



To all known creditors

Joint Administrators' Final Progress Report

For the period from 17 August 2023 to 14 February 2024

LIFX UK Limited (Company Number 09042811) Report pursuant to Rules 3.53 and 18.6 of the Insolvency (England and Wales) Rules 2016

Contents

Purpose of this report	4
Summary of the Joint Administrators' Proposals	6
Progress of the Administration	8
Outcomes for Creditors	14
Appendices	17

Glossary

Abbreviation	Definition
APA	Asset Purchase Agreement
ASX	Australian Securities Exchange
BEIS	Department for Business, Energy and Industrial Strategy
c.	Approximately
CDDA	Company Directors Disqualification Act 1986
COMI	Centre of Main Interest
CT	Corporation Tax
CVL	Creditor's Voluntary Liquidation
DLA	DLA Piper UK LLP
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
FTI / FTI UK	FTI Consulting LLP
HMRC	HM Revenue & Customs
IA86 / the Act	Insolvency Act 1986 (as amended)
ICAEW	Institute of Chartered Accountants in England & Wales
IR16	Insolvency (England and Wales) Rules 2016 (as amended)
PAYE	Pay-as-you-earn tax
Sch B1 IA86	Schedule B1 to the Act
SIP	Statement of Insolvency Practice
SIP 2	Investigations by office holders in administration and insolvent liquidations
SIP 7	Presentation of financial information in insolvency proceedings
SIP 9	Payments to insolvency office holders and their associates from an estate
SIP 13	Disposal of assets to connected parties in an insolvency process
QFCH	Qualifying Floating Charge Holder
WEEE	Waste Electrical and Electronic Equipment

Term	Meaning
Administration	The Administration of LIFX UK Limited
Appointment Date	17 August 2022
BTL / Buddy Technologies	Buddy Technologies Limited, a company registered in Australia, listed on the Australian Stock Exchange and the ultimate parent company of the Group
Administrators / Joint Administrators / we / our / us /	Samuel Alexander Ballinger, Christopher Jon Bennett and Matthew Boyd Callaghan
Clever House / Purchaser	Clever House Pty Limited, an Australian based company who purchased the Company's inventory
Feit / Feit Electric	Feit Electric Company Inc., a company registered in the US who purchased the majority of the Group (excluding LIFX UK Limited)
the Company	LIFX UK Limited
the Group	Buddy Technologies Limited and all its subsidiaries
the Period	From 17 August 2023 to 14 February 2024
Lender / Secured Lender / PFG / Secured Creditor	Partners for Growth VI L.P. Secured creditors have security in respect of their debt in accordance with Section 248 IA86
Preferential Creditors	First ranking: Principally any employee claims for unpaid wages (up to £800 per employee), holiday pay and certain unpaid pension contributions. Second ranking: HMRC in respect to certain specified debts.
Prescribed Part	Amount set aside for unsecured creditors from floating charge net realisations in accordance with Section 176A IA86.
Proposals	The Joint Administrators' Statement of Proposals dated 10 October 2022
Secured Debt	Debt detailed under the 'Loan and Security Agreement between various LIFX/Buddy entities and PFG, totalling USD\$12,541,634 at the Appointment Date, to which the Company is guarantor
Unsecured creditors	Creditors who are neither secured nor preferential. Principally trade creditors, landlords, intercompany debts and utility providers. HMRC and employee-related claims that do not rank preferentially are also included here.



Purpose of this report

Purpose of this report

The Administration has now come to an end. This is our final report to creditors and explains how the Administration has been conducted since our previous report and confirms the final outcome for creditors.

- Samuel Alexander Ballinger, Matthew Boyd Callaghan, and Christopher Jon Bennett were appointed as joint administrators of the Company on 17 August 2022.
- Pursuant to Rule 18.6 IR16, we are required to provide creditors with a report setting out what has happened in the Administration during the Period since our previous report.
- As we have now concluded all matters that remained outstanding, we are in a position to conclude the Administration and this final progress report also includes a summary of our Proposals in accordance with Rule 3.53 IR16 and confirmation of the outcomes for the various classes of creditors. Copies of our Proposals and previous progress reports are available online (see How to Contact Us).
- If you are unfamiliar with insolvency, we have again included as an appendix a brief overview that you may wish to read before continuing to read this report.
- Certain legal notices regarding this report, our appointment and creditors' rights are also included as an appendix. Please note that no Creditors' Committee was formed in the Administration.
- The Administration will end by moving the Company to dissolution pursuant to Paragraph 84 Sch B1 IA86 as we consider that the Company has no remaining property which permits a distribution to the creditors beyond the distributions that have already been made (as set out in this report).
- If you have any questions regarding this report or the Administration generally, or if you would like hard copies of any of the documents made available online, please contact us.

How to Contact Us

- Creditors can contact us using the preferred methods below:
Email: LIFXUK@fticonsulting.com
Post: The Joint Administrators of LIFX UK Limited
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- Previous documents and further information can be found online at: <https://www.fticonsulting.com/emea/cip/lifx-uk-limited>
- Documents made available via the website will continue to be available for no less than two months after we cease to act as administrators.



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Samuel Alexander Ballinger
Joint Administrator

The affairs, business and property of the Company are being managed by the Joint Administrators, who act as agents of the Company and without personal liability. The Joint Administrators are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales, under Section 390A(2)(a) IA86. The Joint Administrators are bound by the Insolvency Code of Ethics which can be found at: <https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics>.



Summary of the Joint Administrators' Proposals

Summary of our Proposals

Our Proposals were delivered to creditors on 10 October 2022 and were deemed approved on 21 October 2022. There have been no amendments to, or deviations from, those Proposals.

Background to the Administration

- The Company was formed to facilitate the sale and distribution of LIFX products to the UK and EU markets. Since inception, the Company had not operated profitably and was reliant on funding from its parent company to support trading.
- The Company was a guarantor to a loan between a number of Group entities and the Secured Creditor as ultimate beneficiary of funds.
- The Australian parent company, Buddy Technologies, entered receivership on 13 April 2022 and initially confirmed ongoing financial support for the Company. This was withdrawn on 5 August 2022. As a result of parent company support being withdrawn, the Company was insolvent and therefore, the Secured Creditor appointed us as joint administrators on 17 August 2022.

Our strategy and objective of the Administration

- As the Company had significant financial liabilities and was reliant on parent company funding which had been withdrawn, the Company was not able to continue as a going concern. Other alternatives such as a Company Voluntary Arrangement or Restructuring Plan were also not appropriate.
- As such, the objective pursued in the Administration was to 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).
- The business had ceased to trade prior to our appointment. Therefore, our work in the Administration was principally expected to be realising the Company's assets, primarily its inventory, under the protection of the statutory moratorium on creditor actions afforded by the Administration.

Work anticipated

- In our Proposals we anticipated undertaking the following work:
 - Realising the Company's inventory;
 - Pursuing any further realisable assets;
 - Reporting on the director and former directors conduct as required under CDDA;
 - Distributing dividends to creditors, including to the Secured Creditor and Prescribed Part funds to unsecured creditors;
 - Completing statutory compliance work including notifications, bonding, reporting, collection of books and records, and completing internal reviews; and
 - Managing the Company's tax and VAT affairs including submission of both pre and post-appointment returns.

Outcome for creditors

- The outstanding Group debt due to the Secured Creditor as at the date of our appointment was c.£10.4m, secured by fixed and floating charges over the entirety of the Company's assets. We expected the Secured Creditor would recover between 0.2% and 0.6% of its outstanding Group debt by way of a floating charge distribution from the realisation of the Company's inventory. In addition, the Secured Creditor was likely to receive an indirect benefit from the Prescribed Part dividend for intercompany loans made by Group companies that the Secured Creditor had security over. In the Administration, the Secured Creditor benefitted as follows:
 - £3,880.10 (secured dividend), 0.04% of outstanding Group debt
 - £119,436.00 (discharge of debt), 1.15% of outstanding Group debt
 - £34,312.50 (Prescribed Part dividends assigned by Group companies), 0.33% of outstanding Group debt
- In total the Secured Creditor recovered 1.5% of the of outstanding Group debt.
- We did not expect a return for unsecured creditors other than by way of the Prescribed Part. The Prescribed Part dividend has been paid during the Administration.



Progress of the Administration

Recap on the Administration

The key outstanding matters at time of issuing our last report were in relation to tax, distributions to creditors, and winding down the Company's affairs. These matters have all been completed during the Period.

Previously in the Administration

- A background on the Company and the events leading up to the appointment of administrators were included in our Proposals and are not repeated here for the purposes of this report unless considered necessary or beneficial to do so. Similarly, progress during the first year of the Administration can be found in our previous progress reports dated 15 March 2023 and 15 September 2023.
- Therefore, creditors may wish to refer back to these previous reports in conjunction with reading this report. All reports made available for creditors to view and download are available on the website referred to earlier and will continue to be available until two months after the end of the Administration.
- However, for convenience, we have set out on this page a high-level summary of our work in prior periods of the Administration.

Realising the assets

- As stated in our previous progress reports, the key assets for the Company were its cash at bank and its inventory.
- A sale of the Company's inventory to Clever House was completed in November 2022, with non-cash consideration represented by a discharge of secured debt in the sum of £119,436.
- No offers were received for the Company's inventory in the UK, and as explained previously, it was not economical to pursue its sale given the smaller quantity and lack of ongoing product support.
- Other realisations in the Administration relate to a recovery of c.£5k of the Company's receivables and c.£11k of VAT due to the Company for the pre-appointment period.

Dealing with creditors

- We set up a dedicated email address and helpline number in order for creditors to contact us and enable them to lodge a proof of debt. Queries received from creditors (including a number of consumer creditors) were responded to as appropriate and on a timely basis.
- We kept the Secured Creditor updated on relevant matters of interest, as required in the circumstances of the case.
- At the time of issuing our previous report, the main outstanding matter was in relation to the distribution of the Prescribed Part and distribution to the Secured Creditor. In the Period, we made a first and final distribution by way of the Prescribed Part. We also made a final distribution to the Secured Creditor. Further information on this is provided later in this report.

Managing the Company's affairs

- We reviewed the position with respect to VAT and corporation tax and assessed the Company's filing obligations on these matters.
- We submitted all outstanding pre-administration CT returns to 16 August 2022. We also submitted all necessary post-administration CT returns. No further work was required in relation to CT in the Period.
- As we had deregistered for VAT, we submitted a Form VAT 426 to recover unclaimed VAT, ahead of concluding the Administration. The amount of c.£12k was received by the Company in the Period.

Fulfilling our statutory duties

- We fulfilled all statutory and regulatory obligations arising as a result of our appointment as joint administrators.

Dealing with Creditors and Stakeholders

Our work in the Period included adjudicating claims, paying the Prescribed Part and secured distributions, responding to queries from creditors, and providing updates to the Secured Creditor on the Administration.

- We set out below the work done in the Period relating to each class of creditor.
- The final recovery for each class is set out later in this report.

Secured Creditor

- We continued to correspond with the Secured Creditor on a regular basis and they have been updated on matters of the Administration that are of interest to them.
- We have made two distributions to the Secured Creditor in the Period. Further information on these distributions is provided later in this report.
- We asked the Secured Creditor to determine the time when our discharge from liability will have effect once the Administration is concluded. On 26 July 2023, the Secured Creditor agreed that discharge will take effect at the time our appointment ceases to have effect.

Preferential creditors

- Preferential creditors are described in the highlighted box below.
- In our previous report, we stated that the Company did not have any employees, nor did it owe any debts to HMRC. The position has remained unchanged and as such no further action was taken in relation to preferential creditors in the Period.

Preferential creditors

- Preferential creditors are certain categories of unsecured creditors that have preferential status under insolvency legislation.
- They are typically employee-related debts in relation to arrears of wages and unpaid holiday pay, subject to statutory limits. The RPS becomes a preferential creditor in place of the employees once it has paid their statutory entitlements.
- Since December 2020, HMRC is also a preferential creditor for certain specified debts but ranks behind the preferential debts described above.

Unsecured creditors

- In preparation for our appointment, we set up a dedicated email address and helpline number in order for creditors to contact us, other than by post. We have received a number of queries from creditors on matters relating to their claim or the impact of the Administration. We continued to respond to queries to the extent possible and using the information available to us.
- During the Period we issued the relevant notices associated with the distribution of the Prescribed Part fund. As stated in our previous progress report, the notice of intended dividend was placed in the London Gazette to ensure that creditors were aware of the intention to pay a dividend and the date they need to prove their claims by. We also adjudicated all claims received and wrote to all creditors who had lodged a proof of debt, informing them of the amount they would be entitled to.
- In the Period, we made a first and final distribution of £34,594 to unsecured creditors, by way of the Prescribed Part fund.

Managing the Company's affairs

Until such time as the Company is dissolved, it must continue to fulfil many of its usual obligations. In this final period, we continued to ensure these obligations were met.

VAT

- We had previously deregistered the Company for VAT.
- A key outstanding matter in the Administration in our last progress report to creditors was in relation to VAT, specifically the submission of a final Form VAT 426 and recovering the amount due to the Company.
- In the Period, £12,049.80 was received from HMRC. Based on the work conducted ourselves and our specialist tax team, we are satisfied that there were no remaining matters in relation to VAT.
- The receipt of funds from HMRC has been the principal reason why the Administration has needed to remain open since the distribution to creditors was made.

Tax

- As explained in our previous progress report, we have submitted six returns in relation to the pre-appointment period and have submitted one post-administration return for the period ending 16 August 2023.
- As no additional income was received by the Company after 16 August 2023, our tax team have confirmed that no additional post-appointment returns are required to be submitted. Accordingly, our work in respect to Corporation Tax is complete.

Employees

- As stated in previous reports, on the date of our appointment, the Company had no employees. This is due to the Company utilising third parties for sales, logistics and inventory storage. No further action was required by the Joint Administrators in the Period as a result.

Treasury and accounting

- An account of receipts and payments for the Period covered by this report is provided at Appendix B.
- In the Period, payments related to our fees and expenses as well as distributions to secured and unsecured creditors. No further asset realisations were made in this Period.

Books and records

- In prior periods, we made enquiries to the extent and location of the Company's books and records. As explained in previous progress reports, we secured the electronic records held by the Group and other third parties.
- Once the appropriate time has passed upon closure of the Administration, we will securely dispose of the Company's books and records, in accordance with statutory and legislative requirements.

Fulfilling our Statutory Duties

We had a number of responsibilities that do not necessarily or directly have a financial benefit for creditors but are required by insolvency legislation, which we continued to complete during the Period.

Statutory Matters

- As joint administrators, there are various matters that we are required to undertake as part of our duties. In the Period, these statutory matters included:
 - Conducting periodic reviews of the Administration in line with our firm's requirements.
 - Filing the required documents for the extension of the Administration.
 - Preparing and issuing our prior progress report to creditors and filing it with Companies House.
 - Issuing notices relating to unsecured creditor dividends.
 - Making a distribution by way of the Prescribed Part to unsecured creditors.
 - Making a distribution to the Secured Creditor.
 - Preparing and planning for the closure of the Administration.

Objective of the Administration

- As set out in our Proposals, the statutory objective of the Administration was to 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) (objective b).
- The objective of the Administration has been achieved by the sale of the Czech Republic inventory, recovery of other assets and distributing funds to creditors.

Joint Administrators' Remuneration

- In Appendix C, we have provided an update on matters relating to our remuneration and expenses, including the costs that have been incurred, what creditors have approved and how much has been drawn to date.
- As stated in our previous report, we sought approval from the Secured Creditor that our remuneration should be determined as a set amount of £60k plus VAT (a fixed fee). Approval was received on 9 November 2022. We continue to believe the set amount is a fair and reasonable reflection of the work required in the Administration.
- Earlier in this report and later in Appendix C, we have given a description of the work done by us and our staff during the Period.
- As shown on the enclosed receipts and payments account in Appendix B, the full amount of the fixed fee was drawn during the Period, on 4 September 2023.
- Disbursements of £150 were also drawn from the Administration estate during the Period, which related to statutory bonding.

Fulfilling our Statutory Duties

The Administration will end upon filing a notice with the Registrar of Companies to move the Company to dissolution. The Company will then be dissolved three months after the notice is registered.

Exit route from Administration

- In our Proposals we explained the manner in which we anticipated the Administration would be brought to an end once its purpose had been achieved and our work had been completed.
- As a dividend will not be available for unsecured creditors (other than from the Prescribed Part), our planned exit route from the Administration is unchanged from the Proposals.
- Accordingly, we can confirm that as we have concluded all matters in the Administration, it will end by filing a notice with the Registrar of Companies to move the Company to dissolution.
- The Administration will end upon filing of the notice and the Company will then automatically be dissolved three months after the notice is registered.

Discharge from liability

- Pursuant to Paragraph 98 Sch B1 IA86, our discharge from liability (in respect of our actions as joint administrators) takes effect at a time determined by the relevant class of creditors, or the Court. In the circumstances of this case, it was for the Secured Creditor to make that determination.
- Our discharge will take effect at the time our appointment ceases to have effect. That determination was obtained from the Secured Creditor on 26 July 2023.

Future reporting

- This is our final progress report on the Administration and no further reports will be issued to creditors.
- All documents will be retained on the website and will remain available until at least two months after the conclusion of the proceedings. If you require any hard copy documents, please contact us using the details provided earlier, and you will be provided (free of charge) a hard copy of documents posted to the website.



Outcomes for Creditors

Secured and Preferential Creditors

There were no preferential creditors in the Administration. Distributions were made to the Secured Creditor in the Period amounting to c.£38k.

Preferential Creditors

- Preferential claims are paid from the realisation of assets subject to a floating charge after the costs of the Administration have been paid or provided for.
- In their Statement of Affairs, the directors' estimated that there would be no preferential claims against the Company. We can confirm that since the Company had no employees on appointment, there are no first ranking preferential creditors.
- As stated in our previous progress report, HMRC confirmed that it did not have a preferential claim and as such there are no preferential creditors in the Administration and no preferential dividends have been paid.
- Certain Group companies had assigned their entitlements (to receive amounts due to them from the Prescribed Part distribution) to the Secured Creditor, as the ultimate beneficiary of any amount received by them would have been the Secured Creditor.
- As such, these amounts were withheld and distributed directly to the Secured Creditor at an appropriate time as outlined below:
 - An initial distribution of £18,000.00 was made to the Secured Creditor on 22 November 2023.
 - A further amount of £16,315.50 was made to the Secured Creditor on 9 February 2024 when funds permitted.

Secured Creditor

- The Secured Creditor entered into a loan agreement between a number of group entities. The outstanding Group debt due to the Secured Creditor at the date of our appointment was c.£10.4m, secured by fixed and floating charges over the entirety of the Company's assets.
- Two non-cash distributions were made to the Secured Creditor in the form of a debt release of £119,436. This was the non-cash consideration in relation to the sale of the Company's Czech Republic Stock to Clever House and comprised of:
 - A waiver, discharge and release of the Company's secured debt in the amount £100,000 on 10 November 2023.
 - Deferred consideration in the form of an additional waiver, discharge and release of the Company's secured debt of £19,436. This was confirmed on 27 March 2023.
- On 9 February 2024, we also distributed £3,880.10 representing the remaining funds in the Administration estate account after all costs of the Administrations had been settled and the Prescribed Part distribution had been made.
- Over the course of the Administration, the Secured Creditor received cash and non-cash distributions totalling £157.6k.

Unsecured Creditors and Prescribed Part

A distribution by way of the Prescribed Part fund was declared on 15 September 2023 and represented a distribution of c.0.35p in the £. No further dividends will be declared.

- In an administration, dividends may become available for unsecured creditors from two sources:
 1. The statutory (ring-fenced) Prescribed Part fund; and/or
 2. The surplus remaining after any secured and preferential creditors have been repaid in full.
- In this case, there were insufficient funds to repay the Secured Creditor in full in the Administration and as such a distribution to the unsecured creditors only arose by virtue of the Prescribed Part.

Creditor claims

- In their Statement of Affairs, the directors' estimated that non-preferential unsecured claims against the Company would be £169,416. However, as previously explained, we anticipated the actual total would be higher as the director's estimate did not include related party loans, additional trade creditors or consumer warranty claims.
- A notice of intended dividend was issued on 20 June 2023, giving a last date to lodge a proof of debt of 18 July 2023.
- We can confirm that we received and admitted claims in the Administration totalling £9,182,965.

Prescribed Part fund

- Based on a value of net property of £157,820, the Prescribed Part fund available to unsecured creditors was £34,564.
- The Prescribed Part dividend was declared on 15 September 2023, with unsecured creditors receiving c.0.35p in the £.
- No further dividends will be declared.

The Prescribed Part

- Under Section 176A IA86, where after 15 September 2003 a company has granted floating charge security, a proportion of the 'net property' of the company must be made available for the benefit of the company's unsecured creditors.
- 'Net property' is the net floating charge realisations after the costs of realisation, expenses of the Administration and preferential creditors have been paid in full or funds set aside for.
- The Prescribed Part is calculated as follows:
 - 50% of net property up to £10k;
 - Plus 20% of the net property in excess of £10k; and
 - Subject to a maximum of £800k
- Expenses associated with the Prescribed Part must be paid out of the Prescribed Part, such as the agreement of claims, issuing statutory notices and distributing the funds.

Shareholders

- There will be no return to the Company's shareholders as there was a material shortfall to the Company's creditors.



Appendices

Appendix A: Statutory Information

Company Name: LIFX UK Limited

Previous Name(s)	N/A	Administrators' Address	FTI Consulting LLP, 200 Aldersgate, Aldersgate Street, London EC1A 4HD
Trading Names(s)	N/A	Administrators' Recognised Professional Body	ICAEW
Registered Number	09042811	Functions of Administrators	For the purposes of paragraph 100(2) of Schedule B1, all functions and powers of the administrators may be exercised by all of the administrators jointly or by any administrator separately.
Date of Incorporation	16 May 2014	Appointment Date	17 August 2022
Registered Office	c/o FTI Consulting LLP, 200 Aldersgate Street, London EC1A 4HD	Appointer / Applicant	Partners for Growth VI LP, as holder of a qualifying floating charge, pursuant to Paragraph 14 of Sch B1 IA86
Former Registered Office	The Business Resource Network, 53 Whateley's Drive, Kenilworth, CV8 2GY	Objective being pursued	Objective (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)
Court Name / Address	High Court of Justice, Business and Property Courts in Manchester, Insolvency and Companies List (ChD)	EC Regulation	"COMI proceedings" as the Company's registered office is in the United Kingdom, such that its centre of main interest is in the United Kingdom
Court Reference	Number 000701 of 2022	Changes in Administrator	N/A
Administrators' Names	Samuel Alexander Ballinger, Christopher Jon Bennett and Matthew Boyd Callaghan	Extensions to the Period of the Administration	The period of the Administration was extended by 12 months by consent of the Secured Creditor given on 26 July 2023

Appendix B: Receipts and Payments Account

GBP	Statement of affairs ¹	Notes	From 17 August 2022 to 16 February 2023	From 17 February 2023 to 16 August 2023	From 17 August 2023 to 14 February 2024	Total for the Administration
Floating Charge Receipts						
Bank Interest		2	64	320	-	384
Cash at Bank	Nil	3,4	122,249	-	-	122,249
Cash in Hand		5	744	-	-	744
Debtor Receipts	14,102	6	4,975	-	-	4,975
Funds attributed to Lifi Labs		7	232	-	-	232
Pre-Appointment VAT		8	-	11,774	-	11,774
Sale of Inventory	315,000	9	100,000	19,436	-	119,436
Subtotal	329,102		228,264	31,530	-	259,793
Floating Charge Payments						
Bank Charges		3	(60)	-	-	(60)
Data Compliance			(40)	(40)	-	(80)
Funds attributed to Lifi Labs		7	(232)	-	-	(232)
Insurance			(4,160)	-	-	(4,160)
Legal Fees		6	(21,638)	-	-	(21,638)
Officeholder Expenses					(150)	(150)
Officeholders Fees			-	-	(60,000)	(60,000)
Ransom Creditor			(7,610)	-	-	(7,610)
Statutory Advertising			(95)	(99)	-	(194)
Storage Costs			(7,790)	-	-	(7,790)
Subtotal			(41,624)	(139)	(60,150)	(101,913)
Floating Charge Balance			186,639	31,391	(60,150)	157,880
Distributions						
Floating Charge Secured Creditor		9,11	(100,000)	(19,436)	(3,880)	(123,316)
Unsecured Creditors		10,11	-	-	(34,564)	(34,564)
Net Receipts and Payments			86,639	11,955	(98,594)	-

Appendix B: Receipts and Payments Account

Notes to the Receipts and Payments Account

1. The Statement of Affairs provided by the director did not reflect intercompany loans or certain estimated to realise values. It did not appear to consider the Company's automatic ordering system with key clients, or the intercompany loans to entities that are now in insolvency processes. The adjusted numbers were provided in the Joint Administrators' Proposals and relate to receivables (£4,929), Cash at bank (£122,204), and VAT refunds (£6,362) that were expected to be due to the Company.
2. In preparation for the end of the Administration, the estate account was requested to be made non-interest bearing and this was effective on 8 June 2023. Accounts were removed from interest bearing in order for the final tax computations to be calculated. As such, no interest was received in the Period.
3. The cash at bank figure shown in our Proposals was the amount received, net of bank charges in the sum of £44.72 (associated with the transfer of the Company's pre-Administration cash at bank to the Administration estate). These charges are included in the bank charges in the receipts and payments.
4. Cash at bank recoveries include amounts remitted to us in EUR and GBP currencies. The EUR amount was converted to GBP at the rate of 0.86 £/€, applicable on 22 September 2022. All amounts are stated in GBP and exclusive of VAT (unless otherwise stated).
5. Prior to the Administration and under an engagement contract between them, the Company had paid £8,000 to DLA in relation to work required in the period leading up to the Administration. A surplus of £744 remained after DLA had discharged their fees, and for convenience we agreed that DLA would retain those funds in part-settlement of work performed for the Company and the Joint Administrators during the Administration.
6. The Statement of Affairs balance shown includes an amount of £3,400 in relation to the overseas tax deposit.
7. As mentioned in our Proposals, we incorrectly received £231.84 that was payable to Lifi Labs Inc. This was duly transferred on 10 November 2022.
8. Pre-appointment VAT of c.£12k relates to pre-appointment legal advice obtained by the Company and the Company's receivable position prior to our appointment. We were informed by HMRC that the Company had a receivable position of c.£9k on 10 July 2023 and this was subsequently paid alongside the £2k relating to input VAT on legal advice, on 15 August 2023.
9. The non-cash consideration for the sale of inventory has been included, offset by a notional distribution to the Secured Creditor. As sufficient cash was in the estate account to make a Prescribed Part distribution, the deferred consideration was an additional discharge of debt of c.£19k.
10. An unsecured distribution by way of the Prescribed Part was declared on 15 September 2023. The last date to prove debts was on 18 July 2023.
11. An amount of £34,312.50 was due to Group companies who had waived their entitlement to receive the amounts due to them in the Prescribed Part distribution as ultimately, any amount would be due to the Secured Creditor. As such, these amounts were withheld and distributed to the Secured Creditor in the Period.
12. All amounts are shown net of VAT unless otherwise stated.
13. Bank accounts were reconciled on a monthly basis.

Appendix C: Joint Administrators' Remuneration and Expenses

The basis of our remuneration was approved by the Secured Creditor and we have drawn the full amount of £60k (plus VAT) during the Period.

Basis of our remuneration

- We sought, and received, approval that our remuneration should be fixed as a set amount (a fixed fee) of £60,000 plus VAT.
- Despite the extension to the Administration and the additional costs incurred, no additional fees were sought by the Joint Administrators.
- There are no business or personal relationships with parties responsible for approving remuneration or who provide services where the relationship could give rise to a conflict of interest.
- Earlier in this report and later in this Appendix, we have provided a description of the things done by us and our staff during the Period. Creditors can refer to our previous reports for details of work performed in previous periods.
- We continue to believe the set amount is a fair and reasonable reflection of the work required in the Administration.
- As shown on the enclosed receipts and payments account, in the Period we drew our approved remuneration of £60k from floating charge realisations.

Appendix C: Joint Administrators' Remuneration and Expenses

In broad terms our work includes realising the Company's assets, quantifying its liabilities and returning funds to creditors, managing the Company's affairs and fulfilling our statutory obligations as joint administrators.

Earlier in this report, we described the main areas of our work in the Administration during the Period covered by this report. The table below provides more detail, but is not an exhaustive list of all work performed. Also provided is an indication of whether the work provided a financial benefit for creditors or whether (for example) it was required by statute.

Area of work	Description of work	Reason and benefit for creditors
Controlling the appointment	<ul style="list-style-type: none"> ■ Strategy and planning: included devising and maintaining appropriate strategies for achieving the purpose of the Administration, engagement team meetings and documenting key decisions. ■ Case reviews: periodic reviews of the Administration, typically every six-months. ■ Financial Management: prepared and maintained cost budgets, estimated outcome statements etc, as appropriate for the case. ■ Remuneration: maintained budgets and drew fees as approved by the Secured Creditor. ■ Closure matters: planned and prepared for ending the Administration and ultimate dissolution of the Company. 	<ul style="list-style-type: none"> ■ We have a duty to perform our functions as quickly and efficiently as reasonably practicable in the best interests of the creditors as a whole. ■ Whilst not necessarily generating a direct financial benefit for creditors, these areas of our work ensure that our strategies to maximise realisations and minimise costs (and liabilities where possible), are kept under review and amended as appropriate.

Appendix C: Joint Administrators' Remuneration and Expenses

In broad terms our work includes realising the Company's assets, quantifying its liabilities and returning funds to creditors, managing the Company's affairs and fulfilling our statutory obligations as joint administrators.

Area of work	Description of work	Reason and benefit for creditors
Dealing with Creditors	<ul style="list-style-type: none"> ■ Secured creditors: liaised with and periodically reported to the Secured Creditor; and made distributions from asset realisations under security entitlements. ■ Unsecured claims agreement: liaised with the creditors regarding the provision of supporting information and responding to queries. ■ Unsecured dividends: prepared calculations and issued statutory notices in advance of declaring dividends; followed by the payment of dividends and resolution of subsequent queries. ■ Where required, maintained our systems to record and maintain creditor details, claims received, the determination thereon and the payment of dividends. ■ Creditor queries: for all classes of creditors, shareholders and other third parties: we have responded to inbound queries received to the extent possible and necessary. 	<ul style="list-style-type: none"> ■ Where available, distributions and dividends represent a repayment to creditors in respect of the amounts owed to them by the Company and therefore is a tangible financial benefit from the insolvency proceedings. ■ During the course of claims agreement, we perform an proportionate level work with an appropriate degree of scrutiny taking into account the quantum of the dividend available, to avoid incurring unnecessary costs and to avoid adversely impacting the recovery for creditors. ■ The objective of our adjudication work is to ensure that only genuine and accurate claims are admitted for dividend purposes and where necessary we apply our expertise and commercial judgement to mitigate liabilities where possible; for the benefit of the wider body of creditors. ■ Responding to general inbound queries can take considerable time and does not have a direct financial benefit for creditors, except for example (for individual creditors) where it is to provide debt confirmations for the purpose of credit insurance claims. To the extent possible, we encourage creditors to review information already available on our website.

Appendix C: Joint Administrators' Remuneration and Expenses

In broad terms our work includes realising the Company's assets, quantifying its liabilities and returning funds to creditors, managing the Company's affairs and fulfilling our statutory obligations as joint administrators.

Area of work	Description of work	Reason and benefit for creditors
Managing the Company's Affairs	<ul style="list-style-type: none"> ■ VAT: prepared and submitted the necessary VAT returns, including submitting Form VAT 426 post deregistration. This work has included requesting refunds from HMRC and maintaining adequate VAT accounts. ■ Books and records: reviewed our previous strategy as part of closure planning for the safeguarding and destruction (when required) of the Company's records. ■ Bank account management: accounts were closed before we ceased to act; and have been reconciled on a monthly basis. ■ Receipts, payments and accounting journals: maintained adequate accounting records for the period of the Administration, including the payment of costs and expenses. 	<ul style="list-style-type: none"> ■ We have a statutory responsibility to complete and submit post-insolvency tax and VAT returns and account for any tax due. ■ As circumstances can often be complex, the involvement of our VAT and tax specialists ensures that the Company pays the correct amount of tax, to avoid adversely impacting any amounts available for creditors. ■ Dealing with the Company's books and records does not necessarily give a financial benefit to creditors, although they are essential when any defending actions against the Company's from third parties and when adjudicating creditor claims. ■ Opening bank accounts for the Administration avoids the costs and logistics of taking control of the Company's existing accounts (which are usually closed shortly after appointment). Regular reconciliations of the new accounts assist in maintaining accurate records for the Administration.

Appendix C: Joint Administrators' Remuneration and Expenses

In broad terms our work includes realising the Company's assets, quantifying its liabilities and returning funds to creditors, managing the Company's affairs and fulfilling our statutory obligations as joint administrators.

Area of work	Description of work	Reason and benefit for creditors
Fulfilling our Statutory Duties	<ul style="list-style-type: none"> ■ Progress reports: prepared and issued six-monthly and final progress reports to creditors, including receipts and payments accounts. 	<ul style="list-style-type: none"> ■ The various other workstreams arise from statutory requirements due to the Company being in an insolvency process and do not have any direct financial benefit for creditors. Many requirements are for the purpose of keeping creditors informed about the Administration and to protect their interests generally.

Appendix C: Joint Administrators' Remuneration and Expenses

An overview of the types of expenses incurred.

Definition of expenses

- Expenses are any payments from the estate which are neither office-holders' remuneration nor a distribution to a creditor or a member. Expenses also include disbursements. Disbursements are payments which are first met by the office-holder and then reimbursed to the office-holder from the estate.
- Expenses are divided into those that do not need approval before they are charged to the estate (category 1) and those that do (category 2):
 - Category 1 expenses: These are payments to persons providing the service to which the expense relates who are not an associate of the office-holder. Category 1 expenses can be paid without prior approval.
 - Category 2 expenses: These are payments to associates or which have an element of shared costs. Before being paid, category 2 expenses require approval in the same manner as an office-holder's remuneration. Category 2 expenses require approval whether paid directly from the estate or as a disbursement.
- The types of disbursements categorised as Category 1 expenses typically include external supplies of incidental services specifically identifiable to the case such as postage, statutory case advertising, bonding, invoiced travel and external services such as printing, room hire and document storage. Also included would be any properly reimbursed expenses incurred by personnel in connection with the case.
- The types of disbursements categorised as Category 2 expenses typically include mileage, in-house printing and electronic data storage.

Professional advisors and subcontractors

- The table on the next page provides details of professional advisors and subcontractors that we have engaged on this project. The use of subcontractors is in relation to work that we could have done (subject to the exceptions detailed below), but that we outsourced.
- Our choice of professional advisors and subcontractors was based on our perception of their experience and ability to perform this type of work and the complexity and nature of the assignment.
- We also considered that the basis on which they would charge their fees was appropriate in the circumstances. Other than the inventory storage, legal advice and insurance services, the work could have been undertaken by our teams, but we outsourced it as we consider that to have been more cost effective and the providers had relevant specialist experience. We reviewed the fees they charged and were satisfied that they were reasonable in the circumstances of this case.
- Details of the expenses incurred in the Period with these third parties (whether paid or not) is set out later in this Appendix. The amounts paid are shown in the Receipts and Payments account at Appendix B.
- We also utilised the services of other teams within FTI Consulting LLP to assist with the Administration process. The fees of our Tax team have been included within the basis of our remuneration. We consider that the rates chargeable for these services are in line with general market practice and that the service is at least comparable to similar firms of professional advisors. In addition, by working closely with our internal teams, we believe a more coordinated and cost-effective approach to the Administration workstreams has been possible.

Appendix C: Joint Administrators' Remuneration and Expenses

The table shows the professional advisors and subcontractors engaged on the Administration.

Payee / firm	Service provided	Reason selected	Basis of fees/costs
DLA Piper	<ul style="list-style-type: none"> Legal advice on the appointment and the sale agreement 	Prior knowledge of the Company and experience in insolvency matters	Time costs and expenses
EPE Reynell	<ul style="list-style-type: none"> Advertising appointment, dividend and other statutory notices 	Experienced provider to insolvency practitioners	Standard tariff for Gazette notices
AON UK Limited	<ul style="list-style-type: none"> Statutory Bonding 	Experienced provider of insolvency practitioners	Fixed premium
AON UK Limited	<ul style="list-style-type: none"> Insurance risk services 	Experienced provider of insolvency practitioners	Insurance premiums
Tech Data	<ul style="list-style-type: none"> Inventory Storage 	Storage provider of the Company's inventory	Agreed costs of storage

Appendix C: Joint Administrators' Remuneration and Expenses

The table below should be read in conjunction with the receipts and payments account which shows expenses actually paid during the Period and the total paid to date.

Category	Incurred previously	Incurred in the Period	Total Incurred	Initial Estimate ¹	Revised Estimate ²
Legal Fees	21,638	-	21,638	31,888	21,638
Statutory Advertising	194	-	194	95	194
Statutory Bonding	150	-	150	225	150
Bank Charges	60	-	60	-	120
Insurance	4,160	-	4,160	3,000	4,160
Inventory Storage	7,790	-	7,790	15,000	7,790
Ransom Creditor	7,610	-	7,610	-	7,610
Data Compliance	80	-	80	40	80
Totals	41,682	-	41,682	50,248	41,742

1. The expenses estimate provided to creditors in our Proposals dated 10 October 2022
2. Revised estimate was provided to Creditors in our Progress Report dated 15 September 2023

- Total expenses have not exceeded the estimate of expenses provided to creditors prior to the determination of the basis of our remuneration.
- The expenses estimate does not represent a cap on the amount of expenses that can be paid, and approval for payment is only required for those that are Category 2 expenses, as previously defined.

Appendix D: An introduction to insolvency

If you are unfamiliar with an insolvency process, please read this page which describes the typical work and role of an insolvency practitioner. This is only a general overview and does not necessarily reflect our work in this case.

What is an insolvency process?

There are several types of insolvency process, but all are intended to achieve the same basic objective: to realise assets that the company owns and repay (to the extent possible) what it owes to creditors.

The type of process depends on the circumstances and the amount distributable to creditors (in accordance with statutory priorities) depends on the value of assets, the costs of the process and level of claims received.

What is an insolvency practitioner?

Commonly referred to as an 'IP', an insolvency practitioner is an experienced and qualified individual who is licensed and authorised to act in relation to an insolvent company, partnership or person.

IPs typically use the staff and resources of their own firm to complete the work, supported by third party professionals and other specialists as required.

IPs are routinely monitored by their professional body to ensure continued adherence to applicable standards.

Realising the Assets

The IP evaluates possible options and pursues the best route for maximising value for creditors. Options could include an immediate sale of the business, a period of ongoing trading (prior to a sale) or a closure/wind-down of operations.

The costs of realising the assets can vary significantly, so an IP is looking to maximise the net value (after costs). Securing the ongoing employment of the workforce can materially reduce claims against the company.

Work done on realising the assets has a direct financial benefit for creditors.

Managing the Company's Affairs

Until such time as the company is dissolved, it must continue to fulfil many of its usual obligations, such as submitting VAT/tax returns and keeping adequate accounting records.

Whilst appointed to manage the affairs of the company, the IP is responsible for ensuring these obligations are met. Support from VAT/tax specialists in insolvency situations helps to ensure accuracy and minimise liabilities.

Other work might include complying with any licensing or regulatory requirements.

Dealing With Creditors

It can take several months, often longer, but if and when funds become available, the IP will distribute these to creditors once their claims have been received and agreed.

As secured creditors usually have priority rights over the assets, the amount left over for other non-preferential unsecured creditors can often be very small.

IPs keep creditors updated on their work, either through periodic reports or responding to their queries and correspondence.

Fulfilling our Statutory Duties

The impact of an insolvency can be wide ranging, so IPs are required to issue notices and periodic reports to notify those affected parties and keep them updated.

The company's affairs and conduct its directors must also be investigated to see whether any asset recovery (or other actions) need to be taken.

Whilst this work does not have any direct financial benefit for creditors, the purpose of insolvency law is to protect the interests of creditors.

Regular internal case reviews ensure the process progresses cost effectively and on a timely basis.

Appendix E: Legal Notices

We have set out below some important notices regarding this report and the appointment of administrators.

About this report

- This report has been prepared by the Joint Administrators solely to comply with their statutory duty to report to creditors under the Insolvency (England and Wales) Rules 2016 on the progress of the insolvency proceedings.
- It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.
- This report has not been prepared in contemplation of it being used, and is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in the Company or Companies subject to these insolvency proceedings.
- Any person that chooses to rely on this report for any purpose or in any context other than under the Insolvency (England and Wales) Rules 2016 does so at its own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of this report to any such person.
- Any estimated outcomes for creditors included in this report are illustrative only and cannot be relied upon as guidance as to the actual outcome for creditors.

Information on creditors' rights

- A creditors' guide to administrations can be found on our website below. It includes information to help creditors understand their rights and describes how best these rights can be exercised.
<https://www.fticonsulting.com/uk/creditors-portal/forms-and-information>
- The website also has a creditors' guide to administrators' fees which is intended to help creditors be aware of their rights under legislation to approve and monitor fees; and explains the basis on which fees are fixed and how creditors can seek information about expenses incurred by the administrator and challenge those they consider to be excessive. Details of these rights are also set out on the right.

Data Protection

- FTI Consulting LLP ("FTI") uses personal information in order to fulfil the legal obligations of its insolvency practitioners under the Insolvency Act and other relevant legislation, and also to fulfil the legitimate interests of keeping creditors and others informed about the insolvency proceedings. You can find more information on how FTI uses your personal information in our Data Privacy statement on our website at <https://www.fticonsulting.com/uk/creditors-portal>.

Creditors' Right to Challenge Remuneration and/or Expenses

- Any secured creditor, or unsecured creditor with the support of at least 10% in value of the unsecured creditors, or with the leave of the Court, may apply to the Court for one or more orders (in accordance with Rule 18.36 or 18.37 IR16), challenging the amount or the basis of the remuneration which the Joint Administrators are entitled to charge or otherwise challenging some or all of the expenses incurred.
- Such application must be made within eight weeks of receipt by the applicant(s) of the report detailing the remuneration and/or expenses in question, in accordance with Rule 18.34 IR16.

Creditors Right to Request Information

- Any secured creditor or unsecured creditor with the support of at least 5% in value of the unsecured creditors, or with the leave of the Court, may, in writing, request the Joint Administrators of the Company to provide additional information regarding remuneration or expenses to that already supplied within this document. Such requests must be made within 21 days of receipt of this report, in accordance with Rule 18.9 IR16.



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