



To All Known Creditors and Members

LIFX UK Limited (in Administration)

Joint Administrators' Statement of Proposals

In accordance with Paragraph 49 of Schedule B1 to the Insolvency Act 1986 and Rule 3.35 of the Insolvency (England and Wales) Rules 2016

Table of Contents

Introduction	4
Background to the Administration	10
Our Strategy to Achieve the Purpose of the Administration	14
Estimated Outcomes for Creditors	17
The Administration Process	20
Appendices	23

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	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
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
the Company	LIFX UK Limited
the Group	Buddy Technologies Limited and all its subsidiaries
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
Proposals	This Joint Administrators' Statement of Proposals, including its appendices
Preferential Creditors	First ranking: Principally any employee claims for unpaid wages (max £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 of the Act
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.



Introduction

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.
- This is our statement of proposals for achieving the purpose of administration and includes:
 - a brief history of the Company;
 - the reasons why it is in Administration;
 - what the purpose of the Administration is;
 - how we expect to achieve that purpose;
 - an indication of the likely outcome for the various classes of creditors; and
 - how we envisage the Administration will be brought to an end.
- As set out in our notice to creditors dated 19 August 2022 and in accordance with Rule 1.50 IR16, these Proposals will be delivered to creditors by making them available on our website and with a deemed delivery date of 10 October 2022.
- We have also included certain legal notices regarding this report, our appointment and creditors' rights.
- If you are unfamiliar with insolvency, we have included a brief overview that you may wish to read before continuing to read this report.
- On the next page, we set out our key messages for creditors, then describe the manner in which these Proposals will be approved and any actions that creditors may wish to take.
- If you have any queries regarding the content of this report or if you want hard copies of any of the documents made available online, please contact us using the details provided on the right.

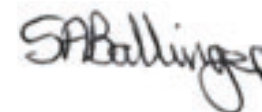
How to Contact Us

- Creditors and members can contact us using the preferred methods below:

Email: 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 this portal: www.ips-docs.com, and with the login details previously provided.



Signed: _____

Samuel Alexander Ballinger
Joint Administrator
Acting as agent and without personal liability

Key Messages

The Company's key assets are its stock which we are in the process of realising; and cash that we have recovered from its bank account. Unsecured creditors are invited to submit their claims as a small dividend is expected.

Our Work in the Administration

- The Company's main assets are its inventory of LIFX products held in a third party warehouse for direct order fulfilment; and cash held in its bank account at the time of our appointment.
- We are in the process of negotiating a sale of the Company's inventory to an interested party. A sale is expected within the next few weeks and further information will be provided to creditors in our first report on the progress of the Administration, in March 2023.
- We have recovered the cash balance of £127k held in the Company's pre-appointment bank account. Given the time it took to receive these funds, they include an element of debtor receipts. We have also written to the Company's debtors with regard to settlement of outstanding debts.
- Once we complete a sale of the inventory, there still remains a significant amount of work to do in the Administration. In broad terms, this is expected to include:
 - Pursue any potential further realisable assets, including the debtors;
 - Complete our initial assessment into the Company's affairs and the conduct of its directors, and submit our findings to BEIS;
 - Agree the claims of unsecured creditors and distribute the Prescribed Part fund;
 - Respond to creditor and other stakeholder queries as required;
 - Complete all statutory and compliance work arising as a consequence of our appointment, as described later; and
 - Report to any creditors' committee, should one be formed.
- In March 2023, we will update creditors on the progress of the Administration during the six months since our appointment, including the above matters.

Estimated Outcome for Creditors

- The following table shows our current estimates of the outcome for the various classes of creditors. Please note that this guidance is only an indication and should not be used as the main basis of any bad debt provision.

Creditor Class	Amount Owed	Estimated Recovery	Timing of Payment
■ Secured Creditors ¹	£10,413,180	0.2 – 0.6 %	1 - 2 months
■ Preferential Creditors	N/A	N/A	N/A
■ Unsecured Creditors	£9,344,764	0.1 – 0.2 %	2 - 4 months

Note 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 (£1 = \$1.2044)

- We have received a draft of the directors' statement of affairs showing the level of the Company's liabilities. This does not currently reflect intercompany loans or estimated to realise values. Therefore, the above estimates are based on initial information provided by the Company. Where a proof of debt has been received, we have used that amount rather than the amount reflected in the Company's books and records.
- We are also aware that consumer creditors may submit warranty claims, which are not currently reflected in the amount owed. Until we have received and adjudicated all claims and confirmed the costs of doing so (and the expenses of the Administration generally), we are unable to give a reliable estimate of the net amount available to distribute and the dividend that can be paid.
- Creditors have been invited to provide details of their claims and supporting information as soon as possible, using this portal: www.ips-docs.com, and with the login details previously provided.

Approval of these Proposals

These Proposals will be deemed approved within eight business days from the date they are delivered to creditors, unless we receive within that time period, a request from creditors to hold a decision procedure.

Objective of the Administration

- As administrators of the Company, we are officers of the Court and must perform our duties in the interests of the creditors as a whole in order to achieve the purpose of the Administration, which is to achieve one of the three objectives set out in the insolvency legislation, namely to:
 - a) rescue the Company as a going concern; or
 - b) achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration); or
 - c) realise property in order to make a distribution to one or more secured or preferential creditors.
- Given the quantum of the Company's liabilities, as well as its historical reliance on its parent company for financial support (which has entered into receivership and withdrawn its support), we concluded that it was not possible to rescue the Company as a going concern.
- Similarly, we also concluded that rescuing the Company using a Company Voluntary Arrangement or Restructuring Plan would not be achievable due to the specific purpose of the business being to distribute the Group's branded and licensed products to the local market, which would no longer be possible.
- In this case, we are therefore pursuing objective (b) because a rescue of the Company as a going concern was not considered likely, as detailed above.
- We are seeking to achieve objective (b) by conducting an orderly sale of the Company's assets. The statutory moratorium inherent in the Administration process has provided 'breathing room' for us to affect a sale of (and maximise realisations from) the Company's inventory (the principal asset), which we anticipate will be completed within the next few weeks following issuance of this report.

Approval of these Proposals

- The financial position of the Company means that it has insufficient assets to enable a dividend to be paid to non-preferential unsecured creditors other than by way of the Prescribed Part.
- As a result, we are prohibited by the insolvency legislation from seeking a decision from the creditors to consider these Proposals, in accordance with Paragraph 52(1)(b) Sch B1 IA86.
- However, a creditor, or creditors, whose debts amount to at least 10% of the total debts of the Company can require us to hold a decision procedure to enable creditors to consider whether or not to approve these Proposals and/or to consider such other decision as they see fit. Such a request must be received by us within eight business days from the date these Proposals are delivered to the creditors. If creditors do not require us hold a decision procedure within that time period, then these Proposals will be deemed to have been approved.
- Creditors should note that we need not initiate the decision procedure unless the creditor, or creditors, requisitioning the decision procedure provides us with such amount that we request from them to meet the expenses of the requisitioned decision procedure.
- If these Proposals are deemed to be approved in the manner described above, notice of that fact will be filed with the Registrar of Companies, the Court and delivered to creditors by making it available on our website at:

<https://www.fticonsulting.com/emea/cip/lifx-uk-limited>

Legal Notices

Creditors should read these important notices regarding this report and the appointment of joint administrators.

Agents of the Company

- 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) of the Insolvency Act 1986.

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 administrators' fees may be approved 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. Please refer to the version "Guide to Administrators Fees April 2021 England Wales".

Provision of Services Regulations

- To comply with the Provision of Services Regulations, some general information about FTI Consulting LLP, including about our complaints policy and Professional Indemnity Insurance, can be found online at: <https://www.fticonsulting.com/emea/cip>.

Insolvency Code of Ethics

- Administrators are bound by the Insolvency Code of Ethics which can be found online at: <https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics>

Data Protection

- 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>

About this report

- This report has been prepared by the Joint Administrators solely to comply with their statutory duties under insolvency law and regulation. 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.
- Any person that chooses to rely on this report for any purpose or in any context other than under the Insolvency Act 1986 and 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.

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 required 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). Safeguarding 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, compliance and minimise liabilities.
- Other work might include complying with any licensing, health and safety, data protection 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 those affected parties and keep them updated.
- The company's affairs and conduct of its directors must also be investigated to see whether any asset recovery (or other) actions can be taken.
- Whilst this work does not necessarily 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.

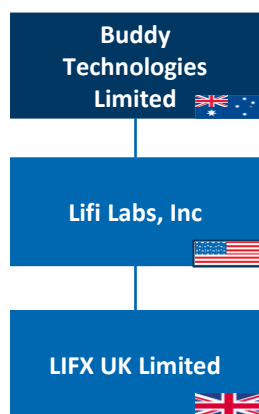


Background to the Administration

Brief History of the Company

Unless otherwise stated, this information has been provided the directors of the Company and it is not from our personal knowledge as administrators.

- LIFX UK Limited was incorporated 16 May 2014 and operated in retail sales directly to customers via mail order houses or the internet.
- The Company was acquired by Buddy Technologies in March 2019 and at the date of our appointment was responsible for the distribution of LIFX branded products in the UK and Europe. The Group structure extract below shows the Company's immediate parent is the US-registered company Lifi Labs, Inc, with Buddy Technologies as ultimate parent company.
- The Company distributed products through third party distributors and third party logistics providers. Inventory was located in the UK and Czech Republic.
- The Company had no employees and therefore had no pension scheme.
- All systems and intellectual property assets were managed and owned by Buddy Technologies.
- Similarly, the Company was reliant on financial support from Buddy Technologies, which was placed into receivership on 13 April 2022, with the Secured Creditor indicating (at the time) that ongoing financial support would be provided.



Key

- Holding Company
- Trading Company

- A summary of the Company's recent financial performance is shown below. It should be noted that the management accounts have not been verified for accuracy and therefore may not reflect the Company's true position.

£'000	Mgmt Accounts 2022 m/e Jun	Statutory Accounts 2020 y/e Jun	Statutory Accounts 2019 y/e May	Restated Statutory Accounts 2018 y/e May
Assets	1,643	2,355	2,660	837
Liabilities	(9,162)	(7,090)	(5,572)	(2,439)
Shareholders' Deficit	(7,519)	(4,735)	(2,912)	(1,602)
Net Profit/Loss after tax	25¹	(1,768)	(1,310)	(910)

Note 1: current year earnings detailed in the management accounts

- Audited accounts for the period ending June 2021 were due to be filed by March 2022. We understand that work commenced to prepare these, but that they were not finalised due to the financial position facing the Group and appointment of receivers.
- LIFX UK has not reported a profit since its incorporation. We understand that losses were funded via intercompany loans, with the parent company providing confirmation of ongoing support as and when required.
- The Company's liabilities, which included payables related to its day-to-day operations as well as obligations under the debenture held by Partners for Growth VI L.P., have exceeded the Company's assets in recent years, as illustrated by the Shareholders' Deficit above.

Events Leading up to the Administration

The Company was wholly dependent on parent company support. That support was withdrawn following the parent company entering receivership.

- As stated earlier, the Company was formed to facilitate the sale and distribution of LIFX products to the UK and EU markets. Since its inception in 2014, the Company has not operated profitably with reported retained losses totalling £4.7m at June 2020.
- The Company was wholly dependent on ongoing parent company support to fund ongoing trading. It was also reliant on other Group companies for the supply of products.
- Buddy Technologies, the Company's ultimate parent also operated at a loss in 2019 and 2020 and reported that the Group's ability to continue as a going concern was dependent on creditor discussions to extend payment terms and the ability to raise further funds.
- On 4 January 2021, 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.
- However, on 13 April 2022, Buddy Technologies entered Receivership with David McGrath and Christopher Hill of FTI Consulting Australia appointed joint and several Receivers and Managers, pursuant to security held by the Secured Creditor. At that time, the Secured Creditor confirmed the availability of ongoing funding for the Company, and no call was made on the outstanding debt at that time.
- As a consequence of being placed into Receivership, Buddy Technologies' shares were suspended from the ASX.
- On 27 July 2022, Martin Carroll resigned as director of the Company, leaving David McLauchlan as the sole registered director.
- On 3 August 2022, the majority of the Group (not including LIFX UK Limited) was sold to Feit Electric Company Inc, a US based electronics business. Following the acquisition, the purchaser continues 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.
- It was considered appropriate to place the Company into an Administration process rather than a CVL, as the statutory moratorium inherent in the Administration process would provide 'breathing space' for us to sell the inventory in an orderly manner such that its value could be maximised for creditors.
- Additionally, we noted potential difficulties in facilitating a CVL appointment as legislation requires a quorate board meeting, which was not possible at the time given the resignation of Martin Carroll in late July 2022.
- Details of our prior involvement with the Company are set out in Appendix B.

Pre-Administration Costs

No fees or expenses were charged in respect of work done with a view to the Company entering Administration. Therefore, there are no unpaid costs that could have been paid as an expense of the Administration.

- Pre-Administration costs are fees charged and expenses incurred by the administrators (or another insolvency practitioner) before a company enters Administration but with a view to it doing so.
- The Company was placed into Administration on 17 August 2022 by the Secured Creditor pursuant to its floating charge. The sole director was made aware of the intention to appoint administrators.

Fees charged by the administrators

- Given the financial circumstances of the Company, the work performed by FTI Consulting LLP (the UK firm) prior to the Administration of the Company, centred around preparations for the Administration and our appointment as joint administrators, as it was clear from the Secured Creditor's position that an insolvency appointment would be the most likely outcome.
- In the circumstances of this case, we have not charged (and we are not seeking to charge) any fees in respect of the pre-Administration work performed.
- We spent some time prior to our appointment performing work that could have been done after our appointment, including the preparation of certain initial letters and notices required by insolvency legislation. As above, we did not seek (and will not be seeking) to charge for this work.
- We believe that the work done prior to appointment will mitigate the costs of the Administration process and it enabled the Company to be placed into Administration in an orderly manner with a strategy that would help the purpose of the Administration to be achieved.

Expenses incurred by the administrators

- We understand that legal advisors DLA were engaged prior to our appointment by the Company's director. DLA provided advice to the director in respect of a potential insolvency and the management of the Company both immediately prior to, and shortly after the appointment. DLA also undertook some work relating to the appointment itself, including the security and validity review.
- DLA were not engaged by the proposed administrators and therefore the costs incurred prior to the appointment are not expenses of the administrators for the purpose of insolvency law disclosure requirements in relation to pre-Administration costs.
- DLA hold monies on account in lieu of fees, which will be used to settle the pre-appointment costs incurred by them. We are liaising with DLA to understand the final cost position and to recover any surplus funds on behalf of the Company, although a material surplus is not currently expected.
- To the best of our knowledge and belief, no fees or expenses were charged by any other insolvency practitioner.



Our Strategy to Achieve the Purpose of the Administration

Strategy and Sale of Inventory

Realisations from the UK entity's inventory and cash in bank accounts are the principal sources of recoveries for creditors and are expected to be completed in the near future.

Strategy

- We explained earlier the reasons why the Company entered Administration and how we think the objective of the Administration will be achieved. This principally involves maximising realisations from the Company's inventory (located in the UK and Czech Republic) under the protection of the statutory moratorium on creditors actions against the Company.
- The Company's other assets will be realised in the ordinary course of our work and to the extent possible, including unpaid debts and cash held in the Company's bank accounts.
- Realisations from the Company's assets will be used to discharge the costs of the Administration with any surplus distributed to creditors in accordance with their security entitlements and statutory priority. Our current estimates of the outcome for creditors were set out earlier and in further detail in the next section.
- The Company's affairs have been (and will be) managed by us as joint administrators. The Company has no employees and no involvement of the sole director is expected. We will be supported by internal specialists (for example on tax and VAT matters) and third party professionals and subcontractors as required. Further details of these third parties and their expenses is set out in our Remuneration Report in the appendix.

Sale of the Inventory

- On appointment, we discussed with the director and former director the possible purchasers of the inventory to achieve best value in any sale.
- We have taken steps to market the stock to several retailers in the UK and EU, identified both by the directors and through our contacts who specialise in selling assets in an insolvency.
- We identified a number of parties with potential interest in the Company's inventory and this interest is continuing to be explored with a view to potentially completing a sale in the near future.
- Based on discussions with these parties and it is anticipated that a sale of inventory would likely occur at a significant discount on book value. To avoid prejudicing ongoing discussions, we will provide further details of the transaction once it has completed and in our next report to creditors.

Actions to Date and our Future Work

Our work broadly falls into four categories: realising the assets, dealing with creditor claims, managing the Company's affairs and fulfilling our statutory obligations as joint administrators.

Actions to Date

- The following is a summary of the key actions taken following our appointment. It is not intended to be an exhaustive list of all the work we have performed.
- **Statutory Compliance** – in accordance with legislation and best practice, we have finalised and issued all requisite letters and notifications regarding our appointment as administrators. This includes giving notice to the Company's director of the requirement for him to prepare a Statement of the Company's Affairs.
- **Sale of the Inventory** – we have made enquiries into the composition and location of the stock and corresponded with potential interested parties with regards to any interest in acquiring it.
- **Cash at Bank** – we have recovered cash from various of the Company's bank accounts, totalling £127k as shown on the enclosed receipts and payments account (inclusive of debtor receipts of (£4.9k). The work was more time consuming than expected due to bespoke banking arrangements, with various accounts held in both Europe and the US. Once we had located the accounts, it took several weeks of engagement with the bank's legal team before the funds were released to us.
- **Book Debts** – we have written to all debtors detailed in the Company's records, seeking payment of outstanding balances. Initial conversations with debtors indicate that some amounts may not be receivable, with others proving unresponsive. Additionally, the Company operated an automatic ordering system with its key clients, that created a receivable at the time the order was placed. Where items were not delivered in the lead up to our appointment, these debts will not be recoverable. We will continue to pursue recoveries to the extent these are commercial, however we expect minimal recoveries from book debts.
- **Books and Records** – we have been making enquiries into the extent and location of the Company's records, in particular whether any of the customer's personal data may be held by the Company. Our findings indicate that in most cases, customers provided their details to the third party order fulfilment intermediaries, however some direct sales were made. In these cases, the Company holds personal information for customers and are taking the appropriate action in accordance with regulatory and legislative requirements. We have also been taking possession (or copies) of electronic records held by the Group and other agents.
- **Managing the Company's Affairs** – we have been making enquiries and assessing the position in respect of the WEEE EU Directive, the Company's VAT and tax affairs (in the UK and EU); and confirming that the Company has no obligations under any pension scheme.

- **Dealing with Creditors and Stakeholders** - we have corresponded with various creditors and potential creditors with regards to their claims and potential claims and set up the Turnkey Insolvency Portal through which creditors can submit their claims.

Anticipated Future Work

- The following is a summary of the key areas of work still to be undertaken or concluded, before the Administration can be brought to an end. It is not intended to be an exhaustive list of all the work we may do.
- **Statutory Compliance** – we will continue to fulfil our ongoing and periodic statutory requirements including issuing progress reports to creditors and regular internal case reviews to ensure the case is progressing cost effectively.
- **Investigation into the Company's Affairs** – we will conclude our initial assessment into the Company's affairs and the conduct of its directors, and submit our findings to BEIS. We will also take any necessary further steps or recovery actions highlighted by our findings.
- **Sale of the Inventory** – we will progress and complete a sale of the stock and update creditors on the outcome in our first progress report on the Administration.
- **Book Debts** – we will pursue and recover the unpaid debts where it continues to be economically beneficial to do so.
- **Books and Records** – we will complete our ongoing enquiries into the extent and location of any further records and take appropriate action to safeguard or dispose of them.
- **Managing the Company's Affairs** – we will fulfil the Company's ongoing obligations in respect of any tax, VAT or similar matters and conclude these affairs prior to the end of the Administration.
- **Dealing with Creditors and Stakeholders** - we will continue to correspond with creditors for the purpose of adjudicating their claims and distributing the Prescribed Part fund to them; which includes issuing statutory notices in respect of the available dividends. We will also keep the Secured Creditor informed on the progress of our work as it is the party with the primary financial interest in the Administration.
- We will do all such other things in order to wind-down the Company's affairs in an orderly manner prior to the Administration coming to an end.



Estimated Outcomes for Creditors

Estimated Outcomes

We expect returns to the Secured Creditor to be between 0.2% and 0.6% of the outstanding Group debt. No preferential creditors have been identified in the Administration.

Secured Creditor

- The outstanding Group debt due to the Secured Creditor as at the date of our appointment is c.£10.4m and is secured by fixed and floating charges over the entirety of the Company's assets.
- DLA undertook a review of the security and confirmed the validity of the Secured Creditor's security. We have considered DLA's review and agree with their findings.
- We expect the Secured Creditor to 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 key assets.
- In addition, the Secured Creditor may receive an indirect benefit from the Prescribed Part in respect of unsecured claims (for intercompany loans) made by Group companies and anticipated dividends to them from the Prescribed Part fund. We understand that the Secured Creditor has an interest in these entities.
- No distributions have been made to date. We anticipate being in a position to make an initial distribution to the Secured Creditor shortly following the sale of the stock.
- The Prescribed Part distribution is likely to be made in the following two to four months and will include the statutory minimum notice periods for creditors in respect of these distributions.

Preferential Creditors

- As there are no employees in the entity and no known outstanding amounts due to HMRC (that may rank preferentially), we do not expect there to be any preferential creditors.

What are 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.

Estimated Outcomes

The Prescribed Part provisions will enable unsecured creditors to recover a proportion of their claim. A small dividend is expected and is currently estimated at between 0.1% and 0.2%.

Unsecured Creditors

- In an administration, dividends may become available for unsecured creditors from two sources:
 - The statutory (ring-fenced) Prescribed Part fund; and/or
 - The surplus remaining after any secured and preferential creditors have been repaid in full.
- The Prescribed Part provisions apply in this case as there is a floating charge created on or after 15 September 2003, in accordance with the legislation detailed opposite.
- Based on current information, we believe there will be a small Prescribed Part dividend for unsecured creditors.
- If we think the costs of agreeing claims and paying a Prescribed Part dividend will be disproportionate to the benefits, we can apply for a court order not to pay the Prescribed Part to unsecured creditors. However, we do not expect such an application will be necessary.
- We estimate that the Company's net property will be c.£77k resulting in a Prescribed Part fund of c.£18k. Based on the estimated level of unsecured claims, this equates to a dividend of between 0.1% and 0.2%.
- Please note that our estimates depend on future realisations, costs and expenses of the Administration and the level of admitted claims against the Company. Therefore, this guidance is only an indication and should not be used as the main basis for any bad debt provisions or debt trading.
- We do not believe there will be any dividend for unsecured creditors in addition to the Prescribed Part.
- As stated earlier, the Prescribed Part distribution is likely to be made in the following two to four months.

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 (achieved from floating charge asset realisations) must be made available for the benefit of the Company's unsecured creditors.
- The Prescribed Part applies where there are net floating charge realisations (i.e. after costs of realisation) and 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 as the floating charge was created on or after 6 April 2020 or (while created prior to) ranks equally with or after a floating charge created on or after 6 April 2020.

Shareholders

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



The Administration Process

Matters Relating to the Administration Process

We do not anticipate extending the Administration beyond the statutory one year period and expect to end the Administration in accordance with one of the exit routes set out below.

Extension to the Period of Administration

- Insolvency legislation sets a 12-month maximum duration for Administrations, unless the duration is extended by the Court or the creditors. If we are unable to complete the Administration of the Company within 12 months, then we will either apply to the Court, or seek a decision from the creditors to extend the duration of the Administration.
- At the present time, we do not anticipate extending the Administration period beyond the 12-month maximum duration.

Ending the Administration

- The manner in which an Administration ends usually depends on the outcome of the Administration. In this case and because we do not expect a dividend to be available for unsecured creditors (other than from the Prescribed Part), the mostly likely exit route is one of the following:
 - a) The Administration will end by filing notice of dissolution with the Registrar of Companies. The Company will then automatically be dissolved by the Registrar of Companies three months after the notice is registered. 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, we will be discharged from liability in respect of any of our actions as joint administrators at a time decided by the Secured Creditor or the Court.
- We will seek this approval separately and at the appropriate time. We are likely to propose that we should be discharged from liability at the time our appointment as joint administrators ceases to have effect.

Matters Relating to the Administration Process

Due to the nature of the Company's financial position, the Secured Creditor (in the absence of a creditors' committee) will be required to approve our fees and certain categories of expenses.

Administrators' Remuneration

- We are proposing that our fees be fixed as a set amount (a fixed fee) in the sum of £60k.
- We may also seek to recover disbursements relating to costs incurred (or services provided) by our firm in connection with the Administration at this time.
- It will be up to the creditors' committee to fix the basis of our fees and Category 2 expenses (as defined by SIP9). If there is no committee, and because we do not expect a dividend to unsecured creditors (other than via the Prescribed Part), we will ask the Secured Creditor to do so instead and at the appropriate time.
- If the Secured Creditor or the committee does not fix the basis of our fees and Category 2 expenses, we may apply to the Court to fix them no later than 18 months after the date of our appointment.
- Before the basis of our remuneration can be approved, we must provide all creditors with the following:
 - Details of the work we have done and propose to do; and
 - Details of the expenses we expect to incur.
- This information is contained earlier in these Proposals and in our Remuneration Report which is enclosed as an Appendix.

Director's Statement of Affairs

- The director has provided a draft statement of affairs for the Company. This does not currently reflect the intercompany loans or estimated to realise values. We are working with the director to finalise the statement of affairs.
- Once finalised, a copy will then be filed at Companies House.
- For the purpose of these Proposals and as required by insolvency legislation (in the absence of a completed statement of affairs), we have provided in Appendix D our estimate of the financial position of the Company on the date of our appointment.
- As also required by law and based on the information currently available to us, details of the creditors' names, addresses and debts (including details of any security held) have been provided in Appendix E.

Directors' Conduct and Investigations

- We have a duty to investigate the affairs of the Company to establish if there are any actions that can be pursued for the benefit of creditors as a whole and also to review the conduct of the directors. In this latter respect, we must submit a confidential report to the Secretary of State (BEIS) regarding the conduct of all directors and shadow directors who were in office during the three years before the Administration.
- We are also required to investigate the affairs of the Company in general, in order to consider whether any civil proceedings should be taken on its behalf.
- To date, we have not identified any matters requiring further investigation, nor have we identified any matters of concern.
- If creditors wish to bring to our attention any matters that may merit investigation, they should contact us using the details provided at the beginning of this report.



Appendices

Appendix A: Statutory Information

Details in relation to the Company and the Administration in accordance with Rule 3.35 IR16 and in order to identify the Administration proceedings.

Company Information	Details
■ Company name:	■ LIFX UK Limited
■ Company number:	■ 09042811
■ Date of incorporation:	■ 16 May 2014
■ Current registered office:	■ C/O FTI Consulting LLP, 200 Aldersgate Street, London, EC1A 4HD
■ Former registered office:	■ The Business Resource Network, 53 Whateley's Drive, Kenilworth, CV8 2GY
■ Principal trading activity:	■ Retail sale via mail order houses or via Internet
■ Administrators:	■ Samuel Alexander Ballinger, Christopher Jon Bennett, Matthew Boyd Callaghan
■ Administrators' address:	■ LIFX UK Limited c/o FTI Consulting LLP, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD
■ Date of appointment:	■ 17 August 2022
■ Court name and reference:	■ High Court of Justice, Business and Property Courts in Manchester, Insolvency and Companies List (ChD), Number 000701 of 2022

Company Information	Details
■ Appointment made by:	■ Partners for Growth VI L.P.
■ Actions of Administrators:	■ The Joint Administrators are authorised to act either jointly or separately
■ Officers of the Company:	■ David Peter McLauchlan
■ Company Secretary:	■ None
■ Shareholdings held by the directors and company secretary:	■ None – the entire share capital was indirectly held by Buddy Technologies Limited, the ultimate parent company
■ EU Regulation on Insolvency Proceedings:	■ We consider that these are “COMI proceedings” since the Company’s registered office is in the United Kingdom, such that its centre of main interest is in the United Kingdom

Appendix B: Ethics and Our Pre-Appointment Role

We reviewed our prior involvement with the Company and concluded that we could meet the ethical requirements expected of us.

Ethical Code

- Whilst not formally in office at that time, we were still required to act in our dealings with the Company in accordance with the Insolvency Code of Ethics, which can be found at: <https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics>.
- As required by the Insolvency Code of Ethics, we considered the various potential threats to the fundamental principles arising from this prior involvement.

Pre-Appointment Role

- Insolvency practitioners from FTI Consulting Australia were appointed receivers and managers of Buddy Technologies (the ultimate parent company of the Group) in April 2022. As part of their work, the receivers identified that LIFX UK Limited may be facing insolvency as a result of the receivership and withdrawal of parent and Group company support.
- In early August 2022, FTI Consulting LLP was contacted by the receivers in order to consider the circumstances facing the Company. Discussions were held with the Secured Creditor and the Director as part of understanding the Company's position and evaluating its options, including which insolvency process would be necessary (and possible) if one were to be required and in order to protect the creditors' interests.
- The director of the Company confirmed that he did not object to the appointment of insolvency practitioners from FTI Consulting LLP.
- We did not give advice to the director regarding the impact of the insolvency of the Company on his personal position or financial affairs.
- We noted that perceived threats to the fundamental principles of the ethical code could arise in a handful of areas, which are summarised opposite together with the relevant safeguards or reasons why we concluded that no threat existed.
- We concluded that those threats were at an acceptable level such that we could act objectively and hence could be appointed as joint administrators of the Company.
- Our appointment was likely to be made by the Secured Creditor that had recently appointed the receivers from an FTI network firm.
 - We did not have a significant prior professional relationship with the Secured Creditor;
 - The sale of key assets would include third-party valuations, and/or market testing, or appropriate reference to the cost of the assets; and we would be supported by a suitably qualified and insolvency experienced law firm in any transaction;
 - We have significant prior experience of connected party transactions and protecting the interests of creditors; and have a duty to disclose and justify the details of any transaction to creditors; and
 - Therefore, we did not perceive any familiarity or intimidation threats in this case.
- Receivers from an FTI network firm were appointed to the ultimate parent company.
 - We have no duty to review the affairs of the parent company, the circumstances surrounding the appointment of receivers or work done by them; and the receivers would not be involved in the Administration;
 - Any unsecured claim against the Company submitted by the receivers of the parent company would be adjudicated in the normal manner by us and not by the receivers; it is common for intercompany claims to exist in group insolvency situations; and
 - Therefore, we did not perceive any material self-interest or self-review threats.
- Other common safeguards will also apply generally:
 - Disclosures are required to creditors and others regarding our pre-appointment role, post-appointment work and our remuneration.
 - Keeping contemporaneous notes of all key decisions;
 - Consultation (where required) with third parties such as any creditors committee, professional body, or other insolvency practitioners; and obtaining legal advice from a solicitor or barrister with appropriate experience and expertise; and
 - A regular review of the application of any necessary safeguards.

Appendix C: Receipts and Payments Account

This is a summary of our receipts and payments since the date of our appointment to 4 October 2022.

GBP	Notes	LIFX UK Limited 17 Aug 2022 - 04 Oct 2022
Floating Charge Receipts		
Cash GBP	1,2	122,204
Debtor Receipts	3	4,929
Subtotal		127,133
Floating Charge Payments		
Subtotal	4	-
Floating Charge Balance		127,133

Notes to the Account

1. Excludes amount received from the pre-appointment accounts which we believe relates to Lifi Labs, Inc. This money is currently in the Administration accounts, however it will be returned shortly.
2. Recoveries are comprised of €16,750 in the Company's pre-appointment EUR account and £104,760 in the pre-appointment GBP account. The Euro amount was received in GBP with an implied exchange rate of 0.86 EUR to 1.00 GBP (rate taken as at the date when funds were received: 22 September 2022).
3. Debtor Receipts comprised of €4,958.37 and \$779.03 from PayPal. These amounts were received in GBP with an implied exchange rate of 0.86 EUR and 0.854 USD to 1.00 GBP respectively.
4. Some expenses have been incurred but not yet paid. Additional detail on expenses are set out in Appendix F.

Appendix D: Estimated Financial Position

In the absence of a completed statement of affairs, an estimate of the Company's financial position at the date of our appointment has been prepared.

Summary of assets			
		Book Value	Estimated to Realise
Assets subject to fixed charge			
Total fixed assets		-	-
Assets subject to floating charge			
Point of sale displays	1	16,984	-
Inventory	2	549,183	54,918
Debtors	3	909,308	4,929
Cash and cash equivalents	4	8,636	122,204
Tax deposit	5	17,659	4,415
VAT refund	6	140,776	6,362
Total assets subject to floating charge		1,642,546	192,828
Estimated total assets available for preferential creditors		1,642,546	192,828
Liabilities			
Ordinary preferential creditors (employees):	7	-	-
Estimate (deficiency)/surplus as regards ordinary preferential creditors		-	-
Secondary preferential creditors (HMRC)	7	-	-
Estimate deficiency/surplus as regards secondary preferential creditors		-	-
Estimated prescribed part of net property	8	-	18,340
Estimated total assets available for floating charge holders		-	174,488
Debt secured by floating charge	9	-	(10,413,180)
Estimate (deficiency)/surplus of assets after floating charges		-	(10,238,692)
Total assets available to unsecured creditors			(10,238,692)
Unsecured non-preferential claims			
Trade creditors	10	(62,779)	(178,239)
Consumer creditors	11	0	(50,000)
Intercompany loans	12	(9,099,482)	(9,116,157)
Estimate (deficiency)/surplus as regards unsecured creditors			(9,326,057)
Shortfall to floating charge holders			(10,238,692)
Estimate (deficiency)/surplus as regards unsecured creditors		-	(19,546,409)
Issued and called up capital			12
Estimated total deficiency/surplus as regard members		-	(19,546,397)

We have received a draft of the director's statement of affairs showing the Company's liabilities. This does not reflect intercompany loans or estimated to realise values. Therefore, we have provided the below estimates based on the information provided by the Company. These estimates are based on the financial records of the Company and we have not performed any audit or verification work on them.

Notes

1. We have been advised that the point of sale displays were specialised LIFX displays that could not be repurposed and had no residual value.
2. Inventory has been estimated at 10% of book value based on initial discussion with interested parties.
3. 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. Where items were not delivered prior to our appointment, these debts will not be recoverable. The Company also had intercompany loans with group entities that are in insolvency processes. These amounts are not expected to be recovered.
4. Cash received from the pre-appointment bank account (see Note 6).
5. This reflects an amount held on deposit in the Netherlands. We have estimated a 25% chance of realising this amount.
6. A VAT refund was received pre-appointment and included in the cash balance. An additional refund may be due to the Company, which we are seeking to realise.
7. We understand there are no preferential creditors.
8. Prescribed part calculated on net property (i.e. asset realisations after costs)
9. 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.
10. Trade creditors detailed in the Company's records, as well as negative receivable balances that claims may be received for.
11. Illustrative estimate for consumer creditors claiming for warranties or defects.
12. Intercompany loan amounts, supported by proofs of debts received.

Appendix E: Company Creditors

Included below is a full list of the Company's creditors in the absence of a submitted Statement of Affairs, in accordance with Rule 3.35(1)(i).

Name	Postal Address	Amount of debt (GBP)	Details of Security	Date security given	Value of security
Partners for Growth VI L.P.	1751 Tiburon Blvd, Tiburon, CA 94920	10,413,180.00	See note 1	04 January 2021	58,359
Amazon Online Germany GmbH	Domagkstr, 28, 80807 München, Deutschland	3,697.73	n/a	n/a	n/a
Avalara Europe Limited	Lanchester House, 1st Floor, Trafalgar Place, Brighton, United Kingdom, BN1 4FU	453.84	n/a	n/a	n/a
Companies House	Companies House, Crown Way, Cardiff, CF14 3UZ	4,500.00	n/a	n/a	n/a
Comtec	Cardinal Waym Cardinal Distribution Park, Godmanchester, Huntingdon, PE29 2XJ	1,725.60	n/a	n/a	n/a
DHL Express	Southern Hub, Unit 1 Horton Road, Colnbrook, Berkshire, SL30BB	130.65	n/a	n/a	n/a
DVR	Unit 1 Bentalls Business Park, Bentalls Pippis Hill, Basildon, Essex, SS14 3BN	1,399.78	n/a	n/a	n/a
EUVAT1 Netherlands BV	Leenderweg 331, 5643 AL Eindhoven, The Netherlands	5,067.97	n/a	n/a	n/a
HM Revenue & Customs	HM Revenue and Customs, CT Services, United Kingdom, BX9 1AX	500.00	n/a	n/a	n/a
LSM Global Ltd	LSM Global LTD, 59-60 Thames Street, Windsor, SL4 1TX	5,570.41	n/a	n/a	n/a

1. Loan and Security Agreement between various LIFX/Buddy Entities and Partners for Growth VI L.P. to which the Company is guarantor

Appendix E: Company Creditors

Included below is a full list of the Company's creditors in the absence of a submitted Statement of Affairs, in accordance with Rule 3.35(1)(i).

Name	Postal Address	Amount of debt (GBP)	Details of Security	Date security given	Value of security
Ranieri PR Ltd	Westgate House, 9 Holborn, London, England, EC1N 2LL	12,900.00	n/a	n/a	n/a
Related	Immercad 7, 1, DK-8000	2,339.00	n/a	n/a	n/a
SPS Commerce	Strawinskylaan 4117, 1077 ZX Amsterdam, Netherlands	599.41	n/a	n/a	n/a
Take-e-way GmbH	Take-e-way GmbH, Schlosstr. 8 d-e, 22041 Hamburg, Germany	7,236.14	n/a	n/a	n/a
Tech Data International	Tech Data Corporation, 5350 Tech Data Dr, Clearwater, FL 33760, United States of America	1,376.06	n/a	n/a	n/a
Womble Bond Dickinson	4 More London Riverside, London, UK, SE1 2AU	16,069.00	n/a	n/a	n/a
Lifi Labs Inc	7 Cubitt Street, Richmond Victoria, C3, 3121, Australia	8,832,149.87	n/a	n/a	n/a
Lifi Labs Management Pty Ltd	105-115 Dover St Richmond, Victoria, 3121 Australia	267,332.23	n/a	n/a	n/a
Exertis UK Ltd	Technology House, Magnesium Way, Hapton, BB12 7BF	59,808.87	n/a	n/a	n/a

Appendix E: Company Creditors

Included below is a full list of the Company's creditors in the absence of a submitted Statement of Affairs, in accordance with Rule 3.35(1)(i).

Name	Postal Address	Amount of debt (GBP)	Details of Security	Date security given	Value of security
Paul Brennan	Withheld	31.00	n/a	n/a	n/a
Tech Data International Sàrl	Rte des Avouillons 30, Gland, 1196, Switzerland	52,008.69	n/a	n/a	n/a
Thames Distribution Ltd	8 Horsehoe Park, Pangbourne, Reading, RG8 7JW	2,825.29	n/a	n/a	n/a
Total		19,690,901.54			

Appendix F: Remuneration Report

Before the basis of our remuneration can be fixed, we are required to provide all creditors with certain information on the proposed basis of our fees, estimates of expenses and details of the work we intend to do.

Requirement for Fee Approval

- When a company enters a formal insolvency process under the control of an insolvency practitioner, the costs of the proceedings are paid out of the assets of the company and include the insolvency practitioner's fees and expenses.
- We must seek approval to the basis of our fees and certain categories of expenses before they are paid. Approval must be sought from the appropriate class(es) of creditors or the court, as determined by insolvency law and the circumstances of the case.
- In this case, the basis of our fees and expenses will be fixed by the Secured Creditor, unless a creditors' committee is appointed.

Information Provided in this Remuneration Report

- We have set out the proposed basis for our remuneration and how this will be funded, together with details of the expenses expected to be incurred.
- We refer you to earlier sections of these Proposals for details of the work we expect to do as joint administrators.
- This Remuneration Report should be read in conjunction with the remainder of these Proposals. An update on our remuneration and expenses will be provided in our reports to creditors on the progress of the Administration.

Action Required By Creditors

- Please read this report carefully and contact us if you have any questions regarding the approval of our remuneration or in connection with the Administration generally, or if you would like hard copies of any of the documents made available online.
- As explained earlier in this report, in the circumstances of the Administration and if no creditors' committee is formed, the basis of our remuneration and certain categories of disbursements will be determined by the Secured Creditor only.
- Therefore, **the information contained in this Appendix is for information purposes only and creditors do not need to take any action.**
- The Secured Creditor has agreed to the basis of fees proposed and we will seek formal confirmation as required by insolvency legislation, shortly after these Proposals are approved.

Appendix F: Remuneration Report

We are proposing that our remuneration for acting as joint administrators is to be a set (fixed) amount. This has been agreed in principal with the Secured Creditor.

Insolvency Legislation

- Insolvency law allows fees to be calculated in the three ways set out below. Different bases (or a combination of them) can be used for different parts of the work.
 - As a percentage of the value of the property realised and/or distributed (often referred to as a “percentage basis”).
 - By reference to the time properly given by the office-holders and their staff in attending to the matters arising (“time cost basis”); or
 - A set amount (a fixed fee).
- The office-holders must seek approval to the proposed basis (or combination of bases) and provide sufficient supporting information in order for the fee approving body to decide whether it represents the most appropriate mechanism in the circumstances of the case. This information must include details of the expenses the office-holders consider will be (or are likely to be) incurred and the work the office-holders propose to undertake.
- Insolvency law says that in determining the basis of remuneration, regard must be had to the following:
 - The complexity (or otherwise) of the case;
 - Any exceptional responsibility falling on the office-holders;
 - The effectiveness with which the office-holders are carrying out, or have carried out, their duties; and
 - The value and nature of the property with which the office-holders have to deal.
- If any part of the remuneration is intended to be taken on a time cost basis, the office-holders must also provide a fees estimate to all creditors, containing:
 - the hourly charge-out rate(s) proposed for each part of that work;
 - the time the office-holders anticipate each part of that work will take; and
 - whether (and if so, why) the office-holders anticipate it will be necessary to seek further approval to exceed the fee estimate.

Proposed Basis of Remuneration

- In this case, we are proposing that our remuneration be determined on a fixed fee basis of £60k, plus VAT. Remuneration is expected to be funded from asset realisations.
- A fixed fee basis provides the Secured Creditor with a degree of certainty and control over the costs of the Administration and we agreed this would be appropriate in the circumstances and subject to certain assumptions regarding the extent of work involved.
- We believe the proposed basis and amount of our remuneration is a fair and reasonable reflection of the work we have done and still need to do in the Administration.
- The Secured Creditor has agreed to the proposed basis of fees and final approval in accordance with insolvency legislation will be sought soon after these Proposals have been approved.
- We may also seek to recover disbursements relating to costs incurred (or services provided) by our firm in connection with the Administration at this time. These costs are not expected to be material.

Appendix F: Remuneration Report

Costs are necessarily incurred by the Company and ourselves during the course of the Administration. Certain categories of these costs must be approved in the same manner as remuneration prior to payment.

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 following professional advisors and subcontractors have been engaged:

Firm	Services	Fee Arrangement	Reason Selected
EPE Reynell	Gazette Notices	Fixed cost per advert	Specialists in dealing with legal advertising
Aon UK Limited	Insurance Risk Services	Insurance premiums	Experienced provider of insurance services to insolvency practitioners
Aon UK Limited	Bonding	Fixed premium	Experienced provider of insurance services to insolvency practitioners
DLA Piper UK LLP	Legal Advice	Time costs and expenses	Experience and previous knowledge of the Company

- 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.
- Other than the legal advice and insurance services, the work could have been undertaken by our teams, but we have outsourced it as we consider it to be more cost effective and the providers have relevant specialist experience.

Appendix F: Remuneration Report

The estimates provided here do not represent a cap on the amount that can be paid. Detail is provided of both expenses incurred to date, as well as estimated future expenses.

Expenses Estimate

- The tables opposite show our estimate of the expenses likely to be incurred during the course of the Administration.
- We do not anticipate incurring any Category 2 expenses and therefore we will not need to seek approval to the basis upon which these may be charged to the estate. If this changes, we will write to creditors at the appropriate time to seek the necessary approval.
- As the table shows, expenses totalling c.£50k are expected to arise. The Company has not continued to trade following the appointment of the Joint Administrators, and accordingly, no trading expenses will be incurred.
- As set out earlier in this report, we have not charged for any pre-Administration costs incurred by us.
- Except for our remuneration, there is no requirement for us to seek approval to any of these expenses and the estimates provided do not represent a cap on the amount that can be paid. However, when reporting to creditors, we will provide an update on the amounts incurred and paid, together with an explanation for any material differences compared to these estimates.
- We are satisfied that the amounts expected to be incurred are reasonable in the circumstances of the case.

Costs to Date and Future Estimates

Name	Type of Cost	GBP	Incurred to Date	Paid to Date	Estimated Future	Estimated Total
Aon UK Limited	Bonding		255	-	-	255
Aon UK Limited	Insurance		3,000	-	-	3,000
ICO	Data Protection		40	-	-	40
EPE Reynell	Statutory Advertising		95	-		95
DLA Piper UK LLP ¹	Legal Advice		20,138	-	11,750	31,888
Tech Data	Inventory Storage		15,000	-	-	15,000
Total			38,528	-	11,750	50,278

Note 1: Includes £6k in pre-appointment costs, which have not been paid, noting DLA hold funds on account in lieu of payment.



Experts with Impact™