

Indigo New Zealand Limited (In Liquidation)
Liquidators' Second Report
For the period from 10 November 2014 to 9 May 2015

1 INTRODUCTION AND APPOINTMENT

Peri Micaela Finnigan and Boris van Delden, Insolvency Practitioners of Auckland, were appointed jointly and severally as liquidators of Indigo New Zealand Limited ("the company/Indigo") on 10 November 2014.

Pursuant to Section 255(2)(d) of the Companies Act 1993 ("the Act"), the liquidators herewith report on the progress of the liquidation. This second report should be read in conjunction with the liquidators' previous report. This report is being sent to all shareholders and all creditors who have filed a claim in the liquidation.

A Statement of Realisations and Distributions is **attached**.

2 RESTRICTIONS

Whilst all care and attention has been taken in compiling this report, we do not accept any liability whatsoever to any party as a result of the circulation, publication, reproduction or use of this report.

We reserve the right (but are under no obligation) to review and, if we consider necessary, revise this report in respect of any information existing at the date of this report which becomes known to us after that date.

3 CONDUCT OF THE LIQUIDATION DURING THE PRECEDING SIX MONTHS

Asset Realisations

The business assets of Indigo were sold to Theta Systems Limited ("Theta") prior to liquidation. Many staff transferred to the employment of the purchaser. The combined sale price for Indigo and a related company, Six Degrees Software Limited, was \$800,000. This comprised goodwill of \$700,000 and \$100,000 for plant/equipment etc.

3.1 Debtors

(Statement of Affairs: \$Unknown)

Many of the debtors in the listing provided by the company recorded as due and owing were paid before liquidation. The liquidators have recovered \$Nil from debtors.

As noted on the Statement of Affairs, one debtor was recorded as owing \$137,521. This is disputed in full. The liquidators have reviewed the contract and terms relating to this debt and are considering their options. The debtor argues that no further funds are payable as the software did not fit specifications and there were major data integrity issues. A contra claim has been filed for a sum larger and represents losses incurred as a result of the project. The claim by this company is that Indigo failed to deliver a budgeting forecasting and reporting solution and was in breach of its contract. As a result, the creditor prior to liquidation exercised its contractual right to withhold payment until remedy. Now the company is in liquidation Indigo cannot perform its obligation to remedy the breach and the customer considers as a result any balance due is now not payable.

3.2 Related Company Refund / Debtors

(Statement of Affairs: \$320)

We have received a refund from a related company in the amount of \$3,787. This has been applied against the related party debt owing by Indigo Australia Pty Limited. No further sums are expected. The liquidators have received the financial records of the related Australian entity which records no assets held. The company no longer trades and is in the process of being struck off the ASIC register. The company, Indigo Australia Pty Limited, owed Indigo New Zealand Limited A\$521,266 for payments made by the New Zealand company on behalf of Indigo Australia Pty Limited for New Zealand creditors and loans.

Six Degrees Software Limited ("Six Degrees") was a debtor of Indigo at March 2014 for \$980,722. Indigo is a major creditor in Six Degrees. Six Degrees is also in liquidation. The combined business assets and intellectual property of Six Degrees and Indigo were sold pre liquidation for \$800,000. The director advised more value was attributed to Six Degrees but no breakdown has been provided. All net proceeds of sale went to the BNZ bank as secured creditor.

3.3 Pre-Receiver'ship GST Refund

\$19,239 has been recovered from a GST refund. These funds have been applied to the costs of liquidation, legal fees and insurance costs.

4 INVESTIGATIONS

The liquidators have commenced their investigations into the books, records and affairs of the company. On receipt of two major claims from creditors (including a contra claim from a debtor) the liquidator notified the insurer of the company.

Legal advice has been sought in respect to a number of issues. The liquidators consider they have claim to pre-paid insurance premiums.

The funder of the prepaid premium did **not** register a security interest. The matter has been on hold since December 2014 due to other matters being investigated.

5 CREDITORS' CLAIMS

5.1 Secured Creditors

A secured claim has been received from Bank of New Zealand in respect of a General Security Agreement for the amount of \$828,961 after deductions of proceeds on sale of both Indigo and Six Degrees assets and intellectual property. This is the shortfall on cross guaranteed debt.

The secured creditor approved the sale to Theta and received net proceeds of sale prior to liquidation. The balance outstanding is secured by personal guarantee.

A secured claim has also been filed by Bank of New Zealand in Six Degrees, a related company also in liquidation.

A further secured claim has also been received from Fuji Xerox Finance Limited in the amount of \$15,801. Interest continues to accrue on these amounts.

5.2 Preferential Creditors

Total preferential claims for wages or salary, holiday pay and redundancy amount to \$5,804. Most employees were transferred to the purchaser and therefore had no claim in the liquidation.

The Inland Revenue Department has submitted a preferential claim for \$247,372.

No dividend has been paid to preferential creditors at the date of this report. At this stage the liquidators do not anticipate being in a position to pay the preferential claims. This position may change depending on the advice being sought from the lawyer engaged on this file and whether matters advance further.

5.3 Unsecured Creditors

As at the date of preparing this report 17 unsecured creditors claim forms have been received which total \$6,432,670. In the interests of minimising liquidators' fees, the liquidators will not attend to the formality of accepting or rejecting creditors' claims until such time as we are in a position to pay a distribution.

These claims include two contra claims for large jobs worked on by the company. In one case, a claim relates to damages and losses. One relates to an enterprise data warehouse project and the other to a budgeting, forecasting and reporting project.

6 FUNDS / LIKELY OUTCOME

There will be a short fall on the amount due to the General Security Agreement holders. Therefore, at this stage the liquidator does not anticipate paying a distribution to preferential or unsecured creditors.

7 MATTERS DELAYING THE COMPLETION OF THE LIQUIDATION

The following matters are outstanding:

- Legal advice on actions available to the liquidators;
- Resolve dispute and entitlement to prepayments;
- Consider other legal action; and
- Completion of liquidation.

8 ESTIMATED DATE OF COMPLETION

Based on the information contained in this report the liquidators presently propose to complete all outstanding matters with a view to retiring as liquidators within the next one year.

9 CONTACT DETAILS

Enquiries should be directed to the writer on DDI (09) 303 9519 or by email to pfinnigan@mvp.co.nz.

The Liquidators can be contacted at:

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PERI M FINNIGAN
LIQUIDATOR

DATED this 4 day of June 2015

Realisations and Distributions

Indigo New Zealand Limited (In Liquidation) 10 November 2014 to 9 May 2015

Realisations	As Per Statement of Affairs \$	Cash Received \$
Related Company Refunds	320	3,787
Pre liquidation GST Refund	-	19,239
Total Realisations	\$320	\$23,026
Payments		
Liquidators Fees		
Liquidators Fees		14,397
Disbursements		5,626
Total Liquidators Fees		\$20,023
Total Payments		\$20,023
BALANCE HELD		\$3,003

Note: the above figures are GST exclusive