



For further information, please  
refer to our guidance at  
[www.gov.uk/companieshouse](http://www.gov.uk/companieshouse)

### 1 Company details

Company number 0 9 0 4 2 8 1 1

Company name in full LIFX UK LTD

→ **Filling in this form**

Please complete in typescript or in  
bold black capitals.

### 2 Administrator's name

Full forename(s) Samuel Alexander

Surname Ballinger

### 3 Administrator's address

Building name/number 200 Aldersgate

Street Aldersgate Street

Post town London

County/Region Greater London

Postcode E C 1 A 4 H D

Country United Kingdom

### 4 Administrator's name ①

Full forename(s) Matthew Boyd

Surname Callaghan

① **Other administrator**

Use this section to tell us about  
another administrator.

### 5 Administrator's address ②

Building name/number 200 Aldersgate

Street Aldersgate Street

Post town London

County/Region Greater London

Postcode E C 1 A 4 H D

Country United Kingdom

② **Other administrator**

Use this section to tell us about  
another administrator.

# AM10

## Notice of administrator's progress report

### 6 Period of progress report

From date	<sup>d</sup> 1	<sup>d</sup> 7	<sup>m</sup> 0	<sup>m</sup> 8	<sup>y</sup> 2	<sup>y</sup> 0	<sup>y</sup> 2	<sup>y</sup> 2
To date	<sup>d</sup> 1	<sup>d</sup> 6	<sup>m</sup> 0	<sup>m</sup> 2	<sup>y</sup> 2	<sup>y</sup> 0	<sup>y</sup> 2	<sup>y</sup> 3

### 7 Progress report

I attach a copy of the progress report

### 8 Sign and date

Administrator's  
signature

Signature

X

*S Ballinger*

X

Signature date

<sup>d</sup> 1	<sup>d</sup> 5	<sup>m</sup> 0	<sup>m</sup> 3	<sup>y</sup> 2	<sup>y</sup> 0	<sup>y</sup> 2	<sup>y</sup> 3
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# AM10

## Notice of administrator's progress report



### 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 Calvin Hung

Company name FTI Consulting

Address 200 Aldersgate

Post town London

County/Region Greater London

Postcode EC1A 4HD

Country

DX

Telephone



### 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 the form.



### Important information

**All information on this form will appear on the public record.**



### Where to send

**You may return this form to any Companies House address, however for expediency we advise you to return it to the address below:**

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](http://www.gov.uk/companieshouse) or email [enquiries@companieshouse.gov.uk](mailto: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](http://www.gov.uk/companieshouse)**

# Continuation page

## Name and address of insolvency practitioner

✓ **What this form is for**  
 Use this continuation page to tell us about another insolvency practitioner where more than 2 are already jointly appointed. Attach this to the relevant form. ①  
 Use extra copies to tell us of additional insolvency practitioners.

✗ **What this form is NOT for**  
 You can't use this continuation page to tell us about an appointment, resignation, removal or vacation of office.

→ **Filling in this form**  
 Please complete in typescript or in bold black capitals.  
 All fields are mandatory unless specified or indicated by \*

### 1 Appointment type

Tick to show the nature of the appointment:

- Administrator
- Administrative receiver
- Receiver
- Manager
- Nominee
- Supervisor
- Liquidator
- Provisional liquidator

① You can use this continuation page with the following forms:  
 - VAM1, VAM2, VAM3, VAM4, VAM6, VAM7  
 - CVA1, CVA3, CVA4  
 - AM02, AM03, AM04, AM05, AM06, AM07, AM08, AM09, AM10, AM12, AM13, AM14, AM19, AM20, AM21, AM22, AM23, AM24, AM25  
 - REC1, REC2, REC3  
 - LIQ02, LIQ03, LIQ05, LIQ13, LIQ14,  
 - WU07, WU15  
 - COM1, COM2, COM3, COM4  
 - NDISC

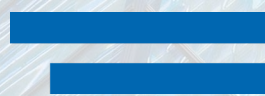
### 2 Insolvency practitioner's name

Full forename(s) Christopher Jon  
 Surname Bennett

### 3 Insolvency practitioner's address

Building name/number 200 Aldersgate  
 Street Aldersgate Street  
 Post town London  
 County/Region Greater London  
 Postcode E C 1 A 4 H D  
 Country United Kingdom





To all known creditors

# Joint Administrators' Progress Report

## For the period from 17 August 2022 to 16 February 2023

LIFX UK Limited (Company Number 09042811)

# Contents

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# Glossary

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

Term	Meaning
<b>Administration</b>	The Administration of LIFX UK Limited
<b>Appointment Date</b>	17 August 2022
<b>BTL / Buddy Technologies</b>	Buddy Technologies Limited, a company registered in Australia, listed on the Australian Stock Exchange and the ultimate parent company of the Group
<b>Administrators / Joint Administrators / we / our / us /</b>	Samuel Alexander Ballinger, Christopher Jon Bennett and Matthew Boyd Callaghan
<b>Clever House / Purchaser</b>	Clever House Pty Limited, an Australian based company who purchased the Company's inventory
<b>Feit / Feit Electric</b>	Feit Electric Company Inc., a company registered in the US who purchased the majority of the Group (excluding LIFX UK Limited)
<b>the Company</b>	LIFX UK Limited
<b>the Group</b>	Buddy Technologies Limited and all its subsidiaries
<b>the Period</b>	From 17 August 2022 to 16 February 2023
<b>Lender / Secured Lender / PFG / Secured Creditor</b>	Partners for Growth VI L.P. Secured creditors have security in respect of their debt in accordance with Section 248 IA86
<b>Preferential Creditors</b>	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.
<b>Prescribed Part</b>	Amount set aside for unsecured creditors from floating charge net realisations in accordance with Section 176A IA86.
<b>Proposals</b>	The Joint Administrators' Statement of Proposals dated 10 October 2022
<b>Secured Debt</b>	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
<b>Unsecured creditors</b>	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.

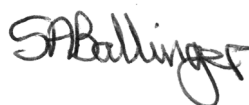


# Purpose of this report



## Purpose of this report

- On 17 August 2022, Samuel Alexander Ballinger, Christopher Jon Bennett and Matthew Boyd Callaghan were appointed as joint administrators of LIFX UK Limited, to act as its agents and manage its affairs, business and property. The appointment was made by Partners for Growth VI, L.P, the qualifying floating charge holder.
- 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 six-month period since our appointment.
- This report covers the period from 17 August 2022 to 16 February 2023 and contains:
  - An explanation of the work we have done in the Period and how the Administration has progressed;
  - An update on the estimated outcome for each class of creditor;
  - Details of the work we still need to do before the Administration can be concluded;
  - A statement of our receipts and payments and details of expenses we have incurred;
  - An update on our remuneration for acting as joint administrators; and
  - Further information required by statute regarding our appointment as administrators.
- Background information on the Company and events leading up to the Administration can be found in our Proposals, which continue to be available online (see How to Contact Us).
- If you are unfamiliar with insolvency, we have 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.
- If you have any questions regarding this report or the Administration generally, please contact us.



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>.*

### How to Contact Us

- Creditors can contact us using the preferred methods below:

Email: [LIFXUK@fticonsulting.com](mailto:LIFXUK@fticonsulting.com)

Post: LIFX UK Limited – in Administration  
c/o FTI Consulting LLP  
200 Aldersgate  
Aldersgate Street  
London EC1A 4HD  
Tel: +44 203 0770 559

- Further information and documents delivered to creditors via our website, can be found here:  
<https://www.fticonsulting.com/emea/cip/lifx-uk-limited>.
- Creditors have been invited to provide details of their claims and supporting information, using the Turnkey Insolvency Portal at [www.ips-docs.com](http://www.ips-docs.com), and with the login details previously provided.

### Actions Required by Creditors

- There is expected to be a small dividend for unsecured creditors by way of the Prescribed Part fund. If you have not already submitted your claim, please do so as soon as possible.



# Progress of the Administration

## Background to the Administration

**In our Proposals, we set out the events leading up to the Administration and the proposed strategy for achieving the purpose of the Administration. A summary is provided here.**

### Background to the Administration

- A background on the Company and the events leading up to the appointment of administrators were included in our Proposals and are only summarised here for the purposes of this report. Therefore, creditors may wish to review this report in conjunction with our Proposals, which continue to be available online.

### Events leading up to Administration

- The Company was acquired by Buddy Technologies in March 2019 and was responsible for the distribution of LIFX branded products in the UK and Europe. The Company's immediate parent is the US-registered company Lifi Labs, Inc, with Buddy Technologies as ultimate parent company.
- The Company was wholly reliant on financial support from Buddy Technologies, which was placed into receivership in Australia on 13 April 2022, with the Secured Creditor indicating (at the time) that ongoing financial support would be provided.
- On 3 August 2022, the majority of the Group (not including LIFX UK Limited) was sold to Feit Electric Company Inc ("Feit"), a US based electronics business. Following the acquisition, the purchaser continued to provide app and platform support for the existing LIFX product range.
- On 5 August 2022, the Secured Creditor advised the Company that it was withdrawing its letter of support dated 12 April 2022. The Secured Creditor also notified the Company that payment of the outstanding debt was now due and payable by the Company.
- As the support from the parent company had been withdrawn, it became clear that the Company would not be able to pay its debts as they fell due.
- Consequently, and in order to protect its position, the Secured Creditor appointed us as joint administrators on 17 August 2022.

### Our initial strategy

- The business had ceased to trade prior to the appointment of the Joint Administrators. Therefore, our work in the Administration was expected to principally involve maximising realisations from the Company's key asset, being its inventory located in the UK and Czech Republic, under the protection of the statutory moratorium on creditor actions against the Company.
- All other assets would be realised in the ordinary course of our work and were known to include unpaid debts and cash held in the Company's bank account.
- We estimated that asset realisations would lead to distributions to both the secured and unsecured creditors of the Company in due course. There were no known preferential creditors.
- Whilst acting as joint administrators and pursuing the purpose of the Administration, it would also be necessary to manage the Company's affairs, including tax and VAT matters.

## Sale of the inventory

**We have completed a successful sale of the Company's inventory located in the Czech Republic. We have also determined that there will be no recoveries from the inventory located in the UK.**

### Marketing and valuation of the inventory

- The Company's inventory consisted of wi-fi / app-enabled 'smart' products. Maximising value from the inventory would require any purchaser to have an agreement with Feit, as the provider of this supporting technology.
- We could not give any assurances to a purchaser regarding the availability of app support. This is the principal reason for the difference between the estimated to realise value for the inventory in the directors' statement of affairs and the earlier view given in our Proposals.
- In the expectation that value from the inventory would be maximised by a sale to a third party that had (or could have) an agreement with Feit for ongoing app support (and the number of such parties would likely be minimal), no formal valuation of the inventory was obtained.
- We also understood that Feit had no immediate intentions to offer support in the UK and Europe. However, we were aware that Feit had entered into an agreement with a third party in Australia (Clever House), as part of an agreement for Clever House to acquire inventory owned by entities in the Group. Clever House was therefore a party likely to be interested in acquiring the Company's inventory.
- We also identified and shared details of the inventory with a number of other potential interested parties, including Amazon (as the main retailer of the assets), certain other retailers, the Company's distributors (who had previously acquired products) and two bulk inventory realisation specialists; all of whom had a Pan-European or global presence. We understand that the Company's director also reached out to a number of their own contacts.
- In addition to Clever House, only one other party expressed an interest, but the latter withdrew before making a formal offer.
- Given the nature of the products, reliance on Feit, identity of the parties already contacted and the likelihood of a successful transaction with the remaining interested party (Clever House), it was not considered to be cost effective or in the interests of creditors, to conduct a wider marketing process.

### Details of the transaction

- On 10 November 2022, a sale of the Company's inventory (based in the Czech Republic) to Clever House was completed for total sale consideration of £119,436 (plus VAT if applicable, though we understand the sale is outside the scope of VAT). The consideration is comprised of:
  - a waiver, release and discharge of the Company's liability to the Secured Creditor in the sum of £100,000; and
  - on 31 March 2023 payment of the sum of £19,436 either in cash or by way of a further waiver, release and discharge of the Company's liability to the Secured Creditor. The manner of this payment will be determined by the Joint Administrators, but based on present information, it is likely that a further waiver will be agreed.
- We set out on the next page, an explanation for the non-cash consideration and why it will not prejudice or impact the outcome for creditors.

### UK inventory

- No offers were received for the smaller quantity of UK inventory, principally due to the lack of app support. We concluded that without the 'smart' functionality, the value of the inventory would be outweighed by the costs associated with further marketing and any sale or disposal. We therefore do not expect any realisations from this source.

### Transactions with connected parties

- In accordance with SIP 13, we are required to disclose any known connected party transactions that occurred in the Period. The Secured Creditor is a funder to the Purchaser and is therefore a connected party pursuant to SIP 13. On this page, we have provided creditors with the justification of why a sale to a connected party was undertaken. The sale achieved was the best and only offer received for the assets.

## Sale of the inventory (continued)

**Whilst consideration for the sale of the inventory was in non-cash form, sufficient cash will be made available by the Secured Creditor to ensure the unsecured creditors are unaffected.**

### Structure of the consideration

- As noted earlier, the Purchaser is based in Australia and is funded by the Secured Creditor of the Company.
  - Had consideration been in cash, it would have been funded by the Secured Creditor (to Clever House), remitted to the Joint Administrators and subsequently returned to the Secured Creditor under their security entitlements against the Company, subject to costs and the proportion to be ring-fenced for other creditors under the Prescribed Part provisions.
  - Therefore, to avoid a largely circular flow of funds, it was agreed with the Purchaser and the Secured Creditor that non-cash consideration would be acceptable on the basis that:
    - the Secured Creditor's claim against the Company was reduced by an equivalent amount; and
    - there remained sufficient cash in the Administration estate to settle costs and make a distribution to unsecured creditors by virtue of the Prescribed Part, calculated by reference to both cash and non-cash consideration.
  - Essentially, we are working on the basis that cash consideration has been received and therefore the distribution to the Secured Creditor will be reduced to the extent required.
  - The deferral of part of the consideration until 31 March 2023 provided time for us to assess whether cash would be required in the Administration to pay costs and other creditors. On the basis of current information, this will not be required and the deferred consideration is likely to be settled again in non-cash form.
- A further safeguard was agreed as set out below in order to ensure sufficient cash would be available in the Administration estate.
  - The largest unsecured creditor of the Company is Lifi Labs Inc (the Company's shareholder), with an intercompany claim in excess of £8.8m. The Secured Creditor of the Company is also a secured creditor of Lifi Labs Inc (under the same facility), and would therefore be an indirect beneficiary of the dividend.
  - The creditor therefore agreed that any Prescribed Part dividend entitlement be utilised to meet any cash shortfall in the estate or otherwise be paid to the Secured Creditor.



## Realising other assets

**Our work in relation to various other assets is summarised below. Progress in relation to VAT recoveries is dependent on HMRC providing the relevant forms for refunds to be claimed.**

### Tax deposit and VAT

- On appointment, we were advised that there was a tax deposit of £17,659 held by a third party company in the Netherlands that was responsible for submitting EU tax returns on behalf of the Company. Under Dutch taxation regulations, the third party becomes liable for amounts due if the debtor company is unable to pay. As a result, a return of the tax deposit has been refused as there is uncertainty whether the deposit will be called upon in the future and the agent is entitled to retain the deposit for five years. There appears to be no benefit for creditors in pursuing its recovery as this would add to the costs of the Administration and potentially adversely impact creditors, but we will continue to monitor the position.
- In addition, we were informed by a member of the Group’s finance team that there may be a VAT refund of c.£20k due in relation to the period prior to our appointment. Our tax team have conducted a review of the relevant documents and do not consider that a claim can be made.
- Once HMRC process our notification of appointment (HMRC are still experiencing processing delays following the Covid-19 pandemic), we will submit the pre-appointment VAT return, which we expect will result in a small refund relating to the pre-appointment legal advice provided to the Company.

### Debtors

- As detailed in our Proposals, the Company operated an automatic ordering system with its key clients, that created a receivable at the time the order was placed rather than when it was fulfilled. Whilst the accounts receivable balance on appointment was £153k, the vast majority of items were not delivered prior to our appointment. Therefore, those debts have generally not been recoverable. We have written to all debtors and in the Period have successfully recovered a total of £4,975.
- The Company also had intercompany loans with group entities that are in insolvency processes and are therefore not considered collectable. We will monitor the situation with regards to any dividends that may arise from those insolvency processes.
- However, on the basis of present information, it is not anticipated that any further realisations will be made from either of these sources.

### Pre-Administration Accounts (Cash at Bank)

- The Company held cash balances totalling £122,249 at the time of our appointment, that has been transferred to the Administration estate. 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). These have been shown separately in the enclosed receipts and payment account.
- We have not recovered any further amounts that relate to the Company’s pre-administration cash at bank, and do not anticipate any further receipts.
- We understand that amounts may be periodically remitted into these accounts. For that reason, we will keep the accounts open and determine the entitlement of LIFX UK Limited to the funds, such that we can maximise recoveries for creditors. These accounts will be closed ahead of the closure of the Administration.

## Dealing with Stakeholders and Creditors

**We have reported regularly to the Secured Creditor and taken steps to assess the level of the Company's liabilities, including responding to queries received from creditors, to the extent possible.**

- We set out below the work done in the Period relating to each class of creditor and other stakeholders.
- The current estimates for amounts owed to the various classes of creditors, the anticipated recovery in each case and (where appropriate) the likely timing of distributions; are set out later in this report.

### Secured Creditor

- Regular correspondence has been held with the Company's secured creditor and they have been updated on matters of interest to them. Specifically, this includes significant discussions in relation to the sale of the Czech Republic stock and the basis of consideration.

### Preferential creditors

- Preferential creditors are described in the box below.
- As the Company did not have any employees, nor did it owe any debts owed to HMRC, there are no known preferential creditors.

### Unsecured creditors

- In preparation for our appointment, we set up a dedicated email address and helpline number in order for creditors to contact us, as an alternative to by post. We have received a number of queries from creditors on matters relating to their claims or the impact of the Administration. We have responded to queries to the extent possible and using the information currently available to us.
- We have invited creditors to submit their claims to us as there is expected to be a small dividend by way of the Prescribed Part fund, as explained later.

### 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.

## Managing the Company's affairs

**Until such time as the Company is dissolved, it must continue to fulfil many of its usual obligations. Whilst appointed to manage the affairs of the Company, we are responsible for ensuring these obligations are met.**

### VAT

- Following our appointment, we notified HMRC (for both VAT and corporation tax purposes) that the Company had been placed into Administration, a consequence of which is the creation of a new period for both tax and VAT reporting that commences on the date of Administration.
- Our internal VAT and tax specialists performed a review of the Company's VAT and tax affairs to understand the position in relation to the filing of returns and whether any tax assets may exist.
- The Company employed advisors for its tax matters in the European Union. As there were outstanding invoices to be paid to advisors, we experienced delays, a general lack of cooperation and have not been able to obtain the requested information in respect to this.
- We have liaised with the FTI tax team in establishing the VAT position in the UK and commenced preparation of returns for both the pre-appointment and post-appointment periods. Our work in this period has included:
  - Determining the validity of a potential pre-appointment VAT claim of c.£20k outlined earlier in the report; and
  - Submitting required forms and collating required supporting evidence for VAT returns.
- The relevant form to have the Company deregistered has been submitted but not yet processed by HMRC. When this has been processed, we expect the deregistration date to be 19 August 2022. VAT returns will be prepared and submitted for the pre-administration period, once HMRC have processed the necessary forms.
- As the Company did not trade in the final months prior to our appointment, we expect a VAT refund will be due to the Company. As shown on the receipts and payments account, there is currently an amount of c.£4k capable of being reclaimed.

### Employees

- The Company distributed its products through third party distributors and logistics providers. The wider Buddy Technologies group provided central office functions (accounting, IT etc.). Therefore, on the date of our appointment, the Company had no employees.

### Books and records

- Prior to and following our appointment, we have taken various steps to locate and recover the Company's books and records. This has included correspondence with the Company's director, former director and third parties that were known to hold (or might have held) Company's records. Upon receipt, a review of documents was conducted to enable us to undertake and meet our statutory obligations in relation to the CDDA.
- We have secured and stored the Company's documents received in accordance with GDPR due to the presence of personal information. We are continuing to locate and obtain Company books and records, principally relating to tax returns for the UK and in Europe.

### Corporation Tax

- Upon our appointment, we contacted relevant parties including HMRC to inform them of the Company's Administration. We were informed by HMRC that the Company has outstanding CT returns and/or penalties for the accounting periods ended 31 May 2018, 31 May 2019, 31 May 2020, 31 May 2021 and 31 May 2022.
- We are currently in the process of preparing the Company's pre-Administration corporation tax returns to the extent possible and liaising with HMRC.
- The next tax return will be for the period 1 June 2022 to 16 August 2022 and returns will continue to be prepared and filed until no further taxable income is expected to arise, at which point we will seek the appropriate clearance from HMRC.

### Treasury and accounting

- An account of receipts and payments for the period covered by this report is provided at Appendix B. Receipts in the period largely consist of the pre-Administration cash at bank, sale of the inventory, book debts and bank interest.
- Payments in the period correspond to legal fees, inventory storage and ransom payments in respect of pre-appointment storage costs to facilitate the sale of the Czech Republic inventory. Other payments are related to statutory advertising and data compliance costs.

## Fulfilling our Statutory Duties

**As a consequence of the Company’s insolvency, we have a number of responsibilities that do not necessarily or directly have a financial benefit for creditors but are required by insolvency legislation.**

### Statutory investigations

- As required by Section 7A CDDA, we have submitted information to BEIS in regard to the conduct of the Company’s director and former director. The content of our investigatory findings is confidential however, it was concluded that there were no recovery actions that could be pursued against these or any other third parties.
- Our investigation work was performed in accordance with SIP 2 and included a review of:
  - Questionnaires submitted by the director and former director of the Company who held office in the three-year period prior to the Administration;
  - The statements of affairs prepared by the director of the Company;
  - The Company’s Board Minutes in the 12 months leading up to appointment; and
  - Certain of the Company’s financial information.
- Creditors were invited to bring any concerns or matters that required investigation to our attention. No such information has been received.

#### Investigations and submission of conduct reports

- An administrator has a duty to investigate what assets there are (including potential claims against third parties including the directors) and what recoveries can be made. This gives rise to the need for administrators to carry out appropriate investigations, in order to satisfy their specific duties and to allay, if possible, the legitimate concerns of creditors and other interested parties.
- An administrator also has a duty to report to the Department for Business, Energy and Industrial Strategy on the conduct of those that formerly controlled the company.



### Other statutory matters

- Other key statutory work conducted in the Period includes:
  - Issuing notices of our appointment to all known creditors and other parties (as required by statute or to assist in the performance of our functions).
  - Preparing and issuing our Proposals for achieving the purpose of the Administration, seeking their approval and giving notice of such approval. Deemed approval took effect on 21 October 2022.
  - Conducting an initial review three months after appointment and the first six monthly review on the progress of the Administration.
  - Arranging open-cover insurance upon our appointment for inventory assets, liaising with insurance providers on the required level of cover, and cancelling insurance when no longer required.
  - Arranging for statutory bonding and keeping the level of cover under review.

### Objective of the Administration

- As set out in our Proposals, the statutory objective of the Administration is 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). We continue to believe the objective of the Administration will principally be achieved by virtue of conducting an orderly sale of the Company’s inventory.

### 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.
- Relevant approval to draw our remuneration has been received from the Secured Creditor (as required in the circumstances of this Administration). In summary, on 9 November 2022, the Secured Creditor determined that our remuneration be a set amount (a fixed fee) of £60k plus VAT, to be paid from floating charge asset realisations.

## Fulfilling our Statutory Duties

**We do not expect to extend the Administration beyond the initial 12-month period and will be looking to bring the Administration to an end once its purpose has been achieved and all our work has been completed.**

### 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 we do not expect a dividend to be available for unsecured creditors (other than from the Prescribed Part), our planned exit route from the Administration is unchanged from the Proposals and will be one of the following:
  - a) The Administration will end by filing a notice with the Registrar of Companies to move the Company to dissolution. The Company will then automatically be dissolved three months after the notice is registered. This is currently considered to be the most likely route.
  - b) If there are matters remaining that require the attention of a liquidator, the Administration may end by the presentation of a winding up petition to the Court for the compulsory liquidation of the Company. We may propose that Samuel Alexander Ballinger, Matthew Boyd Callaghan and Christopher Jon Bennett (and/or any subsequent or replacement administrator holding office at that time) be appointed joint liquidators of the Company by the Court.
- We will take steps to bring the Administration to an end at the appropriate time (and when all necessary work has been completed) and by using the exit route we believe is most appropriate at the time.

### 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 is for the Secured Creditor to make that determination.
- We are likely to propose that discharge should take effect at the time our appointment ceases to have effect. We will seek approval to this at the appropriate time.

### Future reporting

- We are required to provide a further progress report to all creditors within one month of the end of the period ending 16 August 2023, or when the Administration comes to an end, whichever is sooner.
- 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, either now or in the future.





# Estimated Outcomes for Creditors

## Secured and Preferential Creditors

**We expect a distribution to be available for the Secured Creditor, equating to a return of c.1% (of the Secured Creditor's lending to which the Company is guarantor).**

### Secured Creditor

- As set out in our Proposals, the Secured Creditor entered into a loan agreement between a number of group entities to which the Company was a guarantor as an ultimate beneficiary of the funds. The total debt attributed to the Secured Creditor is £10,413,180<sup>1</sup>.
- The validity of the security was confirmed by DLA Piper (an independent law firm engaged by FTI).
- Based on current information, including an assessment of future recoveries and the final level of costs, we believe the Secured Creditor will recover:
  - £119,436 in the form of debt release;
  - As detailed on the next page, non-cash distributions were agreed between the Joint Administrators, Secured Creditor and the related party unsecured creditors in order to minimise the cash consideration from the Purchaser. This has no impact on any creditor other than intercompany balances and the Secured Creditor; and
  - A further secured distribution is expected from the estate in the amount of; representing c.1% of the Secured Creditor's debt to which the Company is guarantor.
- A distribution has not yet been made, but we anticipate this will occur in the coming months. The sources of funds for this distribution are the Company's cash at bank. This will only occur as and when HMRC's position has been confirmed.

### Preferential Creditors

- In the Statement of Affairs, the director estimated that there would be no preferential claims against the Company. Any such claims would be paid from the realisation of assets subject to a floating charge after the costs of the Administration have been paid or provided for.
- In this case, there are not expected to be any preferential claims because the Company had no employees and we do not believe the Company owes any debts to HMRC. This should be confirmed once HMRC processes our notice of appointment and is able to assess the tax position at the date of our appointment.
- Therefore, no distributions to preferential creditors are expected.

1. USD \$12,541,634 (as set out in the PFG Notice of Default and Acceleration of Debt) converted to GBP at Bank of England Spot Rate as at the Appointment Date. The director has converted this to £10,413,134 in the statement of affairs.

## Unsecured Creditors and Prescribed Part

### Unsecured creditors are expected to receive a small dividend via the Prescribed Part.

- 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 will be insufficient funds to repay the Secured Creditor in full in the Administration and as such a distribution to the unsecured creditors will only arise by virtue of the Prescribed Part.
- In the Statement of Affairs, the director estimated that non-preferential unsecured claims against the Company would be £169,416. However, we anticipate that the actual total will be higher, as the director's estimate does not include related party loans of £9m, and excludes additional trade creditor and consumer warranty claims.
- Based on current information, we believe the value of net property will be c.£145k, giving rise to a Prescribed Part fund of c.£32k. The estimated value of net property includes an assessment of future recoveries and the final level of costs, and therefore is subject to change.
- The Prescribed Part fund (once determined) will be distributed to unsecured creditors whose claims have been admitted for dividend purposes. A notice of our intention to make a distribution will be given closer to the time, which will set a deadline for creditors to submit their claims (if they haven't previously done so).
- The quantum of any dividend is dependent on both the value the Prescribed Part fund (as explained above) and the final level of admitted unsecured claims, the latter of which is subject to potential further consumer warranty claims.
- However, we estimate that the dividend will be less than one pence in the pound (1%). Please note that this guidance is only an indication and should not be used as the main basis of any bad debt provision. The amount distributed will be determined by the combination of the final level of realisations, costs and admitted creditor claims.
- As explained earlier, the related party loan creditors have agreed to receive non-cash Prescribed Part distributions in order to minimise the cash consideration from the Purchaser which has no impact on any creditor other than intercompany balances and the Secured Creditor.
- There is not expected to be any return to unsecured creditors other than by virtue of the Prescribed Part.

#### 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 will be a material shortfall to the Company's creditors.



# Key Matters Remaining

## Work We Still Need To Do

The remaining steps that need to be taken ahead of concluding the Administration are shown below, in addition to certain periodic statutory duties we must fulfil whilst we remain appointed.

Area	<p>Tax / VAT</p> 	<p>Secured Creditor</p> 	<p>Unsecured Creditors</p> 	<p>Winding-down</p> 
Work Required	<ul style="list-style-type: none"> <li>■ In conjunction with the FTI Tax team, we are preparing and will submit VAT and CT returns for both the pre-administration and post-administration periods.</li> <li>■ We will pay (or seek to recover) any amounts determined by the returns once submitted.</li> <li>■ We will seek tax clearance from HMRC prior to concluding the Administration.</li> </ul>	<ul style="list-style-type: none"> <li>■ We will continue in correspondence and regular contact with the Secured Creditor.</li> <li>■ A distribution to the Secured Creditor will be made as and when there are sufficient funds in the estate account to do so.</li> <li>■ We will ask the Secured Creditor to determine the time at which we will be discharged from liability to be when the Administration ends.</li> </ul>	<ul style="list-style-type: none"> <li>■ We will continue to respond to any queries from creditors regarding their claims or the Administration process.</li> <li>■ Creditor claims will be recorded and their details maintained on our system.</li> <li>■ We will issue a notice of an intended dividend at the relevant time and adjudicate all claims received.</li> <li>■ Payment of the Prescribed Part dividend will take place within two months after the deadline given to creditors for them to submit a claim.</li> </ul>	<ul style="list-style-type: none"> <li>■ We will progress any other matters required to wind-down the Company's affairs generally prior to the Administration concluding and the Company being dissolved.</li> <li>■ We do not anticipate needing an extension for the Administration process and will seek to close it before the anniversary of our appointment.</li> </ul>





# Appendices

## Appendix A: Statutory Information

**Company Name:** LIFX UK Limited

<b>Previous Name(s)</b>	N/A	<b>Administrators' Address</b>	FTI Consulting LLP, 200 Aldersgate, Aldersgate Street, London EC1A 4HD
<b>Trading Names(s)</b>	N/A	<b>Administrators' Recognised Professional Body</b>	ICAEW
<b>Registered Number</b>	09042811	<b>Functions of Administrators</b>	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.
<b>Date of Incorporation</b>	16 May 2014	<b>Appointment Date</b>	17 August 2022
<b>Registered Office</b>	c/o FTI Consulting LLP, 200 Aldersgate Street, London EC1A 4HD	<b>Appointer / Applicant</b>	Partners for Growth VI LP, as holder of a qualifying floating charge, pursuant to Paragraph 14 of Sch B1 IA86
<b>Former Registered Office</b>	The Business Resource Network, 53 Whateley's Drive, Kenilworth, CV8 2GY	<b>Objective being pursued</b>	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)
<b>Court Name / Address</b>	High Court of Justice, Business and Property Courts in Manchester, Insolvency and Companies List (ChD)	<b>EC Regulation</b>	"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
<b>Court Reference</b>	Number 000701 of 2022	<b>Changes in Administrator</b>	N/A
<b>Administrators' Names</b>	Samuel Alexander Ballinger, Christopher Jon Bennett and Matthew Boyd Callaghan	<b>Current Administration End Date</b>	16 August 2023

## Appendix B: Receipts and Payments Account

For the period from 17 August 2022 to 16 February 2023

GBP	Statement of affairs	Notes	From 17 August 2022 To 16 February 2023
<b>Floating Charge Receipts</b>			
Cash at Bank	Nil	3,4	122,248.88
Sale of Inventory	315,000	8	100,000.00
Debtor Receipts	14,102	2	4,974.58
Cash in Hand		5	744.00
Third Party Funds (Lifi Labs Inc)		6	231.84
Bank Interest			64.26
<b>Subtotal</b>	<b>329,102</b>		<b>228,263.56</b>
<b>Floating Charge Payments</b>			
Legal Fees		5	(21,638.00)
Storage Costs			(7,789.68)
Ransom Creditor			(7,610.09)
Insurance			(4,159.88)
Third Party Funds (Lifi Labs Inc)		6	(231.84)
Statutory Advertising			(95.00)
Bank Charges		3	(59.72)
Data Compliance			(40.00)
<b>Subtotal</b>			<b>(41,624.21)</b>
<b>Floating Charge Balance</b>			<b>186,639.35</b>
VAT receivable			(4,346.60)
<b>Distributions</b>			
Floating Charge Secured Creditor		8	(100,000.00)
<b>Funds held on an interest-bearing GBP account with Barclays</b>			<b>82,292.75</b>

## Appendix B: Receipts and Payments Account

For the period from 17 August 2022 to 16 February 2023

### 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 are provided in the Joint Administrators' Proposals and relate to receivables (£4,929), Cash at bank (£122,204), and VAT refunds (£6,362) that may be due to the Company.
2. The Statement of Affairs balance shown includes an amount of £3,400 in relation to the overseas tax deposit. Debtor Receipts in the Period are represented by the following:

Date	Debtor	Debt value	Exchange rate	GBP received
22 September 2022	PayPal	€4,958.37	0.86 £/€	£4,264.20
22 September 2022	PayPal	\$779.03	0.85 £/\$	£665.29
24 October 2022	Amazon (Germany)	€52.79	0.85 £/€	£45.09
<b>Total</b>				<b>£4,974.58</b>

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 have been shown separately in this receipts and payment account.
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.
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. 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.
7. No unsecured distributions have been made to date. The level of unsecured creditor liabilities shown has been taken from the director's the statement of affairs, but is considered to be understated as a result of additional warranty claims from consumers and intercompany debts.
8. The non-cash consideration for the sale of inventory has been included, offset by a notional distribution to the Secured Creditor, which is subject to adjustment depending on the level of costs.
9. All amounts are shown net of VAT unless otherwise stated.
10. Bank accounts are reconciled on a monthly basis.

## Appendix C: Joint Administrators' Remuneration and Expenses

**The basis of our remuneration has been approved by the Secured Creditor, although no fees have been drawn to date.**

### Basis of our remuneration

- In our Proposals, we confirmed that the Company had insufficient assets to repay the Secured Creditor and that a dividend for unsecured creditors would only arise by virtue of the statutory Prescribed Part fund.
- In such circumstances and in the absence of a creditors' committee, the basis of our remuneration needed to be determined by the Secured Creditor.
- Therefore, during the Period, 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.
- Earlier in this report and later in this Appendix, we have give a description of the work done by us and our staff during the Period.
- 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 have not yet drawn down any amount relating to our remuneration.

### Information on creditors' rights

- 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 Guidance Notes issued with Statement of Insolvency Practice 9, and they can be accessed at [www.fticonsulting.com/emea/cip/forms-and-information](http://www.fticonsulting.com/emea/cip/forms-and-information). Please refer to the version "Guide to Administrators Fees April 2021 England Wales".
- 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.

### Pre-Administration costs

- As mentioned in our Proposals, the Joint Administrators have not charged and will not be seeking to charge any fees in respect of the pre-Administration work performed.
- In addition, legal fees DLA incurred prior to our appointment were paid in advance by the Company, with a small surplus remaining that has been used in partial settlement of post-appointment legal fees, as detailed in Appendix B.

## 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"> <li>■ <b>Strategy and planning:</b> Devised and maintained appropriate strategies for achieving the purpose of the Administration, team meetings and documentation of key decisions in the administration.</li> <li>■ <b>Case reviews:</b> Conducted periodic reviews of the Administration, typically every three-months.</li> <li>■ <b>Financial Management:</b> Created and maintained estimated outcome statements.</li> <li>■ <b>Remuneration:</b> Provided information to creditors, and sought fee approval from the Secured Creditor in accordance with insolvency legislation requirements.</li> </ul>	<ul style="list-style-type: none"> <li>■ We performed our functions as quickly and efficiently as reasonably practicable in the best interests of the creditors as a whole.</li> <li>■ 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.</li> </ul>

## 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
Realising the Assets	<ul style="list-style-type: none"> <li>■ <b>Sale of assets:</b> Realised the Company's inventory and provided required post-transaction support to the Purchaser to arrange the shipment of the inventory.</li> <li>■ <b>Insurance:</b> Arranged 'open cover' insurance immediately on appointment, worked with our insurance brokers (Aon) to agree the scope of ongoing insurance requirements and managed the policies as required; including cancellation and payment of premiums.</li> <li>■ <b>Bonding:</b> Arranged specific penalty bonding for each of the Joint Administrators following their appointment and paid Aon the required premiums.</li> </ul>	<ul style="list-style-type: none"> <li>■ The sale of the Company's inventory provided a direct financial benefit for creditors and includes the work required after completion pursuant to the terms of the sale agreement.</li> <li>■ Insurance cover is a necessary financial loss protection for the Company, their creditors and the Administrators in respect of assets held (and any insurable risks arising) during the course of the Administration.</li> <li>■ Similar to insurance, bonding provides financial protection for preferential and unsecured creditors in respect of the actions of the insolvency practitioners and up to the value of the Companies assets estimated to be available for those classes of creditors. Bonding is a statutory requirement for all insolvency practitioners.</li> </ul>

## 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"> <li>■ <b>Secured creditors:</b> Provide periodic updates on the progress of the Administration and liaised with the Secured Creditor, especially in relation to the sale of the Company's inventory.</li> <li>■ <b>Creditor queries:</b> responded to inbound queries received to the extent possible and necessary.</li> <li>■ Maintained systems to record and maintain creditor details and claims received.</li> </ul>	<ul style="list-style-type: none"> <li>■ 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.</li> <li>■ 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.</li> </ul>



## 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"> <li>■ <b>VAT:</b> Notified HMRC and requested deregistration of the Company. We are waiting for HMRC to process the appointment before completing the required VAT returns.</li> <li>■ An initial review was performed by our internal Tax and VAT specialists in respect of a possible pre-appointment VAT claim.</li> <li>■ <b>Books and records:</b> Data capture of the Company's electronic records, taking possession of the books and other records likely to be required for the purpose of the Administration; including in respect of our duties to review the conduct of the directors.</li> <li>■ <b>Bank account management:</b> Opened bank accounts (under our control) for the purpose of depositing sale proceeds and other receipts, and paying expenses. Promptly closed the Euro account that was no longer required. All bank accounts have been reconciled on a monthly basis.</li> <li>■ <b>Receipts, payments and accounting journals:</b> Maintained adequate accounting records for the period of the Administration, including the payment of costs and expenses.</li> </ul>	<ul style="list-style-type: none"> <li>■ We have a statutory responsibility to complete and submit post-insolvency tax and VAT returns and account for any tax due.</li> <li>■ 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.</li> <li>■ 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.</li> <li>■ Opening bank accounts for the Administration avoids the costs and logistics of taking control of the Company's existing accounts. Regular reconciliations of the new accounts assist in maintaining accurate records for the Administration.</li> </ul>

## 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"> <li>■ <b>Initial letters and notices:</b> Issued all necessary correspondence following our appointment to: creditors, directors, Companies House, HMRC and others such as the Company's bankers.</li> <li>■ <b>Statement of affairs:</b> Requested statements from the directors, granted extensions to the deadline, responded to queries from the directors and filed the signed statement with Companies House.</li> <li>■ <b>Proposals:</b> Prepared and issued our Proposals (for achieving the purpose of the Administrations) to creditors, members and filed with Companies House. Gave notice of the approval of the Proposals to the above parties and the Court.</li> <li>■ <b>Progress reports:</b> Commenced preparations for this six-monthly progress report to creditors, including receipts and payments accounts.</li> <li>■ <b>CDDA and SIP2 Assessment:</b> Gathered information from the directors and other sources, conducting an initial assessment of the Company's affairs and the conduct of its current and former directors; and submitted information to the Insolvency Service (acting for the Secretary of State).</li> </ul>	<ul style="list-style-type: none"> <li>■ Due to the impact of insolvency on a company's creditors and members, there are statutory requirements to give notice of the appointment of administrators to affected parties. There is no financial benefit to creditors.</li> <li>■ The various other workstreams arise from statutory requirements due to the Company being in an insolvency process and similarly 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.</li> </ul>

## 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 have 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 will charge their fees is appropriate in the circumstances.
- 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 have 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"> <li>Legal advice on the appointment and the sale agreement</li> </ul>	Prior knowledge of the Company and experience in insolvency matters	Time costs and expenses
EPE Reynell	<ul style="list-style-type: none"> <li>Advertising appointment, dividend and other statutory notices</li> </ul>	Specialists in dealing with legal advertising	Standard tariff for Gazette notices
Aon UK Limited	<ul style="list-style-type: none"> <li>Statutory Bonding</li> </ul>	Experienced provider of insurance services to insolvency practitioners	Fixed premium
Aon UK Limited	<ul style="list-style-type: none"> <li>Insurance risk services</li> </ul>	Experienced provider of insurance services to insolvency practitioners	Insurance premiums
Tech Data	<ul style="list-style-type: none"> <li>Inventory Storage</li> </ul>	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	Incurring in the Period	Total incurred	Estimated future	Estimated total <sup>2</sup>	Expenses estimate <sup>1</sup>
Legal fees	21,638	21,638	2,362	24,000	31,888
Statutory Bonding	150	150	-	150	225
Statutory advertising	95	95	500	595	95
Bank charges	60	60	60	120	-
Insurance	4,160	4,160	-	4,160	3,000
Inventory Storage	7,790	7,790	-	7,790	15,000
Ransom Creditor <sup>3</sup>	7,610	7,610	-	7,610	-
Data Compliance	40	40	-	40	40
<b>Totals</b>	<b>41,618</b>	<b>41,618</b>	<b>2,810</b>	<b>44,428</b>	<b>50,248</b>

1. The expenses estimate was provided to creditors on 10 October 2022 in the Joint Administrators' Proposals.

2. Revised estimates are shown with total of £44,428.

3. Relates to outstanding invoices for the pre-Administration periods that were paid to Tech Data to facilitate the sale of the Company's inventory.

- Some expenses have exceeded initial estimates. This was attributed to a delay in the sale of inventory (and a requirement to settle an element of pre-appointment invoices for the inventory to be released) which was not an anticipated cost in the Administration. In addition, this meant open cover insurance was needed for a longer period.
- 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.
- We anticipate the Administration will incur additional expenses for statutory advertising, in relation to the declaration and payment of dividends to creditors.

## 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 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.**

### Opting Out of Correspondence

Creditors have the right to elect to opt out of receiving further communication about the insolvency procedure.

Any creditor may elect to become an opted-out creditor at any time, by delivering a dated notice of the request, in writing to me. An opted-out creditor remains as such for the duration of the proceedings unless the opt out is revoked by a further notice in writing, dated and delivered to us.

A creditor becomes (or ceases to be) an opted-out creditor when the notice is delivered to us.

The opt out will not apply to the following:

- a notice which the Insolvency Act 1986 requires to be delivered to all creditors without expressly excluding opted-out creditors;
- a notice of a change in the officeholder or a notice of a change in our contact details, or
- a notice of a dividend or proposed dividend or a notice which the court orders to be sent to all creditors or all creditors of a particular category to which the creditor belongs.

Opting-out will not affect a creditor's entitlement to receive dividends should any be paid to creditors or a creditors' rights to vote in a decision procedure or to participate in a deemed consent procedure, although any creditor who opts-out will not receive notice of it.

Any creditor who opts out will be treated as having opted out in respect of consecutive insolvency proceedings of a different kind in respect of the same company.

### 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.

#### 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 administration.

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 any other company in the Group].

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.

### 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.

#### 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 on our website at <https://www.fticonsulting-emea.com/~media/Files/emea--files/creditors-portal/cip-emea-forms-info/cip-data-privacy.pdf>



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