to queries received from creditors, former employees and/or their agents/advisors/insurers;
- Cash management;
- Attending to all statutory matters.

Creditors' Claims

We have received the following creditors' claims:

Type of Claim	Amount
Preferential Claims	\$504,232
Unsecured Claims*	\$9,664,179
	\$10,168,411

*NB: Overseas creditor's claims received and filed in foreign currency were converted to New Zealand Dollars based on the New Zealand Reserve Bank's 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 available for the benefit of creditors.

Distribution to Creditors

During the last six-month period, we made a distribution in full towards the petitioning creditor's Court-awarded costs of \$9,557.90. Further, we made an interim distribution of \$93,485.40 (gross) towards preferential claims filed by former employees of the Company.

We are currently finalising the realisation of all remaining assets of the Company and there will be a distribution to secured creditors. We have not yet determined the quantum of this distribution.

Any distribution to unsecured creditors is dependent on the realisations of any other recoveries identified, its collectability and ongoing liquidation costs.



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 are working towards a finalisation date and will be able to confirm this subject to the completion of our investigations into the Company's affairs and once the payment plan in relation to the settlement as mentioned earlier is completed.

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

Dated: 2 November 2018

David Webb
Liquidator

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Appendix A

Realisations and Distributions for HydroWorks Limited (In Liquidation)

Period 5 April 2018 to 5 October 2018

All figures exclude GST

	\$
Opening Bank Balance (5 April 2018)	<u>314,326</u>
Realisations	
Sale of Assets	13,067
Voidable Preference Recovery	75,000
Insurance Refund	733
Net Interest	<u>1,806</u>
Total Receipts	<u>90,606</u>
Distributions	
Cost of Asset Sales	1,518
Legal Costs	20,390
Liquidators' Fees	20,739
Liquidators' Disbursements	721
Distribution to Preferential Creditors - Staff*	452
GST Nett	<u>24,359</u>
Total Payments	<u>68,179</u>
Closing Bank Balance (5 October 2018)	<u><u>336,753</u></u>

***N.B.** This relates to a Pay-As-You-Go (PAYG) tax payment to the Australian Taxation Office during the six-months period, in relation to the interim distribution made to an Australian-based former employee of the Company in December 2017. This payment, which was made in Australian Dollars, was converted to New Zealand Dollars for the purpose of this schedule, based on the New Zealand Reserve Bank's foreign exchange rate on the date of payment on 7 August 2018.

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