

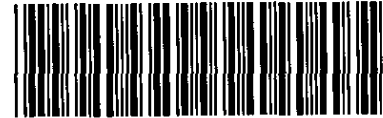
AM03

Notice of administrator's proposals



Companies House

WEDNESDAY



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02/08/2017

#314

COMPANIES HOUSE

1 Company details

Company number 0 8 6 9 7 9 6 7 ✓

Company name in full HYDROLOGY PLC

→ Filling in this form

Please complete in typescript or in
bold black capitals.

2 Administrator's name

Full forename(s) William Antony

Surname Batty

3 Administrator's address

Building name/number 3

Street Field Court

Gray's Inn

Post town London

County/Region

Postcode W C 1 R 5 E F

Country

4 Administrator's name ①

Full forename(s) Stephen John

Surname Evans

① Other administrator

Use this section to tell us about
another administrator.

5 Administrator's address ②

Building name/number 3

Street Field Court

Gray's Inn

Post town London

County/Region

Postcode W C 1 R 5 E F

Country

② Other administrator

Use this section to tell us about
another administrator.

AM03

Notice of Administrator's Proposals

6

Statement of proposals



I attach a copy of the statement of proposals

7

Sign and date

Administrator's
Signature

Signature

X



X

Signature date

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AM03

Notice of Administrator's Proposals



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

John Baalham

Company name

Antony Batty & Company LLP

Address

3 Field Court

Gray's Inn

Post town

London

County/Region

Postcode

W C 1 R 5 E F

Country

DX

Telephone

020 7831 1234



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 and dated the form.



Important information

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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

**HYDROLOGY PLC ("THE COMPANY")
IN ADMINISTRATION**

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Stephen John Evans and I are the Joint Administrators of the Company and these are our statutory proposals relating to the Company.

1. STATUTORY INFORMATION

Company Information

Company name:	Hydrology PLC
Previous name:	Nexus Water Bonds PLC
Trading name:	Hydrology PLC
Company number:	08697967
Date of incorporation:	19/09/2013
Trading address:	18 Tideway Yard, 125 Mortlake High Street, London, England, SW14 8SN
Current registered office:	3 Field Court, Gray's Inn, London, WC1R 5EF
Former registered office:	18 Tideway Yard, 125 Mortlake High Street, London, England, SW14 8SN
Principal trading activity:	Water collection, treatment & supply

Appointment Details

Administrators	William Antony Batty and Stephen John Evans
Administrators' address	3 Field Court, Gray's Inn, London, WC1R 5EF 3 Field Court, Gray's Inn, London, WC1R 5EF
Date of appointment	8 June, 2017
Court name and reference	Companies Court, Chancery Division 004280 of 2017
Appointment made by:	Mr Christopher MacNee and Mr Archibald Edmonstone
Actions of Administrators:	Any act required or authorised under any enactment to be done by an administrator may be done by either or both of the Administrators acting jointly or alone.

Officers of the Company:

<i>Directors:</i>	<i>Name:</i>	<i>Shareholding</i>
	Mr Christopher MacNee	3,250,000
	Mr Archibald Edmonstone	

<i>Company secretary:</i>	<i>Name:</i>
	David Venus & Company LLP

Issued Share capital

5,289,929 ordinary shares £0.01 each

Charges: Woodside Corporate Services Ltd is the only secured creditor. The Debentures are secured by floating Charges contained in a Trust Deed dated 30 June 2014 and Registered at Companies House.

2. CIRCUMSTANCES LEADING TO THE APPOINTMENT OF THE ADMINISTRATORS

Hydrology PLC ("Hydrology" or "the Company") was incorporated in 19th September 2013.

The Company was originally incorporated as Water Bonds PLC. On August 2015 the Company changed its name to Nexus Water Bonds PLC and in March 2016 the Company was renamed by resolution to its current name, Hydrology PLC.

The Company was founded in order to enter into the commercial water market by financing and developing facilities that treat, desalinate, purify, dispose and recycle water for industrial and community applications. The Company raised finance to finance the development of water treatment projects through the issuance of debenture loan stock and equity.

In October 2014, the shares and debenture loan stock were admitted to trading on GXG Markets Main Quote market ("GXG"). The GXG market was promoted as being specifically designed for SMEs looking to gain access to financial markets. Furthermore, GXG was to provide a facility that would allow the Company's investors to trade their shares or loan stock through a matched bargain platform that was authorised and regulated under the European Markets in Financial Instruments Directive (MiFID) and the Danish Supervisory Authority, Finanstilsynet. Hydrology had delisted its equity from trading on GXG by resolution, GXG was closed in August 2015.

The Company then listed its debenture loan stock on the Emerging Companies Market of the Cyprus Stock Exchange ("ECM") in order to provide liquidity to its debenture holders. Again, the ECM is specifically designed to provide SMEs with a competitive market quotation that utilises proven and robust trading systems. The Company appointed Alfred Henry Corporate Finance Limited as its corporate advisor to ECM.

Unfortunately, neither market provided liquidity to debenture holders, as a result the loan stock is not readily realisable or tradeable.

Hydrology has financed two projects to date. One in Brazil and the other in the USA:

- 1) **Brazil:** A desalination facility that treats brackish water from Sao João River, Cubatão, in São Paulo state on a 10-year contract for a Brazilian petro-chemical industrial conglomerate, Unigel. The facility began operations in February 2016.
- 2) **USA:** A commercial oilfield water disposal facility ("COWDF") that disposes of production and flow-back water from the US domestic oil and gas industry. The facility is located in Wyoming and commenced operations in November 2016 and is designed to process up to ~5,000 bbl (800,000 litres) per day. The facility began operations in November 2016.

The last 12 months have been a difficult period for the Company as shown by the results in the announced interim accounts.

Even though the projects which Hydrology have financed are in operation, both facilities require further investment for maintenance and expansion.

Specifically, the US project suffered from the collapse in the oil and gas prices and the subsequent acute decline in activity and investment in the related oil service sector. This translated into the nearly complete shut down in on-shore US O&G activities which directly affected the associated service industry, including demand for the establishment of water treatment and disposal projects. As a result there was a 73% drop in the price of water treatment and disposal.

Furthermore, the Company has had to finance substantial legal fees and expenses to secure control of the COWDF due to a dispute with local JV partners. This macro situation and the subsequent delay in Hydrology's execution of its business plan has put significant pressure on our finances and in particular our ability to service the debenture, as per the announcement on 30 September 2016, where the payment of the coupon was delayed until 30 March 2017.

The Company is conscious of its financial obligations and accordingly it has examined alternative options to finance the business, to put it on a sustainable level and to ensure it can weather the delays in implementing its development strategy and build value.

Since October 2014 the Company has been very active in its attempts to raise equity capital for the future development and execution of its business plan. After, the assistance of a number of advisors, funding strategies and many meetings over the last two and a half years, the Company has been unsuccessful in its attempt to raise growth and expansion capital.

Even though the Company has financed the development of two operating facilities that are both revenue generative, it has not been able to secure investment for growth primarily because the debenture debt and associated commitment, is viewed by the investment community as toxic, i.e. no one is prepared to invest in the company to fund its debenture obligations.

In 2015, the Company raised £5,000,000 of debt through the issuance of 5,000,000, £1 Debenture loan notes. The loan Notes mature on 1 March 2021 and in years 1-3, attract a coupon of 7.5% and in years 4-7, 11%. The Offer was initially promoted through City One Securities. Upon listing on GXG in October 2014 the Offer was marketed by St Pauls Marketing and in October 2015, on listing of the debenture loan stock the balance of the debenture was provided by ECM Beaufort Discretionary Fund Management.

Of the amount raised, over £1.6 million was spent on the costs and fees associated with the Debenture issue.
Default on Interest Payments

Due to the delay in the execution of the Company's business plan Hydrology defaulted on the payment of interest to note holders for the period from 2 March 2016 to 1 September 2016 due on 30 September 2016; this was to be delayed until 30 March 2017.

The Company is not able to pay the delayed coupon payment, nor is it able to pay the interest to debenture holders for the period 1 October 2016 to 1 March 2017 which is also due on 30th March 2017 and so is now in default.

Woodside Corporate Services Ltd is the only secured creditor, its security is over Debenture debt. The Debentures are secured by floating Charges contained in a Trust Deed dated 30 June 2014 and Registered at Companies House.

After consulting its various advisors including corporate, legal and the Debenture Trustee, the Company had concluded that it must restructure the Company's debt. Without the burden of the debt the business will have the opportunity to continue, develop and raise growth capital for expansion.

The Company approached Antony Batty & Company LLP to discuss its options and it was decided that the most viable option was to prepare proposals for a Company Voluntary Arrangement "CVA" for its creditors to consider. These were circulated in 2 May 2017 with the creditors meeting scheduled for the 23 May 2017, this meeting was adjourned to allow the majority creditor further time to consider the CVA proposal and was reconvened for the 5th June 2017. At the adjourned creditors meeting the creditors votes were cast and the CVA proposals were rejected by the majority creditor.

Prior to the commencement of the Administration 3 Field Court, Gray's Inn, London, WC1R 5EF acted as advisors and then as Nominees as detailed above to the Board as a whole acting on behalf of the Company for the proposed CVA. Antony Batty was also appointed Liquidator of Nexus Water Ltd on the 23 March 2017, Nexus Water Ltd is a related Company. No advice was given to the individual directors regarding the impact of the

insolvency of the company on their personal financial affairs. Whilst not formally in office at that time, 3 Field Court, Gray's Inn, London, WC1R 5EF was still required to act in its dealings with the Company in accordance with the Insolvency Code of Ethics.

As required by the Insolvency Code of Ethics, Stephen John Evans and I considered the various threats to our objectivity arising from this prior involvement. We concluded that those threats were at an acceptable level such that we could still act objectively and hence could be appointed Administrators of the Company.

On 8 June, 2017, Stephen John Evans and I were appointed by Christopher MacNee and Archibald Edmonstone, the Company Directors as Joint Administrators of the Company and took over from the Board responsibility for the management of the affairs, business and property of the Company. The appointment permitted the Joint Administrators to take any actions required either jointly or alone, and I have been the Administrator primarily involved in dealing with the Company's affairs.

3. OBJECTIVES OF THE ADMINISTRATION AND THE ADMINISTRATORS' STRATEGY FOR ACHIEVING THEM

As Administrators of the Company, Stephen John Evans and I are officers of the Court, and must perform our duties in the interests of the creditors as a whole in order to achieve the purpose of the Administration, which is to achieve one of the three objectives set out in the insolvency legislation, namely to:

- (a) rescue the Company as a going concern; or
- (b) achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration); or
- (c) realise property in order to make a distribution to one or more secured or preferential creditors.

Objective (a) could not be achieved as no purchaser could be found for the shares of the Company and the nature of the Company's trading and its financial circumstances.

As a result the joint administrators are seeking to achieve objective (b) and (C) for the Company and will do this overseeing the sale of the desalination facility to Unigel in Brazil to ensure the sale consideration is realised in the administration and set off against the outstanding loan balance and likewise oversee the repayment of the outstanding loan from Hydrology PLC to Wyuna Limited which will be paid back from Wyuna COWDF operational revenues in the United States over the next 3 – 4 years in order to facilitate a dividend to the secured creditors.

The insolvency legislation has set a 12 month maximum duration for Administrations, unless the duration is extended by the Court or the creditors. If we are unable to complete the Administration of the Company within 12 months then we will either apply to the Court, or hold a meeting of creditors, in order to seek approval to extending the duration of the Administration.

4. ACTIONS OF THE ADMINISTRATORS FOLLOWING APPOINTMENT

Since I was appointed Administrator I have held regular meetings with the director Christopher MacNee to discuss the Company.

The Company has no funds and is therefore relying on the goodwill and support of Mr MacNee who is not being paid.

Set out below is an update since the Company went into administration on 8th June 2017.

Emerging Companies Market of the Cyprus Stock Exchange ("ECM")

On the 16th June 2017, the ECM advised that the suspension of trading of Hydrology PLC's securities would be terminated on the 19th June 2017, as the result of Company being continuously suspended for the maximum period of 4 months on the Cyprus Stock Exchange "CSE". Due to the Company's financial difficulties it has been unable to fulfil its obligations under Article 183 of the CSE Law and Regulations notably submitting its published Annual Financial Statements. Furthermore, the decision for the re-suspension/ termination of trading of the Company's securities has been ratified by the CSE Council.

Wyuna Limited

Hydrology loaned Wyuna Limited ("Wyuna") funds to develop a commercial oilfield water disposal facility ("COWDF") that treats and disposes of production and flow-back water from the US domestic oil and gas industry. The facility is located in Wyoming and commenced operations in November 2016. After some early operational issues, the COWDF is now in good working order and running smoothly. All of the cashflow to-date has been used to make the facility compliant whilst at the same time improving throughput and evaporation rates.

In late June, Christopher MacNee, visited the facility to review the operations and in July the COWDF was inspected and approved by the local environmental agency. Even without further investment by the Company it is anticipated that operation will soon be able to generate sufficient revenue to cover overheads and begin the repayment of the loan which the Company believes will repaid over the next 3 - 4 years. The rate of repayment may fluctuate pending continuing operations, the price of oil (direct impact on oil and gas industry growth) and the price of water received.

Hydrology Ventures Limited

Hydrology Ventures Limited ("HVL") a wholly owned subsidiary of Hydrology. HVL invested funds borrowed from the Company in the construction and development of a desalination plant in Brazil, through its subsidiary Hydrology do Brasil-Projetos de Água e Participações Ltda ("Hydrology do Brasil"). The plant was established inside a petro-chemical industrial facility owned and operated by the Brazilian conglomerate, Unigel. The plant was designed to desalinate and purify brackish water from Sao João River, Cubatão, in São Paulo state for use in Unigel's petro-chemical facility to produce styrene. The desalination plant began operations in February 2016, though due to unexpected increase in the level of salinity and chlorides the plant required modification and further investment to meet the new challenges. As such the plant had to cease operations, earlier in 2017, with Unigel being required to purchase water for use in its facility.

Over the course of the last month the Hydrology do Brasil has agreed with Unigel to sell its plant at a discount because of the water that Unigel purchased to run its petro-chemical operations. A cash payment of R\$ 980,000.00 has been agreed as settlement. Currently, the company is preparing the necessary documentation to complete the transaction and pay off local creditors.

Furthermore, Hydrology do Brasil will take legal action against the contractors who built the facility in the hope that it can be compensated for a substantial part of the investment into development of the desalination facility and its consequent poor performance.

Hydrology do Brasil has begun initiating negotiations with local creditors to accept a reduced fee for their services and will be finalised once settlement is finalised with Unigel.

The Joint Administrators had to undertake this work either as part of their routine administrative functions, or in order to protect and realise the assets of the Company. In addition, they have undertaken routine statutory and compliance work, such as filing the appointment at Companies House and advertising the appointment in the London Gazette and sending out a circular letter to customers with bookings. These are tasks that are required by statute or regulatory guidance, or are necessary for the orderly conduct of the proceedings, and whilst they do not produce any direct benefit for creditors, they still have to be carried out.

5. FINANCIAL POSITION OF THE COMPANY

A summary of the Company's estimated financial position as at 8 June, 2017, which is known as a Statement of Affairs, is attached at Appendix 1.

Comments on the Statement of Affairs

5.1. Assets

Book Debts

Loan made to Wyuna Limited (£935,496.00)

There is a Management Agreement between Hydrology (formerly Water Bonds plc) and Wyuna Ltd dated 01 August 2014. There also is a Deed of Trust between Hydrology (formerly Water Bonds plc) and Wyuna Ltd dated 14 October 2014.

The project which began operations in November 2016 and generating revenue has used the proceeds to date to develop the facility, pay legal costs etc, and is being managed by Christopher MacNee who is appointed as an officer and overall project developer/ manager of the COWDF in October 2016.

With most of the project creditors paid and the facility in now in good working order, projections show that the loan from Hydrology to Wyuna Ltd can be repaid over the next 3 – 4 years. This includes the US operating Company raising capital (circa. £1 million) to increase the capacity of the COWDF.

It is anticipated that should the loan can be repaid as follows:

Year	2017	2018	2019	2020
Loan Repayment	£90,000	£300,000	£380,000	£170,000

The above may fluctuate pending raising the finance to expand the operations, the price of oil (which has a direct impact on project) and price of water.

Once the loan has been repaid the Company will continue to receive a share of the operating profit from this site. To avoid the Company remaining in Liquidation into perpetuity, once the loan has been repaid we will try to find a buyer for the interest. It is not possible at this stage to estimate what the value of the interest may be, but it could be significant.

Loan made to Nexus Ventures Limited – (£873,446.00)

Hydrology Ventures (formerly Nexus Ventures Limited) is a wholly owned subsidiary that was granted an intra Company loan from Hydrology PLC in the sum of £873,446.

Over the course of the last week Hydrology Ventures has agreed to sell its plant to Unigel at a discount as the facility has not been in operation since November 2016 and Unigel has had to purchase water to run its petro-chemical operations. A cash payment of R\$ 980,000.00 has been agreed as settlement. Currently, Hydrology Ventures is preparing the necessary documentation to complete this transaction.

Furthermore, Hydrology do Brasil will take legal action against the contractors who built the facility to be compensated for a substantial part of the investment into development of the desalination facility. There are a number of creditors in Brazil who negotiations will be held with local creditors to accept a reduced fee for their services.

This matter is being constantly monitored as it is anticipated that approximately £100,000 from the proceeds of the sale will be recovered into the administration estate.

Loan made to Nexus Water Limited (IN LIQUIDATION) (£519,780)

As previously detailed Antony Batty was appointed liquidator of Nexus Water Ltd on the 23 March 2017 and is a connected Company and shares a common director in Christopher MacNee.

On the basis of current information, and the Company being in Liquidation we do not anticipate any recovers to made against this outstanding loan.

5.2. Liabilities

Secured creditors

Woodside Corporate Services Ltd acts as Security Trustee for the Loan Note holders, they are the only secured creditor. The Loan Notes are secured by Debentures containing floating Charges contained in a Trust Deed dated 30 June 2014 and Registered at Companies House.

The principle debt due to the Loan Note holders is £5,000,000 plus accrued interest of £371,590.

Preferential creditors

Preferential creditors will retain their status, and will be paid in priority to unsecured creditors; however we are *not aware of any preferential creditors.*

Prescribed part

There are provisions of the insolvency legislation that require an Administrator to set aside a percentage of a Company's assets for the benefit of the unsecured creditors in cases where the Company gave a "floating charge" over its assets to a lender on or after 15 September 2003. This is known as the "prescribed part of the net property." A Company's net property is that left after paying the preferential creditors, but before paying the lender who holds a floating charge. An Administrator has to set aside:

- 50% of the first £10,000 of the net property; and
- 20% of the remaining net property;

up to a maximum of £600,000.

The Company gave a floating charge to Woodside Corporate Services Ltd on 30 June 2014 and the prescribed part provisions will apply. The Statement of affairs shows that the net property of the Company is £1,035,496, and I estimate that the prescribed part of the net property for unsecured creditors is £210,099. However, these estimates do not take into account the costs of the Administration which will reduce the amount of the Company's net property. Even after taking into account the costs of the Administration I still envisage being able to make a distribution of the prescribed part of the net property to the unsecured creditors, but I am *unable to estimate the amount of that distribution at present.*

Unsecured creditors

Based on the Director's statement of affairs, unsecured creditors are estimated to total £67,624 from eleven trade and expense creditors.

To date the joint administrators have received claims from seven unsecured creditors totalling approximately £64,863.

6. ADMINISTRATORS' RECEIPTS AND PAYMENTS ACCOUNT

There have been no receipts or payments relating to the company for the period from when it entered administration (being 8 June 2017) to the date of these proposals and an account confirming this is enclosed as Appendix 2.

7. PROPOSED FUTURE ACTIONS OF THE ADMINISTRATORS TO ACHIEVE THE OBJECTIVE OF THE ADMINISTRATION

In order to achieve the objective of the Administration of the Company I propose to oversee the sale of the business assets from the operational facility in Brazil, with the sale proceeds coming into the administrations estate to set off against the outstanding loan made by Hydrology PLC and recovering the outstanding loan made from Hydrology PLC to Wyuna Ltd in full over the next 3 – 4 years.

It is anticipated that the Joint Administrators will be in position to make a distribution to secured creditor once all assets have been realised into the estate. The prescribed part will also need to be distributed to unsecured creditors.

8. ADMINISTRATORS' REMUNERATION AND EXPENSES

The basis of the joint administrators' remuneration and payment of category 2 expenses will be agreed by any creditors' committee appointed by the decision date, being Tuesday 15 August 2017.

If no creditors' committee is appointed the approval of the joint administrators' remuneration and payment of category 2 expenses will be approved by written resolutions along with these proposals.

Category 1 expenses are payable without approval from creditors.

Further information about creditors' rights can be obtained by visiting the creditors' information micro-site published by the Association of Business Recovery Professionals (R3) at <http://www.creditorinsolvencyguide.co.uk/>. Details about how an office holder's fees may be approved for each case type are available in a series of guides issued with Statement of Insolvency Practice 9 (SIP 9) and can be accessed at www.antonybatty.com/insolvency-resources; alternatively we will send you a copy by e-mail or post on request.

I attach as Appendix 3 a copy of my practice fee recovery policy. In this case I am seeking to fix the basis of my remuneration on a time costs basis as detailed in Appendix 4.

Our fee estimate has been provided to creditors at a relatively early stage in the administration of the case and before the office holder has full knowledge of the case. Whilst all possible steps have been taken to make this estimate as accurate as possible, it is based on the office holder's current knowledge of the case and their knowledge and experience of acting as office holder in respect of cases of a similar size and apparent complexity. As a result, the estimate does not take into account any currently unknown complexities or difficulties that may arise during the administration of the case. If the time costs incurred on the case by the office holder exceed the estimate, or is likely to exceed the estimate, the office holder will provide an explanation as to why that is the case in the next progress report sent to creditors. Since the office holder cannot draw remuneration in excess of this estimate without first obtaining approval to do so, then where the office holder considers it appropriate in the context of the case, they will seek a resolution to increase the fee estimate so that they will then be able to draw additional remuneration over and above this estimate.

I anticipate needing to seek approval to exceed the estimate if this work leads to further areas of investigation, potential further asset recoveries and any associated action, such as arbitration or legal proceedings.

Further information about creditors' rights can be obtained by visiting the creditors' information micro-site published by the Association of Business Recovery Professionals (R3) at www.creditorinsolvencyguide.co.uk/. Details about how an office holder's fees may be approved for each case type are available in a series of Guidance Notes issued with Statement of Insolvency Practice 9, and they can be accessed at www.antonybatty.com/insolvency-resources.

I have incurred total expenses of £391 since my appointment as joint administrator. I have not yet drawn any expenses in this matter.

I have incurred the following category 1 expenses since my appointment as Administrator:

Type of expense	Amount incurred/accrued since appointment (£)	Amount still to be paid (£)
Court Fees	50	50
Statutory Advertising	82	82
Bordereau (Office Holder Insurance)	110	110
	242	242

Category 1 expenses do not have to be approved, but when reporting to the committee and creditors during the course of the administration the actual expenses incurred will be compared with the original estimate provided and I will explain any material differences (e.g. where legal costs rise due to escalated recovery action).

I also propose that I am permitted to charge and recover what are known as category 2 expenses. Information about category 2 expenses is set out in our practice fee recovery policy at Appendix VI.

The following category 2 disbursements have been incurred to date:

Type of category 2 disbursement	Amount incurred/accrued since appointment (£)	Amount still to be paid (£)
Postage	44	44
Companies House Fees	20	20
Storage	35	35
Sundry	50	50
	149	149

If a creditors' committee is appointed, it will be for the committee to approve the basis of the joint administrators' remuneration and category 2 expenses. If a committee is not appointed then a decision will be sought from the creditors at the same time I seek a decision from them on whether or not to approve these proposals.

9. PRE-ADMINISTRATION COSTS

On 06 June 2017, the board of directors instructed me to assist them in placing the Company into administration and furthermore also agreed that I should be paid my pre-administration costs on the basis of time properly spent by me and my staff in respect of our actions for providing the appropriate advice and assistance on matters in relation to that process. At that time, we estimated that our fees

in relation to this pre-appointment period would be of the order £3,500 plus disbursements and appropriate VAT as necessary.

Attached as Appendix 4 is a detailed time cost table showing the pre-appointment time costs incurred by category and staff grade at my firm.

The work that was undertaken included advising the board on their responsibilities and the process involved in placing the Company into administration as well as preparing and filing the appropriate paperwork to enable the administration order to be made by the Court. We also made initial advances to appropriate agents to seek a valuation of the Company assets and property.

I also assisted the board take the appropriate steps to place the company into administration. This task, together with some of the other tasks mentioned above are required by statute or regulatory guidance, and whilst they do not produce any direct benefit for creditors, they still have to be carried out.

The following statement sets out my pre-administration costs incurred. The statement also shows those fees and expenses that were paid prior to the Administration and those where approval is being sought to pay them from administration funds.

Description	Paid Pre-Appointment £	To Be Paid £
Joint Administrators' Pre-Appointment Fees	Nil	3457.50
		3457.50

If a creditors' committee is appointed, it will be for the committee to approve payment of the as yet unpaid pre-administration costs. If a committee is not appointed I will be seeking a decision from the creditors in relation to the payment of the pre-appointment fees at the same time as I seek a decision from them regarding the approval or otherwise of these proposals.

10. ADMINISTRATORS' INVESTIGATIONS

I have a duty to consider the conduct of those who have been directors of the Company at any time in the three years preceding the Administration. I am also required to investigate the affairs of the Company in general in order to consider whether any civil proceedings should be taken on its behalf. I should be pleased to receive from you any information you have that you consider will assist me in this duty. I would stress that this request for information forms part of my normal investigation procedure.

11. EC REGULATION ON INSOLVENCY PROCEEDINGS

I consider that the EC regulation on insolvency proceedings apply to the Administration of the Company. I also consider that they are "main" proceedings since the Company's registered office and its trading address is in the United Kingdom.

12. ADMINISTRATORS' PROPOSALS

In order to achieve the objective set out at section 3 above, Stephen John Evans and I formally propose to creditors that:

- (a) We continue to manage the business, affairs and property of the Company in order to achieve the purpose of the Administration. In particular that we:
 - (i) oversee the sale of the Company's desalination facility in Brazil to Unigel to ensure the sale proceeds after costs of sale are realised into the estate and to recover the outstanding loan amount due to Hydrology PLC from Wyuna Ltd;
 - (ii) sell the Company's assets at such time(s) on such terms as we consider appropriate;
 - (iii) investigate and, if appropriate, pursue any claims that the Company may have against any person, firm or Company whether in contract or otherwise, including any officer or former officer of the Company or any person, firm or Company which supplies or has supplied goods or services to the Company; and
 - (iv) do all such things and generally exercise all their powers as Administrators as we consider desirable or expedient at our discretion in order to achieve the purpose of the Administration or protect and preserve the assets of the Company or maximise the realisations of those assets, or of any purpose incidental to these proposals
- (b) the Administration of the Company will end by filing notice of dissolution with the Registrar of companies. The Company will then automatically be dissolved by the registrar of companies three months after the notice is registered.
- (c) the Administration will end by placing the Company into Creditors' Voluntary Liquidation, and propose that William Antony Batty and Stephen John Evans are appointed Joint Liquidators of the Company and that we be authorised to act either jointly or separately in undertaking our duties as Liquidators.

Creditors may nominate a different person(s) as the proposed liquidator(s), but they must make the nomination(s) at any time after these proposals are delivered to them, but before they are approved. Information about the approval of the proposals is set out at section 13.

13. APPROVAL OF PROPOSALS

I am seeking decisions by correspondence from the creditors to approve my proposals, fix the basis of my remuneration, and to approve my category 2 disbursements. If a creditor wishes to vote on the decisions, they must complete and return the enclosed voting form to me by no later than 23.59 on 15 August 2017 the decision date. If a creditor has not already submitted proof of their debt, they should complete the enclosed form and return it to me, together with the relevant supporting documentation. A vote on the decisions by a creditor will not count unless they have lodged proof of their debt by no later than 23.59 on 15 August 2017.

Creditors are also invited to determine whether to form a Creditors' Committee, and a notice of invitation to form a Creditors' Committee and further instructions are enclosed. To enable the creditors to make an informed decision as to whether they wish to either seek to form a Committee, or to nominate themselves to serve on a Committee, further information about the role of the Committee and what might be expected from its members has been prepared by R3 and can be found is available at the link <http://www.creditorinsolvencyguide.co.uk/>.

Please note that I must receive at least one vote by the decision date or the decisions will not be made. I would therefore urge creditors to respond promptly.

Should any creditor or group of creditors wish to request a physical meeting of creditors, they must do so within 5 business days of the delivery of the notice that accompanies this letter. Such requests must be supported by proof of their debt, if not already lodged. I will convene a meeting if creditors requesting a meeting represent a minimum of 10% in value or 10% in number of creditors or simply 10 creditors, where "creditors" means "all creditors."

14. FURTHER INFORMATION

To comply with the Provision of Services Regulations, some general information about Antony Batty & Company LLP, including about our complaints policy and Professional Indemnity Insurance, can be found at <http://www.antonybatty.com/insolvency-resources>.

If creditors have any queries regarding these proposals or the conduct of the Administration in general, or if they want hard copies of any of the documents made available on-line, they should contact John Baalham on the above telephone number, or by email to johnbaalham@antonybatty.com or by post at Second Floor, 3 Field Court, Gray's Inn, London, WC1R 5EF.

A handwritten signature in black ink, appearing to be 'W. Batty', with a stylized, cursive script.

William Antony Batty
JOINT ADMINISTRATOR

The Joint Administrators are agents of the Company and act without personal liability.

**HYDROLOGY PLC ("THE COMPANY")
IN ADMINISTRATION**

**JOINT ADMINISTRATORS' PROPOSALS REPORT
ISSUED ON: 26 JULY 2017**

APPENDIX 1 | COMPANY'S ESTIMATED STATEMENT OF AFFAIRS



Antony Batty & Company LLP
Accountants, Business Valuers & Tax Advisors

Insolvency Act 1986

Hydrology PLC
Estimated Statement Of Affairs as at 8 June 2017

	Book Value £	Estimated to Realise £
ASSETS		
Loan - Wyuna Limited	935,496.00	935,496.00
Loan - Nexus Ventures Limited	873,446.00	100,000.00
Loan - Nexus Water Limited - In Liq	519,780.00	<u>NIL</u>
		1,035,496.00
LIABILITIES		
PREFERENTIAL CREDITORS:-		
		<u>NIL</u>
		1,035,496.00
DEBTS SECURED BY FLOATING CHARGES PRE 15 SEPTEMBER 2003		
OTHER PRE 15 SEPTEMBER 2003 FLOATING CHARGE CREDITORS		
		<u>NIL</u>
		1,035,496.00
Estimated prescribed part of net property where applicable (to carry forward)		<u>210,099.20</u>
		825,396.80
DEBTS SECURED BY FLOATING CHARGES POST 14 SEPTEMBER 2003		
Debenture - Loan Notes	5,371,590.00	<u>5,371,590.00</u>
		<u>(4,546,193.20)</u>
Estimated prescribed part of net property where applicable (brought down)		<u>210,099.20</u>
		210,099.20
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)		
Trade & Expense Creditors	<u>67,623.59</u>	<u>67,623.59</u>
Estimated deficiency/surplus as regards non-preferential creditors (excluding any shortfall in respect of F.C's post 14 September 2003)		142,475.61
Shortfall in respect of F.C's post 14 September 2003 (brought down)		<u>4,546,193.20</u>
		<u>(4,403,717.59)</u>
Issued and called up capital Ordinary Shareholders	52,899.00	<u>52,899.00</u>
TOTAL SURPLUS/(DEFICIENCY)		<u><u>(4,456,616.59)</u></u>

**HYDROLOGY PLC ("THE COMPANY")
IN ADMINISTRATION**

**JOINT ADMINISTRATORS' PROPOSALS REPORT
ISSUED ON: 26 JULY 2017**

APPENDIX 2 | JOINT ADMINISTRATORS' SUMMARY RECEIPTS AND PAYMENTS ACCOUNT



Antony Batty & Company LLP
INCORPORATED IN ENGLAND

**HYDROLOGY PLC
IN ADMINISTRATION**

**SUMMARY OF RECEIPTS AND PAYMENTS
08 JUNE 2017 TO 26 JULY 2017**

	TOTAL (£)
RECEIPTS	
	<hr/>
	NIL
PAYMENTS	
	<hr/>
	NIL
	<hr/>
BALANCE IN HAND	NIL
	<hr/>
	NIL
	<hr/>



**HYDROLOGY PLC ("THE COMPANY")
IN ADMINISTRATION**

**JOINT ADMINISTRATORS' PROPOSALS REPORT
ISSUED ON: 26 JULY 2017**

APPENDIX 3 | PRACTICE FEE RECOVERY POLICY FOR ANTONY BATTY & COMPANY LLP



Antony Batty & Company LLP
INCORPORATED IN ENGLAND

PRACTICE FEE RECOVERY POLICY FOR ANTONY BATTY & COMPANY LLP

Introduction

The insolvency legislation was changed in October 2015, with one or two exceptions, for insolvency appointments made from that time. This sheet explains how we intend to apply the alternative fee bases allowed by the legislation when acting as office holder in insolvency appointments. The legislation allows different fee bases to be used for different tasks within the same appointment. The fee basis or combination of bases, set for a particular appointment is/are subject to approval, generally by a committee if one is appointed by the creditors, failing which the creditors in general meeting, or the Court.

Further information about creditors' rights can be obtained by visiting the creditors' information micro-site published by the Association of Business Recovery Professionals (R3) at www.creditorinsolvencyguide.co.uk. Details about how an office holder's fees may be approved for each case type are available in a series of guides issued with Statement of Insolvency Practice 9 (SIP 9) and can be accessed at <http://www.antonybatty.com/resource>. Alternatively, a hard copy may be requested from Antony Batty & Company LLP, 3 Field Court, Gray's Inn, London, WC1R 5EF or office@antonybatty.com. Please note, however, that the guides have not yet been updated for the revised legislation, so we have provided further details in this policy document.

Once the basis of the office holder's remuneration has been approved, a periodic report will be provided to any committee and also to each creditor. The report will provide a breakdown of the remuneration drawn. If approval has been obtained for remuneration on a time costs basis, i.e. by reference to time properly spent by members of staff of the practice at our standard charge out rates, the time incurred will also be disclosed, whether drawn or not, together with the average, or "blended" rates of such costs. Under the legislation, any such report must disclose how creditors can seek further information and challenge the basis on which the fees are calculated and the level of fees drawn in the period of the report. Once the time to challenge the office holder's remuneration for the period reported on has elapsed, then that remuneration cannot subsequently be challenged.

Under some old legislation, which still applies for insolvency appointments commenced before 6 April 2010, there is no equivalent mechanism for fees to be challenged.

Time Cost Basis

When charging fees on a time costs basis we use charge out rates appropriate to the skills and experience of a member of staff and the work that they perform. This is combined with the amount of time that they work on each case, recorded in 6-minute units with supporting narrative to explain the work undertaken.

Charge Out Rates

Grade of staff	Current charge-out rate per hour, effective from 1 June 2017
	£
Partner – appointment taker	429
Senior Manager	375
Manager	335
Senior Administrator 1	255
Senior Administrator 2	295
Case Administrator	160
Junior case administrator	90



These charge-out rates charged are reviewed on 1 April each year and are adjusted to take account of inflation and the firm's overheads.

Time is recorded in units of six minutes; the minimum unit of time is therefore six minutes.

Members of staff with the appropriate level of experience and authority will be used for the various aspects of work necessary in this assignment.

Time spent on casework is recorded directly to the relevant case using a computerised time recording system and the nature of the work undertaken is recorded at that time. The work is generally recorded under the following categories:

- Administration and Planning.
- Investigations.
- Realisation of Assets.
- Creditors.
- Trading
- Case specific matters.

In cases where we were appointed prior to 1 October 2015, most of our fees were recovered on a time costs basis and appropriate authority was obtained from the creditors or the committee as set down in the legislation. The legislation changed on 1 October 2015 and on new appointments we now only seek time costs on certain cases:

When we seek time costs approval we have to set out a fee estimate. That estimate acts as a cap on our time costs so that we cannot draw fees of more than the estimated time costs without further approval from those who approved our fees. When seeking approval for our fees, we will disclose the work that we intend to undertake, the hourly rates we intend to charge for each part of the work, and the time that we think each part of the work will take. We will summarise that information in an average or "blended" rate for all of the work being carried out within the estimate. We will also say whether we anticipate needing to seek approval to exceed the estimate and, if so, the reasons that we think that may be necessary.

The disclosure that we make should include sufficient information about the insolvency appointment to enable you to understand how the proposed fee reflects the complexity (or otherwise) of the case, *any responsibility of an exceptional kind falling on the office holder, the effectiveness with which the office holder has carried out their functions, and the value and nature of the property with which the office holder has to deal.*

If we subsequently need to seek authority to draw fees in excess of the estimate, we will say why we have exceeded, or are likely to exceed the estimate; any additional work undertaken, or proposed to be undertaken; the hourly rates proposed for each part of the work; and the time that the additional work is expected to take. As with the original estimate, we will say whether we anticipate needing further approval and, if so, why we think it may be necessary to seek further approval.

Percentage Basis

The legislation allows fees to be charged on a percentage of the value of the property with which the office holder has to deal (realisations and/or distributions). Different percentages can be used for different assets or types of assets.



In cases where we were appointed prior to 1 October 2015, most of our fees were recovered on a time costs basis and appropriate authority was obtained from the creditors or the committee as set down in the legislation. The legislation changed on 1 October 2015 and we now seek remuneration on a percentage basis more often. A report accompanying any fee request will set out the potential assets in the case, the remuneration percentage proposed for any realisations and the work covered by that remuneration, as well as the expenses that will be, or are likely to be, incurred. Expenses can be incurred without approval, but must be disclosed to help put the remuneration request into context.

The percentage approved in respect of realisations will be charged against the assets realised, and where approval is obtained on a mixture of bases, any fixed fee and time costs will then be charged against the funds remaining in the liquidation after the realisation percentage has been deducted.

The disclosure that we make should include sufficient information about the insolvency appointment to enable you to understand how the proposed fee reflects the complexity (or otherwise) of the case, *any responsibility of an exceptional kind falling on the office holder*, the effectiveness with which the office holder has carried out their functions, and the value and nature of the property with which the office holder has to deal.

If the basis of remuneration has been approved on a percentage basis then an increase in the amount of the percentage applied can only be approved by the committee or creditors (depending upon who approved the basis of remuneration) in cases where there has been a material and substantial change in the circumstances that were taken into account when fixing the original level of the percentage applied. If there has not been a material and substantial change in the circumstances then an increase can only be approved by the Court.

Fixed Fee

The legislation allows fees to be charged at a set amount. Different set amounts can be used for different tasks. In cases where we were appointed prior to 1 October 2015, most of our fees were recovered on a time costs basis and appropriate authority was obtained from the creditors or the committee as set down in the legislation. The legislation changed on 1 October 2015 and we now seek remuneration on a fixed fee basis more often. A report accompanying any fee request will set out the set fee that we proposed to charge and the work covered by that remuneration, as well as the expenses that will be, or are likely to be, incurred. Expenses can be incurred without approval, but must be disclosed to help put the remuneration request into context.

The disclosure that we make should include sufficient information about the insolvency appointment to enable you to understand how the proposed fee reflects the complexity (or otherwise) of the case, *any responsibility of an exceptional kind falling on the office holder*, the effectiveness with which the office holder has carried out their functions, and the value and nature of the property with which the office holder has to deal.

If the basis of remuneration has been approved on a fixed fee basis then an increase in the amount of the fixed fee can only be approved by the committee or creditors (depending upon who approved the basis of remuneration) in cases where there has been a material and substantial change in the circumstances that were taken into account when fixing the original level of the fixed fee. If there has not been a material and substantial change in the circumstances then an increase can only be approved by the Court.



Members' Voluntary Liquidations and Voluntary Arrangements

The legislation changes that took effect from 1 October 2015 did not apply to members' voluntary liquidations (MVL), Company Voluntary Arrangements (CVA) or Individual Voluntary Arrangements (IVA). In MVLs, the company's members set the fee basis, often as a fixed fee. In CVAs and IVAs, the fee basis is set out in the proposals and creditors approve the fee basis when they approve the arrangement.

All Bases

With the exception of Individual Voluntary Arrangements and Company Voluntary Arrangements which are VAT exempt, the officeholder's remuneration invoiced to the insolvent estate will be subject to VAT at the prevailing rate.

Agent's Costs

Charged at cost based upon the charge made by the Agent instructed, the term Agent includes:

- Solicitors/Legal Advisors
- Auctioneers/Valuers
- Accountants
- Quantity Surveyors
- Estate Agents
- Other Specialist Advisors

In new appointments made after 1 October 2015, the office holder will provide details of expenses to be incurred, or likely to be incurred, when seeking fee approval. When reporting to the committee and creditors during the course of the insolvency appointment the actual expenses incurred will be compared with the original estimate provided.

Disbursements

In accordance with SIP 9 the basis of disbursement allocation in respect of disbursements incurred by the Office Holder in connection with the administration of the estate must be fully disclosed to creditors. Disbursements are categorised as either Category 1 or Category 2.

Category 1 expenses are directly referable to an invoice from a third party, which is either in the name of the estate or Antony Batty & Company LLP; in the case of the latter, the invoice makes reference to, and therefore can be directly attributed to, the estate. These disbursements are recoverable in full from the estate without the prior approval of creditors either by a direct payment from the estate or, where the firm has made payment on behalf of the estate, by a recharge of the amount invoiced by the third party. Examples of category 1 disbursements are statutory advertising, external meeting room hire, external storage, specific bond insurance and Company search fees.

The London Gazette's price list can be accessed at <https://www.thegazette.co.uk/place-notice/pricing>. The Marsh Limited specific bond premiums may be found on our website: <http://antonybatty.com/resource>.

Category 2 expenses are incurred by the firm and recharged to the estate; they are not attributed to the estate by a third-party invoice and/or they may include a profit element. These disbursements are recoverable in full from the estate, subject to the basis of the disbursement charge being approved by creditors in advance. Examples of category 2 disbursements are photocopying, internal room hire, internal storage and mileage.



It is proposed that the following Category 2 disbursements are recovered:

Photocopying	15p per sheet.
Postage	Royal Mail postage rates (Non-franked mail).
Faxes	UK £1 per sheet.
	International £2 per sheet.
Internal meeting room hire -	£100 per hour, (minimum 1 hour).
Storage	£35 per box per annum.
Companies House search	£20 per company.
Stationery & record retention	£50 per folder.
Travel: where Antony Batty & Company LLP staff use their own vehicles in the course of their duties in this matter, the mileage is recharged at 45p per mile.	

VAT is charged as appropriate.



Antony Batty & Company LLP
Chartered Accountants

**HYDROLOGY PLC ("THE COMPANY")
IN ADMINISTRATION**

**JOINT ADMINISTRATORS' PROPOSALS REPORT
ISSUED ON: 26 JULY 2017**

APPENDIX 4 | DETAILS OF WORK TO BE UNDERTAKEN IN THE ADMINISTRATION

Details of work to be undertaken in the Administration

Details of work to be undertaken in the administration for which the joint administrator is seeking to be remunerated on a time cost fee basis:

Administration:

Case planning - devising an appropriate strategy for dealing with the case and giving instructions to the staff to undertake the work on the case.
Setting up physical/electronic case files.
Setting up the case on the practice's electronic case management system and entering data.
Issuing the statutory notifications to creditors and other required on appointment as office holder, including gazetting the office holder's appointment.
Obtaining a specific penalty bond (this is insurance required by statute that every insolvency office holder has to obtain for the protection of each estate).
Preparing, reviewing and issuing proposals to the creditors and members.
Filing the proposals at Companies House.
Convening and holding a meeting of creditors to consider the proposals.
Reporting on the outcome of the meeting of creditors to the creditors, Companies House and the Court.
Dealing with all routine correspondence and emails relating to the case.
Opening, maintaining and managing the office holder's estate bank account.
Creating, maintaining and managing the office holder's cashbook.
Undertaking regular reconciliations of the bank account containing estate funds.
Reviewing the adequacy of the specific penalty bond on a quarterly basis.
Overseeing and controlling the work done on the case by case administrators.
Preparing and issuing six monthly progress reports to members and creditors
Lodging periodic returns with the Registrar of Companies for the administration.
Redirection of the Company's mail to the joint administrators' office.
Establishing and holding periodic meetings of the creditors committee and associated filing formalities (if a committee is appointed).
Securing the Company's books and records.
Pension regulatory reporting and auto-enrolment cancellation.
Completion and filing of the notice of the Company's insolvency to HMRC.
Initial assessment required by Statement of Insolvency Practice 2 and the Company Directors Disqualification Act 1986 (CDDA) including the review of the Company's books and records and the identification of potential further asset realisations which may be pursued in the administration.
Submitting a statutory report to the Insolvency Service under the CDDA.
Periodic case progression reviews (typically at the end of month 1 and every 6 months thereafter).
Dealing with all post-appointment VAT and corporation tax compliance.
Closing the administration and preparing and issuing the joint administrators final progress report to members and creditors.

Creditors:

Dealing with creditor correspondence, emails and telephone conversations regarding their claims.
Maintaining up to date creditor information on the case management system.
Issuing a notice of intended dividend and placing an appropriate gazette notice.
Issuing a notice of intended dividend and placing an appropriate gazette notice.
Reviewing proofs of debt received from creditors, adjudicating on them and formally admitting them for the payment of a dividend.
Requesting additional information from creditors in support of their proofs of debt in order to adjudicate on their claims.
Calculating and paying a dividend to creditors, and issuing the notice of declaration of dividend.

Realisation of assets:

Arranging suitable insurance over assets.

Regularly monitoring the suitability and appropriateness of the insurance cover in place.

Corresponding with debtors and attempting to collect outstanding book debts.

Liaising with the bank regarding the closure of the account.

Instructing agents to value known assets.

Liaising with agents to realise known assets.

Instructing solicitors to assist in the realisation of assets.

Liaising with the secured creditors over the realisation of the assets subject to a mortgagee or other charge.

Investigations:

Recovering the books and records for the case.

Listing the books and records recovered.

Submitting an online return on the conduct of the directors as required by the Company Directors Disqualification Act.

Conducting an initial investigation with a view to identifying potential asset recoveries by seeking and obtaining information from relevant third parties, such as the bank, accountants, solicitors, etc.

Reviewing books and records to identify any transactions or actions the office holder may take against a third party *in order to recover funds for the benefit of creditors.*

**HYDROLOGY PLC ("THE COMPANY")
IN ADMINISTRATION**

**JOINT ADMINISTRATORS' PROPOSALS REPORT
ISSUED ON: 26 JULY 2017**

APPENDIX 5 | FEE INFORMATION SUMMARY



Antony Batty & Company LLP
ACCOUNTANTS & TAX ADVISERS

HYDROLOGY PLC (the Company)

Fees Information in accordance with The Insolvency (Amendment) Rules 2015 and Statement of Insolvency Practice 9

Fees Overview

Prior to insolvency practitioners agreeing the basis of their remuneration as Joint Administrator, details of the work proposed to be done and the expenses it is considered will be, or are likely to be, incurred in dealing with a company's affairs must be provided to creditors.

In addition, where the Joint Administrators propose to take all or any part of this remuneration based on the time he and his staff will spend dealing with the affairs of the insolvent company, a *fees estimate* must also be provided. This will outline the anticipated cost of that work, how long it is anticipated the work will take and whether any further approvals may be needed from creditors in due course.

In this case, as we are proposing to agree the basis of our remuneration as Joint Administrators based on time spent dealing with the Company's affairs, therefore I attach a fee estimate of our for this case.

Work anticipated and the likely return to creditors

Some of the work undertaken by an insolvency practitioner is required by statute and may not necessarily provide a financial benefit to creditors. Examples of this work include investigations required by Statement of Insolvency Practice 2 and the Company Directors Disqualification Act 1986 or dealing with the claims of former employees via the National Insurance Fund.

Where the work to be done is anticipated to produce a financial benefit to creditors, this will be stated and it may be necessary for the Joint Administrators to instruct third parties to assist in this process because of a particular expertise that the third party may bring such as valuation, tax or legal advice.

Where it is practical to do so, a Joint Administrators will provide an indication of the likely return to creditors when seeking approval for the basis of his remuneration. Again due to the complex nature of the work undertaken by insolvency practitioners and the uncertainties that may exist in relation to the realisation of a company's assets at the outset of a case, this may not be possible. A Joint Administrator is however, required by statute to provide periodic reports to creditors on the progress of a case which will include an update as to the likely return creditors may expect.

Proposed Fee Basis/Bases

In this case, I am proposing a time cost base for my remuneration as Joint Administrator as set out in the attached Fees estimate.

Outline of work to be done by the Joint Administrator

Below are details of the work I propose undertaking in support of the above fee proposal for the liquidation:

Administration (including statutory compliance & reporting)

Joint Administrators are required to carry out certain tasks in nearly every insolvency assignment, namely administrative duties and dealing with the Company's creditors. Whilst these tasks are required by statute or regulatory guidance, or are necessary for the orderly conduct of the proceedings, they do not necessarily produce any direct financial benefit for creditors, but nonetheless still have to be carried out.

This work includes:

- Notifying creditors of the Joint Administrator's appointment and other associated formalities including statutory advertising and filing relevant statutory notices at Companies House

- Preparing and issuing six monthly progress reports to members and creditors
- Lodging periodic returns with the Registrar of Companies for the Administration
- Complying with statutory duties in respect of the Joint Administrators' specific penalty bond
- Creation and update of case files on the firm's insolvency software
- Redirection of the Company's mail to the Joint Administrators' office
- Establishing and holding periodic meetings of the creditors committee and associated filing formalities (if a committee is appointed)
- Securing the Company's books and records
- Pension regulatory reporting and auto-enrolment cancellation
- Completion and filing of the notice of the Company's insolvency to HMRC
- Initial assessment required by Statement of Insolvency Practice 2 and the Company Directors Disqualification Act 1986 (CDDA) including the review of the Company's books and records and the identification of potential further asset realisations which may be pursued in the liquidation
- Submitting a statutory report to the Insolvency Service under the CDDA
- Periodic case progression reviews (typically at the end of Month 1 and every 6 months thereafter)
- Opening, maintaining and managing the insolvent estate cashbook and bank account(s)
- Dealing with all post-appointment VAT and corporation tax compliance
- Closing the Administration and preparing and issuing the Joint Administrators final progress report to members and creditors and calling the final meetings

Realisation of assets

As you will note from the Joint Administrators' Proposals, the company is believed to have the following assets:

Book debts

As detailed in our report the Company has loaned money to Wyuna Limited to fund the development of the Wyoming water treatment plant and to Hydrology Ventures who have used the funds to build the plant in Brazil.

Further information on the likely outcome of the Administration process will be provided in the Joint Administrator's subsequent progress reports.

Creditors (claims and distributions)

The Joint Administrator will deal with all secured, preferential and unsecured creditor correspondence and claims as received, including any claims of creditors under retention of title. Based on the information currently available, and after taking into consideration the costs of realising the assets and dealing with the statutory formalities of the Administration process and the related costs and expenses, it is unlikely that secured creditors will be paid in full. It appears highly unlikely that funds will be available for unsecured creditors, although unsecured claims are likely to be minimal.

The Joint Administrator will deal with the review and adjudication of creditors' claims as appropriate, if and when it is determined that a dividend is to be declared to that class of creditor.

It should be noted that the above is based on information currently available, the Director has not yet submitted a statement of affairs. It is hoped that the Joint Administrators will be able to undertake appropriate investigations into and obtain valuations of the Company's assets and will confirm the likely return to creditors in their first progress report.

Investigations

The Joint Administrators are required to conduct investigations into the conduct of the director of the Company and transactions entered into prior to the Company's insolvency, as required by the Company Directors Disqualification Act 1986 and Statement of Insolvency Practice 2 (Investigations by Office Holders in Administrations and Insolvent Liquidations).

This work may not necessarily lead to any financial benefit to creditors yet this work is required to be undertaken by statute. If initial investigations reveal that further recoveries could be available for the insolvent estate and

if this proves to be the case and if the Joint Administrators consider that further work will be required to pursue these assets, they will refer back to creditors about the likely costs involved in pursuing such recoveries.

We are proposing to carry out additional work in this matter, The Company raised and spent over £5 million. We intend to review the Company's accounts so that we can provide creditors in due course, with a full account of how funds have been spent.

Joint Administrator's Expenses

As also noted, the Joint Administrators are required to provide creditors with details of the expenses they consider will be, or are likely to be, incurred in the Administration. These may include expenses such as agent's costs for assisting in the disposal and realisation of the company's physical assets or other routine expenses associated with an insolvency case such as statutory advertising costs or the office holder's specific penalty bond.

Below is a summary of the expenses the Joint Administrators consider will be, or are likely to be, incurred in this case. They will provide a further update in the first progress report to creditors.

Expense	Estimated cost £
<i>Statutory advertising</i>	316
<i>Specific penalty bond</i>	672
<i>Category 2 disbursements charged by the firm:</i>	
<i>Post & copying</i>	200
<i>Search charge</i>	20
<i>File charge</i>	50

Antony Batty & Company LLP's Category 2 disbursements policy

Details of the firm's disbursements policy is detailed below

In accordance with SIP 9 the basis of disbursement allocation in respect of disbursements incurred by the Office Holder in connection with the administration of the estate must be fully disclosed to creditors. Disbursements are categorised as either Category 1 or Category 2.

Category 1 expenses are directly referable to an invoice from a third party, which is either in the name of the estate or Antony Batty & Company LLP; in the case of the latter, the invoice makes reference to, and therefore can be directly attributed to, the estate. These disbursements are recoverable in full from the estate without the prior approval of creditors either by a direct payment from the estate or, where the firm has made payment on behalf of the estate, by a recharge of the amount invoiced by the third party. Examples of category 1 disbursements are statutory advertising, external meeting room hire, external storage, specific bond insurance and Company search fees.

The London Gazette's price list can be accessed at <https://www.thegazette.co.uk/place-notice/pricing>. The Marsh Limited specific bond premiums may be found on our website: <http://antonybatty.com/resource>.

Category 2 expenses are incurred by the firm and recharged to the estate; they are not attributed to the estate by a third party invoice and/or they may include a profit element. These disbursements are recoverable in full

from the estate, subject to the basis of the disbursement charge being approved by creditors in advance. Examples of category 2 disbursements are photocopying, internal room hire, internal storage and mileage.

It is proposed that the following Category 2 disbursements are recovered:

Photocopying	15p per sheet.	
Postage	Royal Mail postage rates (Non-franked mail).	
Faxes	UK	£1 per sheet.
	International	£2 per sheet.
Internal meeting room hire	£100 per hour, (minimum 1 hour).	
Storage	£35 per box per annum.	
Search fees	£20 per company.	
Stationery & record retention	£50 per folder.	

Travel: where Antony Batty & Company LLP staff use their own vehicles in the course of their duties in this matter, the mileage is recharged at 45p per mile.

VAT is charged as appropriate.

Category 2 disbursements require approval from creditors. These are costs which are directly referable to the appointment in question but are not payments which are made to an independent third party and may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis such as internal room hire, document storage or business mileage. Any Category 2 disbursements which this firm proposes to charge in this case are reflected in the table of expenses above. Approval to charge these will be sought from creditors when the basis of my remuneration as Joint Administrator is fixed.

FEES ESTIMATE SUMMARY			Pg.1
HYDROLOGY PLC			
<p>The office holder is seeking to be remunerated on a time cost basis. We use charge out rates appropriate to the skills and experience of a member of staff and the work that they perform, recording time spent in 6 minute units. Narrative is recorded to explain the work undertaken and the time spent is analysed into different categories of work. This document provides an estimate as to how much time the office holder and his staff will spend undertaking specific tasks within broad categories of work, and the time costs of undertaking such work, which will depend upon the grade, or grades, of staff undertaking the work and the number of hours spent undertaking the work by each grade of staff. The estimated time that will be spent undertaking the work in each category of work has been multiplied by the applicable charge out rate for each member of staff that it is anticipated will undertake work in that category to arrive at the estimated total time costs attributable to that category of work on the case. We have then divided that estimated total by the estimated number of hours to arrive at what is known as a blended hourly charge out rate for that category of work. The sum of all the estimates for the different categories of work is the total estimated time costs to undertake all the necessary work on the case. Again, we have then divided that estimated total by the estimated number of hours to arrive at a blended hourly charge out rate for the case as a whole.</p> <p>Please note that this estimate has been provided as soon as practicable but before full knowledge of the case is known. Every effort has been made to estimate the costs based on our current knowledge of the case, as well as our experience of cases of a similar nature and complexity. It is also based on the assumption that the Administration will be completed within twelve months. If the time costs incurred exceed, or are likely to exceed, the estimate will and an explanation will be proved to the creditors and seek further approval before drawing remuneration in excess of the estimate.</p>			
The hourly charge out rates that will be used on this case are:			
	£		
Partner – appointment taker	429.00		
Senior Manager	375.00		
Manager	335.00		
Supervisor/Senior Administrator	295.00		
Case Administrator	160.00		
Cashier	90.00		
Support staff	90.00		
Description of the tasks to be undertaken	Estimated time to be taken to undertake the work	Estimated value of the time costs to undertake the work £	Blended charge out rate to undertake the work £
ADMINISTRATION			
Administering the affairs of the company/debtor in accordance with the Insolvency Legislation and Statements of Insolvency Practice	80.00	£20,000.00	£250.00
Administration of the case will be carried out by a variety of grades of staff depending on the task involved.			
INVESTIGATIONS			
Undertaking initial investigations into the affairs of the company, including identifying any potential asset recoveries for the benefit of creditors	45.00	£15,000.00	£333.33
A significant amount of time will be spent investigating the use of monies raised from loan note issues.			
REALISATION OF ASSETS			
Protecting and realising the assets of the company.	75.00	£23,000.00	£306.67
Asset realisations are dealt with by the Joint Administrator and other senior members of staff.			
CREDITORS			
Maintaining records of the claims of creditors, including employees and formally agreeing them and paying a dividend if sufficient realisations are made	40.00	£8,000.00	£200.00
Creditor and employee matters will be dealt with by a variety of grades of staff depending on the task involved.			
GRAND TOTAL FOR ALL CATEGORIES OF WORK	240.00	66,000.00	197.79

**HYDROLOGY PLC ("THE COMPANY")
IN ADMINISTRATION**

**JOINT ADMINISTRATORS' PROPOSALS REPORT
ISSUED ON: 26 JULY 2017**

APPENDIX 6 | DETAILS OF THE JOINT ADMINISTRATORS' TIME COSTS TO DATE



Antony Batty & Company LLP
Solicitors & Licensed Insolvency Practitioners

Time Entry - SIP9 Time & Cost Summary

HYDRO - Hydrology PLC
Project Code: PRE
From: 06/06/2017 To: 08/06/2017

Classification of Work Function	Partner	Manager	Other Senior Professionals	Assistants & Support Staff	Total Hours	Time Cost (£)	Average Hourly Rate (£)
Administration & Planning	5.00	0.00	5.00	0.00	10.00	3420.00	342.00
Case Specific Matters	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Creditors	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investigations	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Realisations of Assets	0.00	0.10	0.00	0.00	0.10	37.50	375.00
Trading	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Hours	5.00	0.10	5.00	0.00	10.10	3457.50	342.33
Total Fees Claimed						0.00	
Total Disbursements Claimed						0.00	

Time Entry - SIP9 Time & Cost Summary

HYDRO - Hydrology PLC
Project Code: POST
From: 08/06/2017 To: 26/07/2017

Classification of Work Function	Partner	Manager	Other Senior Professionals	Assistants & Support Staff	Total Hours	Time Cost (£)	Average Hourly Rate (£)
Administration & Planning	1.10	0.00	4.30	0.10	5.50	1,584.40	288.07
Case Specific Matters	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Creditors	0.20	0.00	5.70	0.00	5.90	1,539.30	260.90
Investigations	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Realisations of Assets	0.90	0.30	0.00	0.00	1.20	498.60	415.50
Trading	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Hours	2.20	0.30	10.00	0.10	12.60	3,622.30	287.48
Total Fees Claimed						0.00	
Total Disbursements Claimed						0.00	