

AM03

Notice of administrator's proposals



Companies House

For further information, please
refer to our guidance at
www.gov.uk/companieshouse

1 Company details

Company number 0 5 7 2 4 3 8 9

Company name in full Sprout Technologies Limited

→ Filling in this form

Please complete in typescript or in
bold black capitals.

2 Administrator's name

Full forename(s) Peter David

Surname Dickens

3 Administrator's address

Building name/number 1

Street Hardman Square

Post town Manchester

County/Region

Postcode M 3 3 E B

Country United Kingdom

4 Administrator's name ①

Full forename(s) Helen

Surname Wheeler-Jones

① Other administrator

Use this section to tell us about
another administrator.

5 Administrator's address ②

Building name/number 1

Street Chamberlain Square

Post town Birmingham

County/Region

Postcode B 3 3 A X

Country United Kingdom

② Other administrator

Use this section to tell us about
another administrator.

AM03

Notice of Administrator's Proposals

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Statement of proposals

☒ I attach a copy of the statement of proposals**7**

Qualifying report and administrator's statement ^①

☐ I attach a copy of the qualifying report☐ I attach a statement of disposal

^① As required by regulation 9(5) of The Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021)

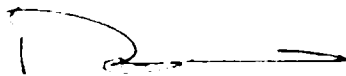
8

Sign and date

Administrator's
Signature

Signature

X



X

Signature date

^d

^d

^m

^m

^y

^y

^y

^y

AM03

Notice of Administrator's Proposals



Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name

Company name PricewaterhouseCoopers LLP

Address 8th Floor Central Square

29 Wellington Street

Post town Leeds

County/Region

Postcode L S I 4 D L

Country United Kingdom

DX

Telephone 0113 289 4000



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and number match the information held on the public Register.
- ☐ You have attached the required documents.
- ☐ You have signed and dated the form.



Important information

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 or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.gov.uk/companieshouse

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. ^①
Attach this to the relevant form.
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)

Sarah

Surname

O'Toole

3 Insolvency practitioner's address

Building name/number

1

Street

Hardman Square

Post town

Manchester

County/Region

Postcode

M 3 3 E B

Country

United Kingdom

Converge-IT.Net Limited, City Business Solutions UK Limited and Sprout Technologies Limited - all in administration ("the Companies")

**Joint administrators' proposals for achieving the purpose
of administration**

IR16M568

Date 11 April 2024

Anticipated to be delivered on 11 April 2024

**In accordance with paragraph 49 of Schedule B1 of the Insolvency
Act 1986 and rule 3.35 of the Insolvency (England and Wales) Rules
2016**

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Abbreviations and definitions

The following table shows the abbreviations and insolvency terms that may be used in this report:

Abbreviation or definition	Meaning
Addleshaw Goddard	Addleshaw Goddard LLP
Administrators-in-waiting	Peter David Dickens, Helen Wheeler-Jones and Sarah O'Toole
AMA	Accelerated Merger or Acquisition process
Bank/HSBC IB	HSBC Innovation Bank Limited, a first ranking Secured creditor, formerly Silicon Valley Bank UK Limited
Bluecube/the Purchaser	Bluecube Cyber Security Solutions Limited, a subsidiary of the Ekco Group
DBT	Department for Business and Trade
CBS	City Business Solutions UK Ltd - in administration
Companies/MSP Group	Converge-IT.Net Limited, City Business Solutions UK Ltd and Sprout Technologies Limited – in administration (Managed Service Providers)
Converge	Converge-IT.Net Limited - in administration
CVA	Company voluntary arrangement under Part 1 IA86
CVL	Creditors' voluntary liquidation
Ordinary preferential creditors	Creditors with claims defined in IA86 as ordinary preferential debts: These include claims for unpaid remuneration earned in the four months before the relevant date of the insolvency up to a maximum of £800, an unlimited amount of accrued holiday pay and unpaid pension contributions in certain circumstances
Group	CTS Group Holdings Limited, CTS Group Midco Limited, CTS Group Management Limited, Tiger Eye Consulting Limited, City Business Solutions UK Ltd, Converge-IT.Net Limited, Sprout Technologies Limited and Sprout Technologies NZ Limited
Hiscox	Hiscox Ltd, the pre-appointment insurers
HMRC	HM Revenue and Customs
Hold cos	CTS Group Holdings Limited, CTS Group Midco Limited, CTS Group Management Limited
Howden	Howden Insurance Brokers Limited
HP	Hire Purchase
IA86	Insolvency Act 1986
IR16	Insolvency (England and Wales) Rules 2016
Joint Administrators/we/us/our	Peter Dickens, Helen Wheeler-Jones and Sarah O'Toole
John Pye	John Pye & Sons Limited

Leasehold Property	7450 Daresbury Park, Daresbury, Warrington, Cheshire, WA4 4BS
LtO	Licence to occupy the Leasehold Property
NDA	Non-disclosure agreement
Prescribed Part	The amount set aside for Unsecured creditors from floating charge funds in accordance with section 176A IA86 and the Insolvency Act 1986 (Prescribed Part) Order 2003
PwC/firm	PricewaterhouseCoopers LLP
RCF	Revolving Credit Facility
RPS	Redundancy Payments Service, part of the Insolvency Service, which is an executive agency sponsored by DBT, and which authorises and pays the statutory claims of employees of insolvent companies under the Employment Rights Act 1996
Sch B1 IA86	Schedule B1 to the Insolvency Act 1986
Secondary preferential creditors	Creditors with claims defined in IA86 as secondary preferential debts to be paid after Ordinary preferential debts, if there are sufficient funds. These include claims for certain HMRC debts owed at the date of insolvency, consisting of VAT and relevant amounts deducted by the Company from payments due to another taxpayer and due to be paid over to HMRC (e.g. PAYE, employee NICs and Construction Industry Scheme deductions). Penalties and interest do not form part of HMRC's preferential claim
Secured creditor	A creditor with security in respect of their debt, in accordance with section 248 IA86
SIP	Statement of Insolvency Practice. SIPs are issued to insolvency practitioners under procedures agreed between the insolvency regulatory authorities. SIPs set out principles and key compliance standards with which insolvency practitioners are required to comply
SIP 9	Statement of Insolvency Practice 9: Payments to insolvency office holders and their associates
SIP 16	Statement of Insolvency Practice 16: Pre-packaged sales in administrations
SPA	The agreement for the sale and purchase of the business and assets of the Companies dated 4 April 2024 and made between the Companies as sellers, the Joint Administrators as administrators, Bluecube Cyber Security Solutions Limited as buyer and Ekco UK Holdings Limited as guarantor
Sprout	Sprout Technologies Limited - in administration
Tenzing	Tenzing Private Equity, a second ranking Secured creditor in Converge and majority shareholder of the Group
Tiger Eye	Tiger Eye Consulting Limited
TUPE	Transfer of Undertakings (Protection of Employment) Regulations 2006
Unsecured creditors	Creditors who are neither secured nor preferential

This report has been prepared by Peter Dickens, Helen Wheeler-Jones and Sarah O'Toole as Joint Administrators of the Companies, solely to comply with the Joint Administrators' statutory duty to report to creditors under IR16 on the administration, and for no other purpose. 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 it is not suitable to be used, to inform any investment decision in relation to the debt of or any financial investment in the Companies.

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.

Any persons choosing to rely on this report for any purpose or in any context other than under IR16 do so at their own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any liability in respect of this report to any such person.

Unless stated otherwise, all amounts in this report and appendices are stated net of VAT.

Peter Dickens, Helen Wheeler-Jones and Sarah O'Toole have been appointed as Joint Administrators of the Companies to manage their affairs, business and property as their agents and act without personal liability. All are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales. 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>

The Joint Administrators may act as controllers of personal data as defined by UK data protection law depending upon the specific processing activities undertaken. PricewaterhouseCoopers LLP may act as a processor on the instructions of the Joint Administrators. Personal data will be kept secure and processed only for matters relating to the Joint Administrators' appointment. Further details are available in the privacy statement on the PwC.co.uk website or by contacting the Joint Administrators.

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.

Why we've prepared this document

On 4 April 2024 the Companies entered administration and Helen Wheeler Jones, Sarah O'Toole and I were appointed as Joint Administrators.

We explain in this document the reasons the Companies were put into administration, we provide a brief history and set out our proposals for achieving the purpose of administration. We include details of the Companies' assets and liabilities, and state how likely we are to be able to pay each class of creditor.

According to IA86, the purpose of an administration is to achieve one of these objectives:

- A. Rescuing the company as a going concern, or if that is not possible or if (b) would achieve a better result for the creditors than (a);
- B. Achieving 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 finally, if that is not possible;
- C. Realising the company's assets to pay a dividend to secured or preferential creditors.

In this case, we're following objective (b) for each of the administrations as it was not reasonably practical to rescue the Companies as going concerns or achieve a better result for creditors than would be likely if the Companies were wound up (without first being in administration).

Our job is to manage the Companies until creditors agree to our proposals for achieving the purpose of administration and we've implemented them as far as possible. Following this, the administrations will end.

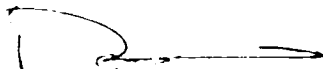
The whole of this document and its appendices form our statement of proposals for achieving the purpose of administration.

We're not seeking a decision from the creditors to approve our proposals because we believe that the Companies have insufficient assets to pay a dividend to Unsecured creditors, other than from the Prescribed Part (per paragraph 52(1)(b) Sch B1 IA86).

Our proposals will therefore be treated as approved unless sufficient creditors ask us to seek a decision to approve them. This would happen if at least 10% in value of the total creditors ask us to do so (in line with rule 15.18 IR16), within eight business days of the date we deliver the proposals to you.

If you have any questions, please email uk_mspgroup_enquiries@pwc.com, stating which of the Companies your email is regarding.

Yours faithfully
for and on behalf of the Companies



Peter Dickens
Joint Administrator

A summary of what you could recover

Estimated outcomes for Secured creditors

Secured creditors	Insolvent debtor	Indebtedness (£k)	Recovery (%)	Forecast timing
HSBC IB:	Converge	14,665 (jointly liable)	2-3 %	within 4 months for fixed charge
	CBS		0.01-0.5 %	
	Sprout		2-3 %	6-12 months for floating charge
Tenzing:	Converge	34,447	Nil	N/a

Estimated dividend prospects: Converge	Recovery (%)	Forecast timing
For Ordinary preferential creditors:	N/A	N/A
For Secondary preferential creditors:	15-25 %	6-12 months
For Unsecured creditors (via Prescribed Part):	Nil	N/A

Estimated dividend prospects: CBS	Recovery (%)	Forecast timing
For Ordinary preferential creditors:	N/A	N/A
For Secondary preferential creditors:	Nil	N/A
For Unsecured creditors (via Prescribed Part):	Nil	N/A

Estimated dividend prospects: Sprout	Recovery (%)	Forecast timing
For Ordinary preferential creditors:	N/A	N/A
For Secondary preferential creditors:	N/A	N/A
For Unsecured creditors (via Prescribed Part):	0.01-2 %	6-12 months

This is a brief summary of the possible outcome for creditors based on what we know so far.

Brief history of the Companies and why they are in administration

Background

Converge was incorporated in 2006 and it was formed into the current Group in 2017. The Group subsequently grew through the acquisitions of Sprout and CBS. It operated from its head office in Daresbury, Warrington, formerly alongside its London office which was exited in March 2024.

The Group was a provider of managed service solutions, specialising in cloud management IT. In November 2020 the Group acquired Sprout and CBS, specialist legal managed service providers, which complemented the existing Converge business and provided synergies with the existing business. Please refer to Appendix A for a diagram of the Group's structure.

Together Converge, CBS and Sprout are termed the 'MSP Group' (managed service provider group).

Converge provides managed services to law firms, primarily those focused on conveyancing. The range of services included data backups, software licensing, connectivity, cloud and azure. Both CBS and Sprout provided managed services to barristers. Following acquisition in 2020, the business model for these two entities was aligned with Converge. As at November 2023 CBS had 71 customers and Sprout had 30.

In recent years the Companies performed strongly as a result of new customer wins and expansion of services to existing clients (which resulted in increased levels of recurring income). The Companies had invested heavily in CAPEX however, despite revenue growing, EBITDA was falling. On 21 November 2023, the MSP Group experienced a significant cyber security breach in the form of a ransomware attack, which targeted a crucial segment of its IT infrastructure. The breach caused a loss of services for a month which impacted 72% of the Companies' clients (based on monthly recurring revenue), with some clients impacted to a greater extent than others.

From the date of the cyber incident the Companies also came under increasing creditor pressure, with a landlord of a former leasehold property and HMRC threatening to commence proceedings to wind up the Companies in January and February 2024.

In FY23, MSP Group generated turnover of £22.4m and EBITDA of £1.5m. FY24 revenue was forecast to be £14.9m, with an EBITDA loss of £0.9m, impacted by the loss of clients following the cyber attack.

The Group has credit facilities with HSBC IB and Tenzing, the latter of which is also its majority shareholder. HSBC IB has fixed and floating charges securing a term loan and RCF, with c.£14.7m outstanding (this balance is subject to change as interest continues to be accrued). It has security over two of the Hold cos (CTS Group Midco Limited and CTS Group Management Limited), the Companies and Sprout's subsidiary in New Zealand, with cross guarantees.

The Group has c.£28m of loan notes from Tenzing, which has fixed and floating security over the Hold cos and Converge (note - c.£34.4m is due to Tenzing at the date of the administrations, representing principal and interest).

A repayment of interest (£0.4m) and principal of (£0.3m) was due on 30 November 2023, but due to liquidity constraints partially caused by the cyber incident, the Group was not able to make that repayment and HSBC IB agreed a deferral. Further deferrals were later agreed totalling £0.3m interest in February 2024 and monthly RCF interest of £7k was deferred from November 2023. None of these amounts had been repaid at the time of the Joint Administrators' appointment.

Due to concerns over the financial performance of the Companies and immediate liquidity concerns, PwC was engaged by the Group on 30 November 2023 to perform an initial review of the short and medium term financial forecasts.

However, by early March 2024 it was apparent that a significant portion of the existing customer base intended to terminate their contracts and/or were withholding payment. As a result the funding requirement under the medium term business plan was £2-3m. It was not possible to obtain additional funding from existing funders sufficient to secure the longer term future of the Companies on a solvent basis.

On 12 March 2024, PwC's engagement was varied, to support the Group with running an AMA process in respect of the MSP Group. This aimed to achieve a sale of the MSP Group Companies to a third party on a solvent or failing that

insolvent basis. Prior to this date neither the Group nor PwC had undertaken any marketing activities in relation to the Companies. The AMA process resulted in receipt of three final offers on 21 March 2024, however, while a solvent sale was sought, all offers were on an insolvent basis covering the purchase of the businesses and assets.

Of the offers received, the offer from the Purchaser was preferable based on it providing the best return to creditors as a whole and it also represented the most deliverable deal in the time available in the context of the Companies liquidity position.

On 4 April 2024 the Companies' directors took the steps to place the Companies into administration and appointed Peter Dickens, Helen Wheeler-Jones and Sarah O'Toole as Joint Administrators. The sale of substantially all of the Companies' businesses and assets concluded immediately following the administration appointments.

On appointment, the Companies operated from one leasehold location employing 140 staff in the UK. Further details are provided later in this report.

Further detail on the Companies' background, the AMA process run and the pre-packaged sale to the Purchaser can be found in our SIP 16 statement enclosed at Appendix C of this document.

Pre-administration costs

As detailed above, on 22 March 2024, following a two week AMA process three offers had been received to purchase substantially all of the Companies' business and assets. All offers were on an insolvent basis, proposing a pre-packaged sale in administration. As such, the Directors determined on 22 March 2024 that the Companies would move into administration and from this date onwards, our work focussed on preparing for and negotiating a pre-packaged sale to be completed immediately following an administration appointment over the Companies.

Our time costs from 22 March 2024 until our appointment totalled £327,194 (excluding VAT), of which £61,011 (excluding VAT) was paid by Converge pre appointment. Legal fees of £143,836 (excluding VAT) were also incurred, of which £27,552 (excluding VAT) was paid pre appointment. This was paid equally between Converge and Sprout at £13,776 each (excluding VAT). Legal disbursements of £192 (excluding VAT) have been incurred and remain unpaid. Valuation costs of £3,000 (excluding VAT) were also incurred and remain unpaid.

PwC

As detailed above, PwC was initially engaged on 30 November 2023 by CTS Group Holdings Limited and its subsidiaries to perform an initial review of the short and medium term financial forecasts at a Group level and perform options analysis based on the forecast.

Our initial engagement was varied under a letter dated 12 March 2024, to support the Group with running an AMA process in respect of the Companies, aiming to achieve a solvent sale to a third party, alongside insolvency planning, in the event an insolvency was required. This work included preparation of material to support an AMA process, marketing the Companies' business and assets for sale, reviewing offers and insolvency planning for a pre-packaged sale of the Companies' business and assets in an administration.

We believe that PwC's role in preparing and planning for our appointment including negotiating and agreeing the terms of the sale to the Purchaser has made a significant contribution to achieving the purpose of the administration. It enabled the completion of the pre-packaged sale of the Companies' businesses and assets, which resulted in the best outcome for creditors of each entity as a whole. PwC's role also ensured orderly administration processes could be run, further details of which can be found at Appendix C.

More details of these fees and expenses, including further information regarding the work undertaken, can be found at Appendix B.

To the best of our knowledge and belief, no fees or expenses were charged by any other insolvency practitioner.

Addleshaw Goddard

The Directors (Mr Bakeer, Mr Fowle and Mr Lawrence) instructed Addleshaw Goddard on 9 January 2024 to provide legal services to them, initially relating to the contingency planning, restructuring advice and options work as discussed above. This included attending board meetings and providing advice on directors' duties. As at 12 March 2024, when the AMA and insolvency planning was instructed, an AMA scope was instructed by the board. Once it became clear on 22 March 2024 that all offers were received on an insolvent basis, the scope of the work then became more focussed on pre-administration support and included advice to the Administrators-in-waiting regarding the sale process, the sale agreement documentation and the administration appointment papers, alongside other ad hoc pre appointment queries. Addleshaw Goddard have advised that the costs of the advice provided with a view to

the Companies entering administration are £143,836 (excluding VAT) and more details regarding the work undertaken and the split of fees between the Companies can be found at Appendix B.

John Pye

On 25 March 2024, the Administrators-in-waiting verbally instructed the services of John Pye to provide a desktop valuation of the Companies' assets, required to ensure the offers received generated better returns for creditors than if the assets were sold piecemeal. John Pye incurred costs of £3k in reviewing the Companies' assets and preparing the valuation report. The costs are split between the Companies as follows, Converge £1,500 (excluding VAT), CBS £500 (excluding VAT) and Sprout £1,000 (excluding VAT).

The above amounts remain unpaid at the date of the Joint Administrators' appointment, therefore approval will be sought from the Secured and Preferential creditors (of Converge) and the Secured creditors (of CBS and Sprout) in accordance with insolvency legislation.

Approval

The payment of unpaid pre-administration costs as an expense of the administrations is subject to approval under rule 3.52 of IR16 and doesn't form part of our proposals, which are subject to approval under paragraph 53 Sch B1 IA86. If you elect a creditors' committee, it will be up to the committee to give this approval under rule 3.52 of IR16.

However, if there is no committee, then as we anticipate that the Companies have insufficient assets to enable a payment to be made to Unsecured creditors other than via the Prescribed Part, then approvals will be required as follows:

Converge - all Secured creditors and preferential creditors.

CBS - all Secured creditors

Sprout - all Secured creditors and preferential creditors (in the event any preferential claims are received).

What we've done so far and what's next if our proposals are approved

Asset realisations

Sale of business

Shortly after our appointment on 4 April 2024, the Joint Administrators executed a sale of substantially all of the combined businesses and assets of the Companies for a total consideration of £1,050,000 excluding VAT. This sum was received in full into the lawyer's account immediately prior to completion and was remitted to the bank accounts operated by the Joint Administrators on 10 April 2024. The sale consideration has been apportioned between the entities as follows:

	Converge £	CBS £	Sprout £	Total £
IP (subject to fixed charge) *	580,000	95,000	185,000	860,000
Office Furniture, Equipment and IT (subject to floating charge)	20,000	5,000	15,000	40,000
Data Centre HP Surplus (subject to floating charge)	100,000	-	-	100,000
Book debts **	43,000	3,000	4,000	50,000
Total	743,000	103,000	204,000	1,050,000

* subject to a security review

** subject to additional collections as detailed below

Licence to Occupy

Converge has granted an LtO to the Purchaser in respect of the Leasehold Property, for three months commencing from the date of sale (4 April 2024) and expiring on 3 July 2024. This is on a cost basis, with the estimated licence fee payable in advance and other costs (such as rates and utilities) billable following receipt of invoices from suppliers.

Employees

All 140 employees and workers of each Company wholly or mainly engaged in the relevant business at the date of the sale have transferred to the Purchaser under the terms of the SPA and in accordance with TUPE. As a result of the transfer, it is expected that no liabilities will be incurred by the Companies for claims relating to the employees.

Debtors

The Companies' book and other debts, monetary claims and all guarantees, indemnities, securities, rights of retention of title and liens for the same, but excluding the intercompany debts have been sold to the Purchaser as part of the sale. The Purchaser is responsible for collecting those debts from the date of the sale and the consideration realised for each of the Companies is set out in the table above.

However, as part of the sale negotiations, it was agreed that amounts received in relation to the book debt balances for the period from 4 April 2024 up to and including 15 April 2024 are to be remitted to the Companies for the benefit of the relevant insolvent estate. The level of these collections are at this time uncertain and are not considered to be sale consideration and therefore are excluded from the table above.

In addition to this we sold any residual book debts uncollected as at 15 April 2024 to the Purchaser for £50k. This is reflected in the consideration above. These debts consist largely of disputed debts following the cyber attack and terminated customers and are therefore likely to be dealt with by the Purchaser, in conjunction with provision of ongoing services. Therefore, any monies received into the Companies' bank accounts which relate to debtor realisations from 15 April 2024 onward, will be remitted to the Purchaser.

Intellectual Property

This represents the economic cash generation of the business and is considered to be a combination of customer contracts, the structure and bespoke design of certain customer online platforms and any value in brands. The value of this was determined through the sales process as detailed in SIP 16.

Office Equipment

The Companies' office furniture, equipment and IT was sold to the Purchaser as part of the pre-packaged sale for £40k split across the three entities (as disclosed in the table above). The value ascribed was in line with valuations provided by John Pye.

HP Assets

The Companies' have HP assets in relation to IT equipment (hardware and software). The Data Centre, being all the IT equipment as a whole, has been sold to the Purchaser for net £100k after the settlement of associated HP costs.

Assets excluded from the sale

Various assets are excluded from the pre-packaged sale and any realisations will increase recoveries for the Companies' creditors. The excluded assets are as follows (relevant to each of the Companies unless stated otherwise):

- Cash in hand or in the banking system.
- Intercompany debts.
- Deposits, prepayments and similar balances.
- Insurance claims or potential claims.
- Investments in shares or securities, including Sprout Technologies NZ Limited (Sprout).
- Tax refunds claimable from HMRC and relevant local authorities.

Further information regarding potential realisations in respect of these assets is set out below.

Cash at bank

Bank accounts have been opened for each of the administration estates and cash held by the Companies at the date of our appointment will be remitted to those accounts. We were advised that bank balances on appointment were Converge £485k, CBS £26k, Sprout £486k (these balances are subject to change as we have requested independent confirmation from the respective banks).

We understand that sums totalling c.£106k were paid to Converge by the pre appointment insurer shortly prior to our appointment and form part of the cash held by that entity. These funds relate to a claim for payment of specific invoices in relation to the business interruption policy. The Joint Administrators will be investigating the nature of this insurance issue in order to understand whether these monies should be held on trust (or some other mechanism) for the benefit of those suppliers or whether they are available to the general body of creditors. The funds will be ring fenced as "third party monies" in our receipts and payments account until the position is resolved.

Intercompany loan accounts

The Companies' records indicate that they are owed the following amounts by solvent group companies:

Debtor company	Due to Converge £	Due to CBS £	Due to Sprout £
CTS Group Holdings Limited	5,579	-	-
CTS Group Midco Limited	3,000,000	-	-
CTS Group Management Limited	1,250,469	1,722,599	2,042,249
Total	4,256,048	1,722,599	2,042,249

Notes: Amounts due between the Companies are not shown as they are Unsecured claims and there will be no distribution to Unsecured creditors. Balances may change as the Companies' records are brought up to date as at the date of the administrations.

The Joint Administrators will liaise with the directors of the solvent entities in respect of recovery of the intercompany debts. However, the prospect of any recoveries at this time is uncertain.

Other debtors and prepayments

The Companies' management accounts indicate that a small amount of prepayments have been made by the Companies for expenses such as insurance, business rates etc. We will assess the merits of writing to the parties concerned on a cost to benefit basis.

Insurance claims

Any claim or potential claim under any insurance policy is excluded from the sale to the Purchaser. Prior to our appointment, the Companies had been making claims under their business interruption and other insurance policies in relation to the cyber incident. We will review the policies to establish whether any amounts are payable to the Companies or if additional claims can be made. If monies are received, we will review whether they are captured under the Secured creditors' security.

Shares held by Sprout in Sprout Technologies NZ Limited

Sprout holds shares in a subsidiary in New Zealand which is a service company with two employees who support the UK operations outside of UK business hours. It has no role outside of servicing the customer base which has been sold to the Purchaser. The subsidiary was excluded from the sale.

Third party assets

While excluded from the sale, the Purchaser has the right to assume possession of any third party owned assets and liaise with the third party should they wish to make arrangements for the ongoing use. If necessary, we are required to assist with novations of any lease or other agreements to the Purchaser.

Retention of title claims

Any assets subject to valid claims are excluded from the sale and the Purchaser is responsible for discharging all associated liabilities. Given the nature of the businesses, we do not anticipate significant retention of title claims.

Next steps

If our proposals are approved, in addition to realising the assets detailed above, the Joint Administrators will address the following key tasks (this is not an exhaustive schedule of tasks):

SPA obligations

There are various tax, apportionments, allocation of cash receipts and queries in respect of third party assets that may need to be addressed under the terms of the SPA.

Security review and distributions

We will engage our legal advisors to undertake a security review. This will ensure we correctly classify assets between fixed and floating charge, and enable us to distribute funds to the Secured creditors in each of the Companies, in line with any intercreditor agreements. As detailed previously, we currently anticipate making distributions to preferential creditors in Converge and Unsecured creditors of Sprout under the Prescribed Part. We anticipate that CBS will have insufficient assets to enable a distribution to either Preferential or Unsecured creditors.

Statutory and other matters

Statutory work we have completed and still need to complete includes:

- We have issued our initial statutory notices on appointment and filed notice of our appointments with the Registrar of Companies;
- We have prepared our proposals for achieving the purpose of administration document and prepared a document providing creditors with information regarding the sale of the business and assets of the Companies on 4 April 2024 as required by SIP 16, which is appended at Appendix C of this document;
- We are in the process of conducting a data capture exercise to ensure the books and records of the Companies the Joint Administrators' are required to hold are obtained whether in physical or electronic form;
- We have corresponded with the Companies' directors in relation to the production of the directors' statement of affairs, which will set out the financial position of the Company at the date of appointment. Following receipt a copy of these will be put on our website at <http://www.pwc.co.uk/mspgroup> and also sent to the Registrar of Companies.
- We need to complete and submit a conduct report to DBT in respect of all of the Companies' directors who held office in the three years prior to our appointments;
- We need to prepare and issue a report to creditors of the Companies and file this with the Registrar of Companies within one month of each six months following our appointments; and
- We need to seek approval from the appropriate classes of creditors to the basis of our remuneration, as our remuneration will be financed from the asset realisations of the Companies.

Tax and VAT

The Joint Administrators assume responsibility for the Companies' corporation tax returns during the period of the administrations. We will be liaising with HMRC in order to submit the necessary returns. Any tax refunds due to the Companies relating to the pre appointment period have been excluded from the sale and will be an asset of the relevant administration.

Likewise, we will be responsible for submitting the Companies' post appointment VAT returns. We will also deal with Converge's VAT registration as it is currently part of a VAT group with other entities in the wider group.

Connected party transactions

To date, no assets have been disposed of by the Joint Administrators to a party (person or company) with a connection to the directors, shareholders or Secured creditors of the Companies or their associates and the Joint Administrators are not seeking approval from creditors to make a substantial disposal to a connected person.

Directors' conduct and investigations

As we said in our initial letter to creditors, one of our duties is to look at the actions of anybody who has been a director of the Companies in the three years before our appointment. We have to submit our findings to DBT within three months of our appointment.

We also have to decide whether any action should be taken against anyone to recover or contribute to the Companies' assets. If you think there is something we should know about and you haven't yet told us, please write to me. This is part of our normal work and doesn't necessarily imply any criticism of the directors' actions.

Objective of the administrations

As we noted earlier, we are pursuing objective (b) for each of the administrations as it was not possible to rescue the Companies as going concerns and we believe that we will be able to achieve a better result for creditors than would be likely if the Companies were wound up (without first being in administration).

It was not possible to achieve objective a). As part of the AMA process that was run, no offers for the Companies were received, other than on a piecemeal insolvent basis.

As set out in our SIP16 statement at Appendix C, we believe the pre-packaged sale of substantially all of the Companies' businesses and assets has achieved a better value than could have been achieved had each company simply ceased trading and gone into liquidation. Alongside this higher value, the pre-packaged sale has helped reduce the liabilities of the Companies by eliminating employee related claims that would have arisen on liquidation. All such claims have been avoided as a result of the transfer of all the Companies' employees to the Purchaser under TUPE.

Estimated outcomes for creditors

Secured creditors

The Bank is not anticipated to be repaid in full. As noted above, the Group has been funded by HSBC IB, which has a term loan and RCF, with c.£14.7m outstanding (this balance is subject to change as interest continues to be accrued). The Bank's lending is secured by a debenture dated 24 November 2020 which gives the Bank fixed and floating charges covering all the property and undertakings of the Companies.

In addition, the Group has c.£28m of loan notes from Tenzing, which is also a Secured creditor of Converge (with fixed and floating charge security). The amount owing to Tenzing at the date of the administrations is c.£34.4m (representing principal and interest). We do not think there will be sufficient realisations in the administration estate of Converge to enable a distribution to Tenzing.

The estimated outcomes for HSBC IB and Tenzing from each administration are as follows:

	HSBC IB	Tenzing
	%	%
Converge	2-3	Nil
CBS	0.01-0.5	n/a
Sprout	2-3	n/a

Ordinary preferential creditors (mainly employees)

Based on current information, we don't think there will be any Ordinary preferential creditors in Converge as all 140 employees transferred to the Purchaser as part of the sale immediately following appointment. As per the terms of the SPA, no pre-appointment employment related obligations will give rise to claims in Converge.

CBS and Sprout did not have any employees and as a result, there are no Ordinary preferential claims.

Secondary preferential creditors (HMRC)

Converge

Based on current information, we estimate that HMRC may have a Secondary preferential claim in the administration estate of Converge in the region of c.£836k relating to unpaid PAYE and c.£247k relating to unpaid VAT (balances may change as the Companies' records are brought up to date as at the date of the administrations). Converge is part of a VAT group with two other Group entities (which are not subject to insolvency proceedings). We are currently working to understand the position as regards the VAT liability and whether this will be settled by the solvent entities or whether all or part of any liability will form a claim in the administration estate of Converge.

Both the position regarding the level of unpaid PAYE and VAT position cannot be formally verified until we receive a claim from HMRC and therefore may be subject to change.

We currently anticipate that we will be able to pay a dividend to HMRC as Secondary preferential creditor of c.15-25 %, within the next 6-12 months. The timing of any distribution will be dependent on receipt of a final claim from HMRC.

CBS

Based on current information, we estimate that HMRC may have a Secondary preferential claim in the administration estate of CBS in the region of £43k, relating to unpaid VAT (CBS is not part of a VAT group).

We do not think there will be sufficient realisations to enable a dividend to HMRC in respect of monies owed by CBS.

Sprout

Based on current information, we do not think Sprout had any amounts owing to Secondary preferential creditors as at the date of our appointment. However, this position will be subject to verification with HMRC in due course and therefore the position may change.

Unsecured creditors

The Prescribed Part is a fund that has to be made available for Unsecured creditors. It's paid out of 'net property'. Net property is floating charge realisations after costs, and after paying – or setting aside enough to pay – Preferential creditors in full. But it only has to be made available where the floating charge was created on or after 15 September 2003.

The amount of the Prescribed Part is:

- 50% of net property up to £10,000
- 20% of net property above £10,000
- Subject to a maximum of £800,000 *

**In Sprout and CBS the maximum Prescribed Part is £800,000 as HSBC IB's debenture was registered after 6 April 2020. In Converge, we understand that HSBC IB has a first ranking charge with Tenzing having a second ranking charge. As the debentures in favour of HSBC IB were registered against Converge after 6 April 2020, the maximum Prescribed Part level applicable will be £800,000. However this position needs to be confirmed via a legal security review, which is in the process of being obtained and therefore the position stated here may change, based on the security review performed.*

The Prescribed Part applies in this case as there is a floating charge created on or after 15 September 2003.

We think there will be a Prescribed Part dividend for the Unsecured creditors of Sprout, based on what we know currently. If we think the costs of agreeing claims and paying the 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. At the moment we don't plan to make such an application. We do not anticipate there being a Prescribed Part dividend for the Unsecured creditors of Converge and CBS, as we do not anticipate that they will have any floating charge realisations. If this is the case, the value of the net property and Prescribed Part for Converge and CBS will be nil.

We can't yet give you a realistic estimate of the Sprout's net property or of the value of the Prescribed Part so we can't yet say what rate of dividend Unsecured creditors may receive. This is because the level of net property and resulting Prescribed Part dividend rate will depend on future realisations, administration costs, and finalising claims from Unsecured creditors.

In addition to any Prescribed Part, we don't think there will be any dividend for Unsecured creditors based on what we know currently.

Our fees and expenses

We are likely to seek approval for the basis of our fees on a fixed fee basis. However, if during the course of the administrations it transpires that it would be more beneficial to all parties to seek our fees based on the time we and our staff spend on the cases at our normal charge out rate for this type of work or on a percentage of realisations basis for any or all of the Companies, we will reassess and consider an alternative basis or combination of basis.

It will be up to the creditors' committee to fix the basis of our fees and Category 2 expenses for each of the Companies. But if there's no committee, because we've said we think the Companies do not have enough assets to pay anything to Unsecured creditors other than via the Prescribed Part we'll ask the Secured creditors of CBS, the Secured creditors of Sprout (and preferential creditors of Sprout in the event preferential claims are received), and the Secured and preferential creditors of Converge to do so instead. If creditors or the committee do 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 appointments.

Ending the administrations

Our exit route for each of the Companies will depend on the outcome of the administrations. At the moment we think that the most likely exit routes are as follows:

1. As we've said above, we don't think there will be any dividend for Unsecured creditors outside of the Prescribed Part. Assuming that's the case, once we've finished our work we'll file notices with the Registrar of Companies and the Companies will be dissolved three months later. But if we think that there are matters that should be conducted or investigated in a liquidation rather than in the administrations because of the additional powers afforded to a liquidator under IA86, we may instead apply for a court order ending the administrations and for the Companies to be wound up.
2. In the unlikely event that there are sufficient funds to enable a dividend for Unsecured creditors from the Prescribed Part, once we've paid any Prescribed Part dividend and finished our other work, we'll file a notice with the Registrar of Companies and the Companies will be dissolved three months later. But if we think that there are matters that should be conducted or investigated in liquidation rather than in the administrations because of the additional powers afforded to a liquidator under IA86, we may instead apply for a court order ending the administrations and for the Companies to be wound up.
3. In the very unlikely event that funds do become available for distribution to Unsecured creditors other than from the Prescribed Part, once we've distributed the Prescribed Part and finished our other work, we'll put the Companies into creditors' voluntary liquidation so that the liquidators can pay the dividend. If this happens, we propose that Peter David Dickens, Helen Wheeler-Jones and Sarah O'Toole be appointed as joint liquidators (or, if replacement administrator(s) are appointed, any person(s) appointed as administrator(s) at the time of the registration of notice of moving from administration to creditors' voluntary liquidation per paragraph 83(4) Sch B1 IA86) and that any act required or authorised to be done by the joint liquidators can be done by any or all of them. Creditors may, before these proposals are approved, nominate a different person or persons as liquidator(s), in accordance with paragraph 83(7)(a) of Sch B1 IA86 and rule 3.60(6) IR16.

Estimated financial positions

We have not yet received the directors' statements of affairs for the Companies as we have issued these proposals as soon as reasonably practicable. The Companies' directors are still in the process of preparing the statements of affairs (and are within the statutory timeframe to do so). As such, we set out below the estimated financial positions of the Companies as at 4 April 2024.

As required by law, this includes details of the creditors' names, addresses and debts, including details of any security held with the details for employees and former employees of the Companies and consumers claiming amounts paid in advance for the supply of goods and services in separate schedules (where applicable), to the best of our knowledge at this time. These separate schedules will not be filed at Companies House.

Statutory and other information

Court details for the administration:	High Court of Justice Business and Property Courts of England and Wales Insolvency & Companies List (ChD) CR 2024-002014
Full name:	Converge-IT.net Limited
Trading name:	CTS
Registered number:	05874862
Registered address:	7450 Daresbury Park, Daresbury, Warrington, Cheshire, WA4 4BS
Company directors:	Mark Fowle, Mark William Lawrence and Mohamed Bakeer
Company secretary:	n/a
Shareholdings held by the directors and secretary:	None
Has there been a moratorium under Part A1 IA86 in force within the 2 years prior to the company entering administration?	No
Date of the administration appointment:	4 April 2024
Joint Administrators' names and addresses:	Peter Dickens of 1 Hardman Square, Manchester, M3 3EB, Helen Wheeler-Jones of One Chamberlain Square, Birmingham, B3 3AX and Sarah O'Toole of 1 Hardman Square, Manchester, M3 3EB.
Appointer's/applicant's name and address:	The Company directors - Mark Fowle, Mark William Lawrence and Mohamed Bakeer of 7450 Daresbury Park, Daresbury, Warrington, Cheshire, WA4 4BS.
Objective being pursued by the Joint Administrators:	Objective (b) Achieving 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).
Is a statement being made under paragraph 52(1)(a to c) Sch B1 IA86?	Yes (b) that the company has insufficient property to enable a distribution to be made to Unsecured creditors other than by virtue of section 176A(2)(a) IA86.
Division of the Joint Administrators' responsibilities:	For the purposes of paragraph 100(2) of Schedule B1, any act, function, or power, required or authorised (whether under any enactment or otherwise) to be done or exercised by the Joint Administrators appointed in respect of the company may be done or exercised by any or all of the Joint Administrators of the company from time to time whether acting alone or jointly.
Type of proceedings :	COMI proceedings.
Any other information which the Joint Administrators think necessary to enable creditors to decide whether or not to approve the proposals:	Not applicable.

Statutory and other information

Court details for the administration:	High Court of Justice Business and Property Courts of England and Wales Insolvency & Companies List (ChD) CR-2024-002017
Full name:	City Business Solutions UK Ltd
Trading name:	CTS
Registered number:	06313705
Registered address:	7450 Daresbury Park, Daresbury, Warrington, England, WA4 4BS
Company director:	Robert John William Jones
Company secretary:	n/a
Shareholdings held by the director and secretary:	None
Has there been a moratorium under Part A1 IA86 in force within the 2 years prior to the company entering administration?	No
Date of the administration appointment:	4 April 2024
Joint Administrators' names and addresses:	Peter Dickens of 1 Hardman Square, Manchester, M3 3EB, Helen Wheeler-Jones of One Chamberlain Square, Birmingham, B3 3AX and Sarah O'Toole of 1 Hardman Square, Manchester, M3 3EB.
Appointer's/applicant's name and address:	The Company director - Robert John William Jones of Crown House, 143-147 Regent Street, London, England, W1B 4NR.
Objective being pursued by the Joint Administrators:	Objective (b) Achieving 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).
Is a statement being made under paragraph 52(1)(a to c) Sch B1 IA86?	Yes (b) that the company has insufficient property to enable a distribution to be made to Unsecured creditors other than by virtue of section 176A(2)(a) IA86.
Division of the Joint Administrators' responsibilities:	For the purposes of paragraph 100(2) of Schedule B1, any act, function, or power, required or authorised (whether under any enactment or otherwise) to be done or exercised by the Joint Administrators appointed in respect of the company may be done or exercised by any or all of the Joint Administrators of the company from time to time whether acting alone or jointly.
Type of proceedings :	COMI proceedings.
Any other information which the Joint Administrators think necessary to enable creditors to decide whether or not to approve the proposals:	Not applicable.

Statutory and other information

Court details for the administration:	High Court of Justice Business and Property Courts of England and Wales Insolvency & Companies List (ChD) CR-2024-002016
Full name:	Sprout Technologies Limited
Trading name:	CTS
Registered number:	05724389
Registered address:	7450 Daresbury Park, Daresbury, Cheshire, England, WA4 4BS
Company director:	Mark William Lawrence
Company secretary:	n/a
Shareholdings held by the director and secretary:	None
Has there been a moratorium under Part A1 IA86 in force within the 2 years prior to the company entering administration?	No
Date of the administration appointment:	4 April 2024
Joint Administrators' names and addresses:	Peter Dickens of 1 Hardman Square, Manchester, M3 3EB, Helen Wheeler-Jones of One Chamberlain Square, Birmingham, B3 3AX and Sarah O'Toole of 1 Hardman Square, Manchester, M3 3EB.
Appointer's/applicant's name and address:	The Company director - Mark William Lawrence of 7450 Daresbury Park, Daresbury, Cheshire, England, WA4 4BS.
Objective being pursued by the Joint Administrators:	Objective (b) Achieving 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).
Is a statement being made under paragraph 52(1)(a to c) Sch B1 IA86?	Yes (b) that the company has insufficient property to enable a distribution to be made to Unsecured creditors other than by virtue of section 176A(2)(a) IA86.
Division of the Joint Administrators' responsibilities:	For the purposes of paragraph 100(2) of Schedule B1, any act, function, or power, required or authorised (whether under any enactment or otherwise) to be done or exercised by the Joint Administrators appointed in respect of the company may be done or exercised by any or all of the Joint Administrators of the company from time to time whether acting alone or jointly.
Type of proceedings :	COMI proceedings.
Any other information which the Joint Administrators think necessary to enable creditors to decide whether or not to approve the proposals:	Not applicable.

Receipts and payments accounts

Converge-IT.Net Limited - in administration
Joint Administrators' Receipts and Payments account from 4 April 2024 to 11 April 2024

Estimated Financial Position (£)	Assets subject to fixed charge	From 4 April 2024 to 11 April 2024
580,000.00	Intellectual property	580,000.00
	Total receipts	580,000.00
	Payments	-
	Total payments	-
	Net fixed charge realisations	580,000.00
	Assets subject to floating charge	
	Receipts	
20,000.00	Office furniture, Equipment & IT	20,000.00
100,000.00	Data centre HP surplus	100,000.00
43,000.00	Book debts	43,000.00
	Bank interest	487.51
	Total receipts	163,487.51
	Payments	-
	Total payments	-
	VAT control account	-
	Third party funds	
	LtO income	10,119.49
	Net floating charge realisations	173,607.00
	Cash at bank	753,607.00

Notes to the receipts and payments account are included at the end of this section.

City Business Solutions UK Limited - in administration
Joint Administrators' Receipts and Payments account from 4 April 2024 to 11 April 2024

Estimated Financial Position (£)	Assets subject to fixed charge	Notes	From 4 April 2024 to 10 April 2024 (£)
95000.00	Intellectual property		95,000.00
	Total receipts		95,000.00
	Payments		-
	Total payments		-
	Net fixed charge realisations		95,000.00
	Assets subject to floating charge		
	Receipts		
5000.00	Office furniture, Equipment & IT		5,000.00
3000.00	Book debts		3,000.00
	Bank interest		68.66
	Total receipts		8,068.66
	Payments		-
	Total payments		-
	VAT control account		-
	Net floating charge realisations		-
	Cash at bank		103,068.66

Notes to the receipts and payments account are included at the end of this section

Sprout Technologies Limited - in administration
Joint Administrators' Receipts and Payments account from 4 April 2024 to 11 April 2024

Estimated Financial Position	Assets subject to fixed charge	From 4 April 2024 to 11 April
(£)		(£)
185,000.00	Intellectual property	185,000.00
	Total receipts	185,000.00
	Payments	-
	Total payments	-
	Net fixed charge realisations	185,000.00
	Assets subject to floating charge	
	Receipts	
15,000.00	Office furniture, Equipment & IT	15,000.00
4,000.00	Book debts	4,000.00
	Cash in hand	742.06
	Bank interest	130.46
	Total receipts	19,872.52
	Payments	-
	Total payments	-
	VAT control account	-
	Net floating charge realisations	19,872.52
	Cash at bank	204,872.52

Notes to the Receipts and payments accounts

The following notes are applicable to each of the Companies' receipts and payments account:

1. Amounts shown exclude VAT. Funds currently held may include monies due to HMRC or other members of a VAT group, or exclude monies which will be received in due course from these parties.
2. Funds are held in interest bearing accounts with Barclays Bank Plc.
3. Realisations for assets are allocated between the fixed and floating charge accounts based on our current understanding of the security position of both HSBC IB (all Companies) and Tenzing (Converge only); this is subject to legal review so the position could change.
4. Similarly, expenses have been allocated between the fixed and floating accounts on the basis of what was incurred in relation to dealing with those assets, or as part of the sale of the businesses and assets.

Notes specific to individual administration estates:

Converge

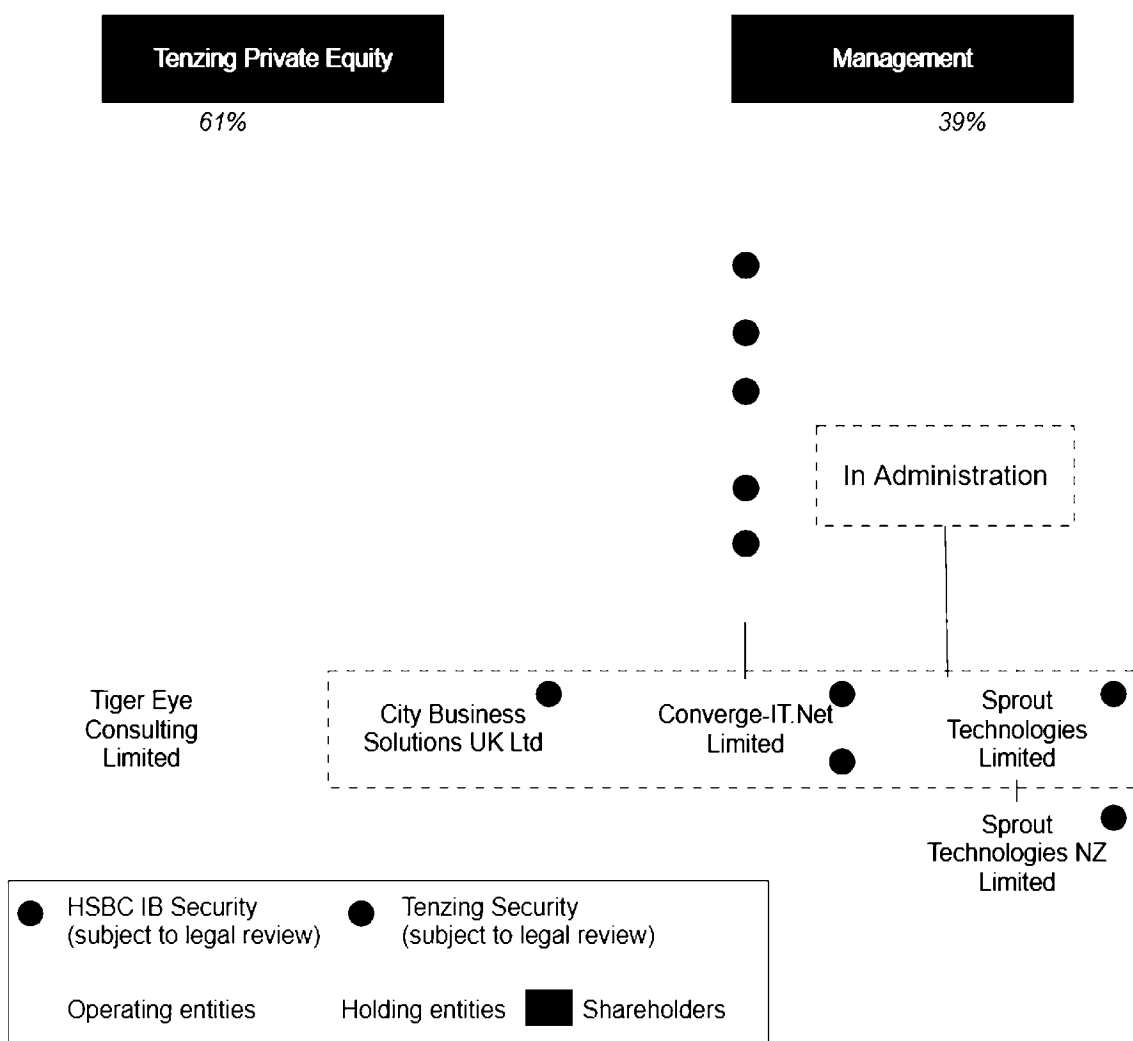
- LtO income represents licence fee receipts from the Purchaser and will be utilised to meet rent and other Leasehold Property expenses. The LtO operates on a costs basis so there will be no funds available for the administration estate once the LtO position is finalised.

Sprout

- Cash in hand represents funds swept across to date from a pre-appointment bank account. We are currently liaising with the Companies pre-administration bankers to arrange for remaining funds to be transferred.

Appendices

Appendix A: Group structure



Appendix B: Pre-administration costs

The table below provides details of costs which were incurred before our appointment as Joint Administrators but with a view to the Companies entering administration. Details of the work done and expenses incurred follow.

	Details of agreement including date and parties to it	Paid amount (£)	Payment made by	Unpaid amount (£)	Nature of the payment
Our fees as Administrators-in-waiting	Letter of engagement dated 30 November 2023 and variation letter dated 12 March 2024 between the Companies and the Administrators-in-waiting	61,011 nil nil	Converge	Converge 145,275 CBS 48,865 Sprout 72,043	Work undertaken as proposed administrators as detailed below
Expenses incurred by us as Administrators-in-waiting	Letter of engagement dated 30 November 2023 and variation letter dated 12 March 2024 between the Companies and the Administrators-in-waiting	-	-	-	Work undertaken as proposed administrators as detailed below
Legal fees (Addleshaw Goddard)	Letter of engagement dated 9 January 2024 between the directors (Mr Bakeer, Mr Fowle and Mr Lawrence) and Addleshaw Goddard	13,776 nil 13,776	Converge - Sprout	Converge 43,178 CBS 36,553 Sprout 36,553	Work undertaken in relation to the Joint Administrators' appointment and sale of business and assets as set out below
Legal disbursements (Addleshaw Goddard)	Letter of engagement dated 9 January 2024 between the directors (Mr Bakeer, Mr Fowle and Mr Lawrence) and Addleshaw Goddard	nil nil nil	-	Converge 70 CBS 61 Sprout 61	Work undertaken in relation to the Joint Administrators' appointment and sale of business and assets as set out below
Agents' fees (John Pye)	Verbal instruction on 25 March 2024 by the Administrators-in-waiting	nil nil nil	-	Converge: 1,500 CBS: 500 Sprout: 1,000	Asset valuation advice
Total		74,787 nil 13,776	Converge CBS Sprout	Converge 190,023 CBS 85,979 Sprout 109,657	

Details of the pre-administration work undertaken and a breakdown of expenses

Work as Administrators-in-waiting

The following work was performed by PwC with a view to the Companies entering administration. The narrative relates to all Companies unless stated otherwise. Please note this is a summary of the work performed and not an exhaustive list:

Sale of the businesses:

- Negotiating with the Purchaser and its legal advisors regarding the sale of the Companies' businesses and assets;
- Liaising with John Pye to provide a desktop valuation to enable comparison of the offers received to the break up value of the assets, and to ascribe value for various assets as part of the pre-packaged sale;
- Various negotiations around SPA, LtO (Converge only), debtors and holding all party calls to agree sale terms and post sale obligations for the Companies and the Purchaser to enable a pre-packaged sale to be transacted;
- All party discussions regarding the General Data Protection Regulation (GDPR) and data transfer requirements to be effected as part of the sale, including consideration of our ability to share third party client data with the Purchaser without specific authority from each client;
- Updating estimated outcome statements for the Companies based on sale negotiations;
- Estimating Leasehold Property related costs and negotiating LtO cash cover (Converge only);
- Procuring and providing information requested by the Purchaser to progress the sale;
- Obtaining consent to the transaction from Secured creditors; and
- Liaising with our lawyers in drafting and finalising the sale documents and security releases.

Assets:

- Determining the position between financed and non-financed assets;
- Discussions with the Companies' directors regarding assets of the Companies excluded from the sale; their estimated value and prospect of recovery;
- Preparing strategies to realise assets excluded from the sale;
- Considering the liquidity requirements of the administrations, considering the forecast cash position and applying additional insolvency assumptions; and
- Seeking agreement from HSBC IB (all Companies) and Tenzing (Converge only) regarding pre-appointment cash at bank being made available for the administration estates following appointment.

Creditors (including Secured):

- Liaising with HSBC IB (all Companies) and Tenzing (Converge only) in relation to the proposed appointment of the Joint Administrators; and
- Providing HSBC IB (all Companies) and Tenzing (Converge only) with an update on the progress of the pre-packaged sale, providing draft documents such as a draft statement in accordance with SIP 16 and draft SPA.

Employees (Converge only):

- Liaising with our internal employee specialists to assist with the preparation and implementation of an employee strategy following appointment, including but not limited to establishing status of employees and, ascertaining which employees would transfer to the Purchaser under TUPE on completion of a pre-packaged sale; and
- Supporting Converge's directors with preparing employee communications to be issued on appointment of the Joint Administrators and completion of the sale.

Statutory and compliance:

- Consideration regarding the classification of data between our status as data controller or data processor and the implications of how to deal with the Companies' data (including client data) following our appointment to ensure data regulations are complied with;
- Pre-appointment discussions with our insurers to ensure appropriate insurance cover could be effected immediately following appointment;

- Pre-appointment discussion with insurers and internal health and safety specialists in relation to any health and safety assessments required post appointment;
- Pre-administration compliance including a review in line with the Insolvency Code of Ethics 2020;
- Filing the notices of intention to appoint the Joint Administrators and liaising with the Companies' qualifying floating charge holders (HSBC IB for all Companies and Tenzing for Converge) regarding the appointment of the Joint Administrators;
- Preparing statutory documentation and declarations required for effecting the administration appointments and liaising with our legal advisors in this regard;
- Obtaining and discussing legal advice in respect of the appointments;
- Setting up the systems necessary to deliver the administration strategies and ensuring relevant internal approvals and notifications are completed;
- Drafting the copy of the Joint Administrators' report to creditors on the pre-packaged sale of part of its assets in accordance with SIP 16 (included at Appendix C);
- Drafting the Joint Administrators' proposals (this document) for achieving the purpose of the administrations;
- Preparing initial letters to creditors and other statutory notifications to be issued immediately following our appointment; and
- Internal procedures in preparation for accepting the appointments and implementing relevant systems and controls.

Day one administration planning:

- Frequent meetings with Companies' management and directors regarding administration planning, including obtaining financial and other information, strategy discussions around the sale of the business, identifying and collating data relating to the creditors of the Companies;
- Planning for the data capture process to extract data required by the Joint Administrators following their appointment from the Companies' various IT systems;
- Holding regular all workstream calls to keep informed of strategy decisions and action points in the lead up to the appointments;
- Preparing file notes evidencing the strategy and decision making process leading up to our appointments;
- Reviewing Companies House filings to ascertain the Companies' directors, Group structure and identify any other key stakeholders;
- Developing and preparing our communication strategy to various stakeholders (including creditors and suppliers to issue immediately following appointment) and drafting the information to be published on the Joint Administrators' website following the appointments; and
- Developing and maintaining our administration strategies for the post appointment period.

Tax and VAT:

- Seeking and obtaining specialist internal tax and VAT advice in relation to the pre-packaged sale; and
- Liaising with Company staff to obtain information relating to the Companies' VAT statuses and potential tax and VAT liabilities owing on appointment.

Summary

The above is indicative of the key areas of work performed and is not an exhaustive list. We believe that the above work was necessary in order to achieve the objective of the administrations, maximise realisations and provide the best available outcome for the Companies' creditors.

Our fees have been calculated on a time cost basis using our usual charge out rates for work of this nature. We set out below an analysis of the work undertaken by the Administrators-in-waiting for the period 22 March 2024 to 4 April 2024 by grade and work type, split by entity.

Converge:

Work type	Partner	Director	Senior Manager	Manager	Senior Associate	Associate	Total hours	Total cost (£)	Average hourly rate (£)
Sale of business	8.15	53.70	10.55	2.85	82.30	-	157.50	113,290.16	719.30
Employees and pensions	-	-	12.00	-	0.20	-	12.20	10,548.00	864.59
Statutory and compliance	-	-	15.05	-	10.45	8.15	33.65	21,811.83	648.20
Day one administration planning	13.10	0.70	26.10	1.90	33.45	3.05	78.35	57,220.20	730.32
Data and record collection	-	-	-	2.25	0.25	-	2.50	1,923.75	769.50
Tax and VAT	0.20	-	0.65	-	-	-	0.85	1,492.03	1,755.33
Total	21.45	54.40	64.35	7.00	126.65	11.20	285.05	206,285.98	723.68

Prior to the Joint Administrators' appointment, Converge paid £61,011 so time costs of £145,275 remain outstanding.

CBS:

Work type	Partner	Director	Senior Manager	Manager	Senior Associate	Associate	Total hours	Total cost (£)	Average hourly rate (£)
Sale of business	1.15	7.45	1.45	0.40	11.40	-	21.85	15,705.10	718.77
Employees and pensions	-	-	-	-	-	-	-	-	-
Statutory and compliance	-	-	15.05	-	10.45	8.15	33.65	21,811.83	648.20
Day one administration planning	1.80	0.10	3.60	0.25	4.65	0.40	10.85	7,932.28	731.09
Data and record collection	-	-	-	2.25	0.25	-	2.50	1,923.75	769.50
Tax and VAT	0.20	-	0.65	-	-	-	0.85	1,492.03	1,755.33
Total	3.15	7.55	20.75	2.90	26.75	8.55	69.70	48,864.99	701.07

Prior to appointment, CBS did not make any payment in respect of the above time costs so £48,865 remains outstanding.

Sprout:

Work type	Partner	Director	Senior Manager	Manager	Senior Associate	Associate	Total hours	Total cost (£)	Average hourly rate (£)
Sale of business	2.25	14.75	2.90	0.80	22.60	-	43.25	31,105.24	719.20
Employees and pensions	-	-	-	-	-	-	-	-	-
Statutory and compliance	-	-	15.05	-	10.45	8.15	33.65	21,811.83	648.20
Day one administration planning	3.60	0.20	7.15	0.50	9.20	0.85	21.50	15,710.53	730.72
Data and record collection	-	-	-	2.25	0.25	-	2.50	1,923.75	769.50
Tax and VAT	0.20	-	0.65	-	-	-	0.85	1,492.03	1,755.33
Total	6.05	14.95	25.75	3.55	42.50	9.00	101.75	72,043.38	708.04

Prior to appointment, Sprout did not make any payment in respect of the above time costs so £72,043 remains outstanding.

No pre-administration disbursements were incurred by the Joint Administrators.

Legal fees - Addleshaw Goddard LLP

Work was performed by Addleshaw Goddard LLP with a view to the Companies entering administration. The time costs for the majority of the work carried out in this period has been split equally across the three entities, as this was undertaken in pursuance of the sale of assets by the Companies, which was contained in one composite sale agreement entered into by all. The majority of the workstreams as below were undertaken for all three entities. The exceptions to this are for work carried out in relation to the LtO and Leasehold Property workstreams, with all of this time being allocated to Converge, given that it was the sole tenant under the lease.

The following work was performed by Addleshaw Goddard LLP; please note this is a summary of the work performed and not an exhaustive list:

All entities:

- Providing advice to the Administrators-in-waiting regarding ad hoc contingency planning queries and other queries relating to the proposed administrations;
- Undertaking certain due diligence in preparation for the sale, including a review of certain customer contracts;
- Preparation of the sale agreement and negotiation of the same with the Purchaser's solicitors;
- Preparation of and negotiation of security releases from the secured lenders;
- Providing specialist advice regarding data protection and National Security and Investment Act aspects of the sale and appointments;
- Preparation of administration appointment papers and dealing with filing of the same; and
- Coordination of and dealing with completion of the sale.

Converge only:

- Providing specialist advice regarding employment law and TUPE in relation to the sale;
- Advice to the Administrators-in-waiting in relation to the Leasehold Property in the context of administration; and
- Preparation and negotiation of the LtO as part of the sale.

Addleshaw Goddard's rates:

Grade	Rate £
Partner	665.00
Legal Director	570.50
Managing Associate	504.00
Associate	490.50-472.59
Trainee Solicitor	238.00
Paralegal	203.00

Note: these are inclusive of a discount specifically agreed with the directors for the pre-administration work.

Legal disbursements - Addleshaw Goddard

The below disbursements were allocated equally across the Companies with the exception of Land Registry searches which were allocated to Converge solely as they relate to the Leasehold Property of which which Converge is the tenant:

Disbursement	£
Land Registry searches	9.00
Travel expenses	108.42
Food expenses	45.00
Statutory declaration fees	30.00
Total	192.42

Agent's costs - John Pye

John Pye undertook a desktop valuation of the Companies' assets dated 26 March 2024, in regards to the sales process and with a view to these assets being sold on an accelerated basis. The valuation was provided on both an in situ and ex situ valuation. John Pye's hourly charge out rate was £200 plus VAT per hour resulting in a total cost of £3,000 (excluding VAT). No disbursements were incurred. The agent's costs were split between the Companies as follows, Converge £1,500, CBS £500 and Sprout £1,000. The basis of the split was broadly related to the value of assets within each entity.

Appendix C: Copy of the Joint Administrators' report to creditors on the pre-packaged sale of the businesses and certain of their assets

Please see attached.



To all known creditors

11 April 2024

Our ref: 100424/MSPG/sip16

Dear Sirs

Converge-IT.Net Limited, City Business Solutions UK Ltd and Sprout Technologies Limited – in administration (“the Companies”)

Why you’ve received this letter

Further to our letter dated 5 April 2024, I write to provide you with details regarding the administration and sale of substantially all of the Companies’ businesses and assets to Bluecube Cyber Security Solutions Limited, a subsidiary of the Ekco Group.

The purpose of administration

The statutory purpose of an administration is to achieve one of these objectives:

- (a) rescuing the Companies as a going concern, or if that is not possible or if (b) would achieve a better result for the creditors than (a)
- (b) achieving a better result for the Companies’ creditors as a whole than would be likely if the Companies were wound up (without first being in administration), or finally, if that isn’t possible
- (c) realising the Companies’ assets to make a distribution to secured or preferential creditors.

In this case, we are pursuing objective (b) for each of the Companies as it wasn’t possible to rescue any of the Companies as a going concern.

Sale of the businesses

I’m pleased to tell you that on 4 April 2024 substantially all of the Companies’ businesses and assets were sold to Bluecube Cyber Security Solutions Limited, a subsidiary of the Ekco Group. Details of the sale are in the Appendix.

The sale enables the statutory purpose to be achieved and was the best available outcome for creditors as a whole in all the circumstances. The sale has resulted in 140 jobs being transferred and the Purchaser has agreed for customer contracts to be novated.

If you own property hired, leased or rented by the Companies, or have any general queries in relation to the administration please contact uk_mspgroup_enquiries@pwc.com.

PricewaterhouseCoopers LLP, Central Square, 29 Wellington Street, Leeds, LS1 4DL
T: +44 (0) 1132 894 000, F: +44 (0) 1132 894 460, www.pwc.co.uk

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Yours faithfully
For and on behalf of the Companies

A handwritten signature in black ink, appearing to read 'Peter Dickens', with a long horizontal stroke extending to the right.

Peter Dickens
Joint Administrator

Enclosure: SIP 16 statement

Peter D Dickens, Helen Wheeler-Jones and Sarah O'Toole have been appointed as joint administrators of the Companies to manage their affairs, business and property as their agents and act without personal liability. The joint administrators are licensed in the United Kingdom to act as an insolvency practitioner by the institute of chartered accountants England and Wales. 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>.

The joint administrators may act as controllers of personal data as defined by UK data protection law depending upon the specific processing activities undertaken. PricewaterhouseCoopers LLP may act as a processor on the instructions of the joint administrators. Personal data will be kept secure and processed only for matters relating to the joint administrators' appointments. Further details are available in the privacy statement on the PwC.co.uk website or by contacting the joint administrators.



SIP 16 Statement

Abbreviations and terms used in this document

The following table shows the abbreviations and insolvency terms that may be used in this report:

Abbreviation or definition	Meaning
Administrators/we/us/our	Peter Dickens, Helen Wheeler-Jones and Sarah O'Toole
AMA	Accelerated Merger or Acquisition process
Bank/HSBC IB	HSBC Innovation Bank Limited, Secured creditor, formerly Silicon Valley Bank UK Limited
Purchaser	Bluecube Cyber Security Solutions Limited (a subsidiary of the Ekco Group)
CBS	City Business Solutions UK Ltd - in administration
Companies/MSP Group	Converge-IT.Net Limited, City Business Solutions UK Ltd and Sprout Technologies Limited – in administration (Managed Service Providers)
Converge	Converge-IT.Net Limited - in administration
CVA	Company voluntary arrangement under Part 1 IA86
FY	Financial year (Companies year end is December)
Group	CTS Group Holdings Limited, CTS Group Midco Limited, CTS Group Management Limited, Tiger Eye Consulting Limited, City Business Solutions UK Ltd - in administration, Converge-IT.Net Limited - in administration, Sprout Technologies Limited - in administration and Sprout Technologies NZ Limited
HMRC	HM Revenue & Customs
Hold cos	Non-trading holding companies being CTS Group Holdings Limited, CTS Group Midco Limited and CTS Group Management Limited
IA86	Insolvency Act 1986
IR16	Insolvency (England and Wales) Rules 2016
John Pye	John Pye & Sons Limited
Leasehold property	7450 Daresbury Park, Daresbury, Warrington, Cheshire, WA4 4BS
LtO	Licence to occupy the Leasehold property

NDA	Non-disclosure agreement
NOI	Notice of Intention to Appoint Administrators
Op cos	Operating companies and trading entities of the Group, being Converge-IT.Net Limited - in administration, Sprout Technologies Limited - in administration, City Business Solutions UK Ltd - in administration and Tiger Eye Consulting Limited
Ordinary preferential creditors	Creditors with claims defined in IA86 as ordinary preferential debts. These include claims for unpaid remuneration earned in the four months before the relevant date of the insolvency up to a maximum of £800, an unlimited amount of accrued holiday pay and unpaid pension contributions in certain circumstances
Prescribed part	The amount set aside for Unsecured creditors from floating charge funds in accordance with section 176A IA86 and the Insolvency Act 1986 (Prescribed Part) Order 2003
Proposals	Joint Administrators' proposals for achieving the purpose of administration dated 11 April 2024
PwC/firm	PricewaterhouseCoopers LLP
RCF	Revolving Credit Facility
Secondary preferential creditors	Creditors with claims defined in IA86 as secondary preferential debts to be paid after Ordinary preferential debts, if there are sufficient funds. These include claims for: <ul style="list-style-type: none"> • Certain HMRC debts owed at the date of insolvency, consisting of VAT; • Relevant amounts deducted by the Companies from payments due to another taxpayer and due to be paid over to HMRC (e.g. PAYE, employee NICs and Construction Industry Scheme deductions); and • Penalties and interest do not form part of HMRC's preferential claim
Secured creditor	A creditor with security in respect of their debt, in accordance with section 248 IA86
SIP	Statement of Insolvency Practice. SIPs are issued to insolvency practitioners under procedures agreed between the insolvency regulatory authorities. SIPs set out principles and key compliance standards with which insolvency practitioners are required to comply
SIP 9	Statement of Insolvency Practice 9: Payments to insolvency office holders and their associates
SIP 16	Statement of Insolvency Practice 16: Pre-packaged sales in administrations
SPA	The agreement for the sale and purchase of the businesses and assets of the Companies dated 4 April 2024 and made between the Companies, the Administrators and the Purchaser



Sprout	Sprout Technologies Limited – in administration
Tenzing	Tenzing Private Equity LLP, Secured creditor and majority shareholder
Tiger Eye	Tiger Eye Consulting Limited
TSA	Transition Service Agreement
TUPE	Transfer of Undertakings (Protection of Employment) Regulations 2006
Unsecured creditors	Creditors who are neither Secured nor Preferential
VAT Group	CTS Group Holdings Limited, CTS Group Midco Limited, CTS Group Management Limited and Converge-IT.net Limited - in administration



APPENDIX

Information regarding the sale of the business and assets of Converge-IT.Net Limited, City Business Solutions UK Ltd and Sprout Technologies Limited on 4 April 2024 as required by Statement of Insolvency Practice No.16 (SIP 16)

The purpose of SIPs is to promote and maintain high standards by setting out required practice and harmonising the approach of Insolvency Practitioners to particular aspects of insolvency work.

SIP 16 relates to situations where the sale of all or part of a company's business or assets is negotiated with a purchaser prior to the appointment of an administrator and the administrator effects the sale immediately on, or shortly after, appointment. This is sometimes referred to as a "pre-packaged sale".

In the lead up to an administration appointment, an insolvency practitioner may act as an advisor to the company as it seeks to make arrangements for a sale. Their role at this time is to advise the company, rather than the directors or the purchaser.

Following an appointment where no sale agreement has yet been signed, the insolvency practitioner may become the administrator and complete the sale in that role. When considering the manner of disposal of the company's business or assets, an administrator must bear in mind their duties to the company's creditors as a whole.

A copy of SIP 16 can be found at the link below:
<https://www.icaew.com/-/media/corporate/files/technical/insolvency/regulations-and-standards/sips/england/sip-16---england-and-wales-300421.ashx>

More information regarding the purpose and process of administration can be found at the link below:
https://www.r3.org.uk/media/documents/publications/professional/Creditors_Administration.pdf

Information relating to this sale is set out in the remainder of this Appendix.

Background	<u>The Group</u>
	<p>Converge was incorporated in 2006 and it was formed into the current Group in 2017. The Group has then subsequently grown through acquisitions of Sprout, CBS and Tiger Eye. It operated from its head office in Daresbury, Warrington, formerly alongside its London office which was exited in March 2024.</p> <p>The Group was a provider of managed service solutions, specialising in cloud management IT. In November 2020 the Group acquired Sprout and CBS, specialist legal managed service providers, which complemented the existing Converge business and provided synergies. In September 2022, the Group acquired Tiger Eye, a business focused on document management for the legal sector.</p> <p>Converge, CBS, Sprout and Tiger Eye together form the Op cos of the wider Group. Given the slightly differing nature of its business Tiger Eye operates independently from Converge, Sprout and CBS. Sprout has one direct subsidiary, Sprout Technologies NZ Limited incorporated in New Zealand which was set up to support Sprout's operations by providing uninterrupted services and taking advantage of the time zone differences.</p>

All other Group entities are the non-trading holding companies, which sit above the Op cos.

Revenue for the Group has grown from £22.3m in FY21 to £27.4m in FY23. However, over that period EBITDA has fallen from £4.5m to £2.1m, resulting in management implementing a cost base restructuring exercise in FY24.

The Group has credit facilities with HSBC IB and Tenzing, the latter of which is also its majority shareholder. HSBC IB has fixed and floating charges securing a term loan and RCF, with c.£14.7m outstanding (this balance is subject to change as interest continues to be accrued). It has security over two of the three Hold cos, the Companies and Sprout Technologies NZ Limited (notably not Tiger Eye, however it holds a fixed charge over the shares), with cross guarantees. The Group has c.£28m of loan notes from Tenzing, which has fixed and floating security over all three Hold cos and Converge (note - c.£34.4m is due to Tenzing at the date of the administrations, representing principal and interest and an additional £600k drawn down via a Loan Note facility discussed below).

The Group required additional liquidity support in October 2023 due to trading underperformance at Converge, Sprout and CBS, with Tenzing providing a committed Loan Note facility of £1.2m to CTS Group Midco Limited (detailed further below).

Tiger Eye continues to trade profitably and solvently.

The Companies

Together Converge, CBS and Sprout are termed the 'MSP Group' (managed service provider group).

Converge provides managed services to law firms, primarily those focused on conveyancing. The range of services includes data backups, software licensing, connectivity, cloud and azure. Both CBS and Sprout provide managed services to barristers. Following acquisition in 2020, the business model for these two entities was aligned with Converge. As at November 2023 CBS had 71 customers and Sprout had 30.

Each of the MSP Group companies are reliant on each other for operations and Group management's plan had been to novate all employees, customers and creditors over to Converge during the course of 2023-24. .

On 21 November 2023, the MSP Group experienced a significant cyber security breach in the form of a ransomware attack, which targeted a crucial segment of the IT infrastructure. The attack solely impacted the MSP Group companies. The breach caused a loss of services for a month, which impacted 72% of the Companies' clients

(based on monthly recurring revenue), with some clients impacted to a greater extent than others.

The MSP Group successfully built a new IT environment, restoring service to affected clients during December 2023 on a staged basis. However, due to the disruption of services, clients were unwilling to pay for the month in which they could not access their data, so the MSP Group was unable to recover the platform fees for that period, having a significant impact on cash collections.

Furthermore, a number of customers terminated their contracts, impacting future revenues. At least 30% of customers (by monthly recurring revenue) terminated their contracts and income was significantly reduced against a largely fixed cost infrastructure. This adversely impacted liquidity and therefore the ability to pay creditors to terms.

On 20 February 2024 HMRC issued the Companies with a warning of a winding up action letter. The Companies put forward a first proposal for a time to pay arrangement on 23 February 2024. This payment plan was rejected by HMRC. The Companies provided a counter proposal on 22 March 2024 however this had not been agreed with HMRC prior to the Companies entering administration.

In FY23, MSP Group generated turnover of £22.4m and EBITDA of £1.5m. FY24 revenue was forecast to be £14.9m, with an EBITDA loss of £0.9m, impacted by the loss of clients following the cyber attack.

Lenders

Tenzing: In October 2023, prior to the cyber incident, Tenzing had made a commitment to the Group to provide an additional £1.2m of funding available.

HSBC IB: A repayment of interest (£0.4m) and principal (£0.3m) fell due on 30 November 2023, but due to liquidity constraints partially caused by the cyber incident, the Group was not able to make that repayment and HSBC IB agreed a deferral. Further deferrals were later agreed totalling £0.3m interest in February 2024 and monthly RCF interest of £7k was deferred from November 2023. None of these amounts had been repaid at the time of the Administrators' appointment.

PwC's engagement

Due to concerns over the financial performance of the MSP Group and immediate liquidity concerns, PwC was engaged on 30 November 2023 by CTS Group Holdings Limited and its subsidiaries to perform an initial review of the short and medium term financial forecasts. The review identified a short term liquidity need.

By early March 2024 it was apparent that a significant portion of the existing customer base intended to terminate their contracts and/or were withholding payment. This increased the funding requirement under the medium term business plan to £2-3m.

Given the increased funding requirement and uncertainty due to client behaviour (non-payment of debts and cancellation of contracts) it was not possible to secure additional funding.

On 12 March 2024, PwC's engagement was varied, to support the Group with running an AMA process in respect of the MSP Group. This aimed to achieve a sale of the MSP Group Companies to a third party. Prior to this date neither the Group nor PwC had undertaken any marketing activities in relation to the MSP Group given the Groups' directors had been confident a solvent solution could be achieved.

We set out more detail on the AMA process and the offers received as part of the section "Marketing activities conducted by the Companies and/or Administrators" later in this statement. However in summary:

1. PwC compiled a potential buyer list, this was shared with management who reviewed and identified a number of additional parties;
2. PwC drafted a detailed teaser document with input from management. Due to a need to transact quickly given mounting creditor pressure and low liquidity, no information memorandum was created;
3. 27 potential buyers were approached on a confidential no-names basis;
4. NDAs were shared with all ten parties who expressed interest, eight of these were executed;
5. Following receipt of signed NDAs, PwC shared a teaser document containing key financial and operational information;
6. Those parties still in the process were invited to provide indicative offers prior to a deadline; and
7. Three indicative offers were received and following further provision of further information, these resulted in receipt of three final offers. However, while a solvent sale was sought, all offers were on an insolvent basis covering the purchase of the businesses and assets.

Of the offers received, the offer from the Purchaser was preferable based on it providing the best return to creditors as a whole and it also represented the most deliverable deal in the time available in the context of the liquidity position.

PwC produced a forecast estimated outcome statement comparing the preferred offer against the alternative offers, which showed a substantially better outcome for the Companies' creditors from proceeding with the preferred offer. The preferred offer was also deemed preferable to a liquidation scenario as in that scenario there would have been challenges securing funding to secure an orderly hand back of data to customers, asset realisations would have been

	<p>lower and it would have led to a significant increase in preferential and Unsecured creditors.</p> <p>One additional factor contributing to the acceptability of the Purchasers' offer was that they did not have a requirement to complete any further due diligence to that already undertaken "see Marketing activities conducted by the Companies and/or Administrators" section later for more detail. This meant the progression of the sale could proceed quickly, which was important given mounting creditor pressure, potential winding up action being taken and an increasing liquidity need. As a result, negotiations around the terms of the SPA and LtO ensued with all parties aiming to conclude discussions as quickly as possible, to ensure the transaction could complete in the shortest possible time frame.</p> <p>On 4 April 2024 the Companies' directors took the steps to place the Companies into administration and appointed Peter Dickens, Helen Wheeler-Jones and Sarah O'Toole as Joint Administrators. The sale of substantially all of the Companies' businesses and assets concluded immediately following the administration appointments.</p>
The Administrators' initial introduction	<p>Mark Addley of PwC was introduced to the Group on 28 November 2023 by Tenzing. Helen Wheeler-Jones and Peter Dickens were introduced later in December 2023. Sarah O'Toole was introduced in March 2024.</p>
The extent of the Administrators' involvement before the appointment	<p>Pursuant to the above PwC was engaged as follows:</p> <p><u>PwC engagement letter dated 30 November 2023</u></p> <p>PwC was engaged by CTS Group Holdings Limited and its subsidiaries (including the Companies) to provide:</p> <ul style="list-style-type: none"> • Financial and options review, including: <ul style="list-style-type: none"> o Current financial performance; o Group strategy; and o The Group's latest P&L, cash flow and balance sheets. • Short term cash flow review. • Ad hoc restructuring advice. • Contingency planning. <p><u>PwC variation of services engagement letter dated 12 March 2024</u></p> <p>As a variation to the engagement letter of 30 November 2023, PwC was subsequently engaged by CTS Group Holdings Limited to perform an AMA process and insolvency planning process in respect specifically of the Companies, in the event a solvent solution couldn't be achieved. This involved:</p> <ul style="list-style-type: none"> • Preparation of material and collation of key information required for an AMA process;

	<ul style="list-style-type: none"> • Marketing the Companies' businesses and assets for sale; • Reviewing offers, preparing any documentation in relation to a transaction; and • Insolvency planning in the events of a pre-packaged sale of the Companies' businesses and assets. <p>PwC did not advise the directors in their personal capacity but we did advise them to seek independent legal advice. As such, Addleshaw Goodard LLP was engaged by the directors and provided advice throughout the pre appointment period and in relation to the transaction.</p>
<p>Alternative options considered by the directors before formal insolvency and by the Administrators on their appointment and during the administration and the possible outcome(s) of the alternative options</p>	<p>Prior to the formal insolvencies, the following options were considered by the directors of the Companies and by the Administrators as part of the contingency planning phase of their work. Some of these options were considered early in the process while there was a likelihood of achieving a solvent solution and other options came into consideration as those solvent solutions became unviable. Ultimately, the only viable option remaining was the execution of a sale of the businesses via pre-packaged administrations:</p> <p>Continuing to trade the businesses outside of insolvency processes and seeking to effect a successful turnaround</p> <p>Given the Companies' acute liquidity issues, this option would have required a significant and immediate cash injection. The Group (including the Companies) was unable to obtain additional funding. Therefore, this was not a viable option.</p> <p>The immediacy of the funding requirement could have led to an uncontrolled and unplanned insolvency process, immediate cessation of trading and a break-up sale of the assets, generating significantly less value than what has been achieved. Alongside this, there would have been significant issues returning customer data in an orderly manner in an unplanned insolvency process</p> <p>The Companies were under significant pressure from a number of creditors as demonstrated by the landlord who threatened to put in a winding up petition in January 2024, and a warning letter received from HMRC on 20 February 2024 similarly indicating intent to commence winding up proceedings.</p> <p>Additional equity</p> <p>Tenzing is the majority shareholder and all equity options had been explored through the AMA process. Tenzing's position is outlined below when considering additional debt.</p> <p>Additional debt</p> <p>The Companies' directors had requested further funding from HSBC IB and Tenzing. HSBC IB had been providing short term deferrals of interest and principal to the business. Tenzing had provided an additional loan note facility. However, given the accelerated</p>

	<p>deterioration in the client position (non payment of debts and cancellation of contracts) this increased the funding requirement to a level where sufficient additional funding could not be secured. Given the existing levels of debt in the business, raising additional debt or alternate investment was unlikely in the time available and had not been forthcoming from the accelerated investment/sale process. Therefore this was not considered a viable option.</p> <p>CVA</p> <p>The options detailed above were investigated prior to considering a CVA as they were considered more likely to be achieved. As those options became less likely, CVA was considered but there would have been a significant funding need. In addition, a CVA would have required creditor approval and is a lengthy process to achieve; given the acute liquidity issues this was not viable as a more immediate solution was needed. A CVA was therefore not considered a viable option.</p> <p>Restructuring plan / Scheme of arrangement</p> <p>Any restructuring plan would have required additional funding to be made available to the Companies, which as disclosed above was not available. This was therefore not considered a viable option.</p> <p>Liquidation / immediate shut down</p> <p>The outcome of a pre-packaged sale of the Companies in administration compared favourably to a liquidation on a number of grounds. Compared to liquidation, a pre-packaged sale in administration delivered the following benefits:</p> <ul style="list-style-type: none"> • Employees In Converge, certain employee claims are mitigated through the transfer of employees to the Purchaser under TUPE, which wouldn't have been available if the business had ceased trading and there was a liquidation. Liquidation would therefore have resulted in increased Ordinary preferential creditors' claims from Converge's employees who would have been made redundant on appointment. Similarly, in administration scenarios without a pre-packaged sale of the business, Unsecured creditor claims would also have been increased as a result of employee related claims. (Note - there were no employees in CBS or Sprout.) • Value for contracts / IP The pre-packaged transaction has generated value for the IP and other assets that is significantly greater than anticipated realisations in a liquidation. The inability to trade in liquidation would have eroded value on day one. • Break up value A break up sale of assets in a liquidation would have generated minimal returns for all creditor classes. • Claims from customers Claims from clients in relation to breaches of contract or other contractual related claims are mitigated in the pre-packaged sale as continuing customers will be serviced by the Purchaser. • Data repatriation In a liquidation scenario, the liquidators could be required to return data to customers. This would
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	<p>have been a significant exercise requiring financial support and continuing services of employees with knowledge of the businesses, the technology infrastructure and the client data. It is unclear how this significant cost would have been funded. As a result of the pre-packaged sale, the Purchaser is responsible for returning data to those customers not continuing with the new business.</p> <p>Liquidation was therefore not considered to be the preferable option in the circumstances.</p> <p>Trading administration</p> <p>Was not considered to be appropriate for the reasons set out below.</p>
<p>Why it was not appropriate to trade the businesses and offer them for sale as going concerns during the administrations</p>	<p>We considered that a trading administration was not viable for the following reasons:</p> <ul style="list-style-type: none"> • There was a significant risk that the uncertainty associated with a trading administration would have resulted in a material loss of critical/highly skilled staff to be able to continue to run the business. • A number of customers had taken steps to terminate their contracts prior to the insolvencies. We assessed that the appointment of administrators would have led to further customers choosing to terminate, eroding value for any potential sale. • Notwithstanding that a trading administration was unlikely to result in a better outcome for creditors, the quantum of professional costs and staff costs that would be involved in a trading administration would be significantly higher than in a pre-packaged sale scenario and thereby would further impact net creditor returns. • The cost associated with trading for the continuing customers or returning data to terminated customers would have been significant and the businesses would have been loss making as a result of the high fixed cost base and advisors' fees. The Administrators would have been required to secure agreement to funding from the customers prior to taking the appointments. This would have been a significant financial request which we believed many customers would have been unprepared to meet. • A key concern in a trading administration was the considerable compliance work that would have been required to be undertaken to ensure the responsible treatment of customer data, which would likely have added significant cost. • The necessary funding requirement for such a trading period would have been substantial and there was no party identified as being likely to provide it. • Any trading strategy would also have required the support of the Companies' key suppliers, including software providers who were critical to the business. We are aware of key suppliers with significant arrears, which could have resulted in significant duress payments being required.

	<p>In addition to the above, we would have been unlikely to achieve a sale of the businesses and assets in an administration scenario that would have generated greater realisations for creditors as:</p> <ul style="list-style-type: none"> • Market testing that had been undertaken prior to the pre-packaged sale and there was no indication to suggest that a trading period in an insolvency would result in any better outcome or offer to purchase the business than that which has been achieved. • A further process of market testing would likely not have generated any new credible interest and could have eroded value further. Parties that had shown an interest or made an indicative offer in a pre-packaged scenario would likely determine that value would have been eroded following the appointment of the Administrators. <p>As such, we concluded that trading administrations would not achieve a better result for creditors than the pre-packaged transaction.</p>
Whether efforts were made to consult major or representative creditors	<p>Prior to the Administrators' appointment and throughout the AMA process both HSBC IB and Tenzing, as Secured creditors, had been consulted by PwC and the Companies directors. Both secured creditors were consulted in respect of the transaction.</p> <p>So as not to prejudice ongoing negotiations around the pre-packaged sale we did not consider it appropriate to consult with other parties.</p>
Requests made to potential funders to fund working capital requirements	<p>As noted above, several requests for funding were made by the Companies as the situation evolved. In December 2023, Tenzing injected £600k for working capital purposes.</p> <p>HSBC IB provided support by allowing the deferral of all interest and principal repayments until March 2024 (agreed on an ongoing basis).</p> <p>Approaching third party working capital funders was not considered a viable option given the Companies' financial difficulties and the existing security structure and indebtedness.</p> <p>Tenzing and HSBC IB were provided with summaries of the estimated funding requirements for alternative options e.g scheme of arrangement, a restructuring plan and other insolvent options, however the funding requirement was deemed too high for either Tenzing and/or HSBC.</p> <p>A specific request was not made to fund trading in an administration as a result of the estimated costs of trading and other risks highlighted above.</p>
Details of registered charges with dates of creation	<p>The Bank has security over CTS Group Midco Limited, CTS Group Management Limited, CBS, Converge, Sprout and Sprout Technologies NZ Limited, subject to legal review.</p>

	Details of the Companies' charges are as follows:			
	HSBC IB (formerly Silicon Valley Bank)	Converge	CBS	Sprout
	Type of charge	Fixed and floating charge (floating charge covers all the property or undertaking of the Companies)		Fixed charge including over three trademarks. Floating charge (floating charge covers all the property or undertaking of the Company)
	Assets charged	All assets of the business		
	Date of creation	24 November 2020		23 December 2020
	Tenzing has security over CTS Group Holdings Limited, CTS Group Midco Limited, CTS Group Management Limited and Converge, subject to legal review. Details of Converge's charge is as follows:			
	Tenzing	Converge		
	Type of charge	Fixed charge including over the Leasehold property, and three trademarks. Floating charge (floating charge covers all the property or undertaking of the Company)		
	Assets charged	All assets of the business		
	Date of creation	22 December 2017		
	We understand that HSBC IB has first ranking security however a security review will be undertaken to confirm this.			
	Whether or not the businesses or business assets have been acquired from an insolvency practitioner within the previous two years	Neither the businesses nor business assets have been acquired from an insolvency practitioner within the previous two years.		

<p>Marketing activities conducted by the Companies and/or Administrators</p>	<p>Following an assessment of the liquidity position and given no solution was available for the MSP Group to continue solvently within the existing Group structure, through additional finance or refinancing, it was decided between all parties that an AMA process should be run to explore the possibility of a sale of the MSP Group Companies. As stated earlier in this statement no other external sales process or marketing of the Companies had been explored previously.</p> <p>Under their engagement of 12 March 2024, PwC was engaged to assist the Companies' directors in approaching parties and running an AMA process.</p> <p>Determining the buyer list</p> <p>A specialist M&A team within PwC with extensive sector knowledge was utilised as part of this process, to ensure as many prospective interested parties could be identified across trade entities with similar business to the Companies and Private Equity houses with specific investments and expertise in the IT managed service sector. The Companies' directors also provided details of other potential acquirers or parties who may have an interest in purchasing the Companies. As a result, 27 potentially interested parties were approached, consisting of six PE Houses and 21 trade parties.</p> <p>Assessing the timescale for the AMA process</p> <p>The acute liquidity issues facing the Companies meant that a short marketing period was required. A deadline for indicative bids was therefore set as 20 March 2024.</p> <p>It was important the process was targeted given the short timescale to transact. It was also important the sale of the Companies was not advertised more widely, to ensure value wasn't eroded through remaining customers of the Companies terminating their contracts as a result of the Companies' uncertain future.</p> <p>Progression of the AMA process</p> <p>A comprehensive teaser document was issued to all potential interested parties identified. Ten parties received the NDA for their review and signature. Eight parties signed the NDA and received the teaser and an initial financial information pack. Of those who have declined to pursue the opportunity further, the main reason cited was the loss of clients as a result of the cyber incident.</p> <p>Expressions of interest were received from three trade parties. All three trade parties put forward indicative bids (all on a sale of business and assets basis), and were given access to more information as requested. The initial AMA sales process had focussed on finding a solvent solution, however, following the offers received and despite pressing the parties around the benefits of a solvent solution, only offers on an insolvent basis (via a pre-packaged administration) were</p>
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	<p>put forward. Buyers were concerned by risks tied to liabilities arising from the cyber attack, creditor arrears and uncertainties regarding customer contracts and financial performance.</p> <p>Online marketing</p> <p>We did not undertake any online marketing due to the commercial sensitivity of the deal. There was a significant risk that if the Companies clients were aware of the deal that they could terminate their services or move to a competitor which would impact the value we would be able to obtain for the Companies.</p> <p>Consideration of offers and determining which offer to proceed with</p> <p>By 21 March 2024 all three parties had submitted their final offers. Two of the offers required extensive due diligence to be completed over a number of weeks. The third offer (from the Purchaser) was based on no further due diligence being required, which was attractive given the acute liquidity issues the Companies were facing. In addition, the consideration offered provides a better outcome to the Companies' creditors.</p> <p>The Companies' directors were asked to review and consider the offers received and concluded that accepting the offer from the Purchaser would result in the best outcome (given no solvent offers had been received) compared to any alternatives available to them. Therefore, the Companies requested approval from HSBC IB and Tenzing on 26 March 2024 and it was approved on 27 March 2024.</p> <p>The marketing process was targeted towards those parties that could benefit from sector synergies but broad enough to encompass a range of potential interested parties, including a mix of trade and Private Equity. Potential interested parties were carefully identified and targeted based on their alignment with the MSP Group's business. This approach aimed to maximise value and ensure a successful transition for all stakeholders involved.</p> <p>Through our conversations with interested parties, we are satisfied that widening the pool of interested parties would not have resulted in any solvent or higher offers that could have been completed in the required timeframe.</p> <p>We conclude that the Companies' business and assets were marketed widely enough to generate the best offer and therefore the best outcome for the Companies' creditors as a whole.</p>
<p>Valuer's details</p>	<p>Gary Harper FNAVA of John Pye undertook a desktop valuation of the Companies' assets dated 26 March 2024. John Pye confirmed it was independent to act and has adequate professional indemnity cover to perform this type of valuation.</p>

Valuations of the businesses or the underlying assets	<p>PwC instructed John Pye to perform a desktop valuation of the Companies' owned assets, with a view to these assets being sold on an accelerated basis. The valuation was provided on both an in situ and ex situ valuation, as follows:</p> <table><tr><td></td><td>Market Value In Situ (£)</td><td>Market Value Ex Situ (£)</td></tr><tr><td>Converge - Data Centre*, Home Office, Office Furniture, Equipment and IT</td><td>190,000</td><td>84,000</td></tr><tr><td>CBS - Office Furniture, Equipment and IT</td><td>6,500</td><td>2,500</td></tr><tr><td>Sprout - Office Furniture, Equipment, IT and Fixtures and Fittings</td><td>23,500</td><td>9,000</td></tr><tr><td>Total</td><td>220,000</td><td>95,500</td></tr></table> <p><i>*Equity after the payment of HP</i></p> <p>We did not undertake a valuation of the goodwill or IP from John Pye as this was covered in our robust marketing process where we received bids from three different parties. It is also noted that in the alternative scenarios it was considered that IP would be minimal as value is connected to the ongoing economic generation of the customer book.</p>		Market Value In Situ (£)	Market Value Ex Situ (£)	Converge - Data Centre*, Home Office, Office Furniture, Equipment and IT	190,000	84,000	CBS - Office Furniture, Equipment and IT	6,500	2,500	Sprout - Office Furniture, Equipment, IT and Fixtures and Fittings	23,500	9,000	Total	220,000	95,500
	Market Value In Situ (£)	Market Value Ex Situ (£)														
Converge - Data Centre*, Home Office, Office Furniture, Equipment and IT	190,000	84,000														
CBS - Office Furniture, Equipment and IT	6,500	2,500														
Sprout - Office Furniture, Equipment, IT and Fixtures and Fittings	23,500	9,000														
Total	220,000	95,500														
The date of the transaction	4 April 2024															
The identity of the Purchaser	Bluecube Cyber Security Solutions Limited (a subsidiary of the Ekco Group) is a company incorporated in England and Wales with registered number 14651711.															
Any connection between the Purchaser and the directors, shareholders or Secured creditors of the Companies or their associates	There is no connection with the Purchaser, the directors, the shareholders or Secured creditors of the Companies or its affiliates.															

<p>The names of any directors, or former directors (or their associates), of the Companies who are involved in the management, financing, or ownership of the purchasing entity, or of any other entity into which any of the assets are transferred</p>	<p>We are not aware of any existing connections between the Purchaser and the directors. However the following directors have operational roles within the business and if they were employed by one of the insolvent entities, they have transferred to the Purchaser under TUPE:</p> <ul style="list-style-type: none"> • Mark Fowle - CEO • Mark Lawrence - CFO • Mohammed Bakeer - CTO <p>We are unable to confirm what their roles in the Purchaser will be.</p>
<p>Whether i) the directors had given guarantees to a prior financier and ii) whether the prior financier is financing the new business</p>	<p>i) No guarantees given to prior financiers. ii) Prior financier is not funding the new business.</p>
<p>Whether the transaction impacts on more than one related Company</p>	<p>One of the Companies, Sprout, has a direct subsidiary (Sprout Technologies NZ Limited) which is not subject to any insolvency proceedings. This will not form part of the transaction.</p> <p>The Hold cos and Tiger Eye are not party to the transaction and are not subject to any insolvency proceedings. However, there is a TSA in place between Tiger Eye and the Purchaser to ensure continuation of services which were previously shared.</p> <p>Converge is a member of a VAT group with two of the solvent Hold cos, not party to the transaction. The Administrators will work with the directors of the Hold cos to ensure Converge's compliance as part of the VAT group.</p> <p>For the avoidance of doubt, no assets outside of the MSP Group entities form part of the transaction and no consideration has been allocated outside of the Companies.</p>
<p>Details of the assets involved and the nature of the transaction</p>	<p>The transaction is for the immediate sale of substantially all of the Companies' businesses and assets.</p> <p>The following assets were excluded from the transaction; cash at bank, intercompany debtors, deposits, prepayments, insurance claims or potential insurance claims, interest in any freehold or leasehold property, goods subject to retention of title claims, investments in shares (including those held by Sprout in Sprout Technologies NZ Limited), interest in pension funds, third party assets and tax refunds claimable from HMRC and relevant local authorities.</p> <p>Please see below for a breakdown of the key assets included in the sale agreement together with their allocated consideration.</p>
<p>The consideration for the transaction, terms of payment, and any condition of the contract that could materially affect the consideration</p>	<p>The consideration for the transaction, totalling £1,050,000 is set out below. The allocation was based on the Purchaser's view of fair allocation of value. The split was primarily based on the value of the underlying assets with the remainder being allocated against the IP as this was considered to be the key driver of business value.</p>

£	Converge	CBS	Sprout	Total
IP (subject to fixed charge)	580,000	95,000	185,000	860,000
Office Furniture, Equipment and IT (subject to floating charge)	20,000	5,000	15,000	40,000
Data Centre HP Surplus (subject to floating charge)	100,000	-	-	100,000
Book debts	43,000	3,000	4,000	50,000
Total	743,000	103,000	204,000	1,050,000

**Note the allocation of assets as fixed and floating charge realisations is subject to a security review being undertaken.*

The consideration was settled in full on completion.

An LtO has been granted to the Purchaser for a period of three months from the date of sale over the Leasehold property. The lease is in the name of Converge, however all of the Companies operate from the Leasehold property. It is our understanding that the Purchaser will continue to trade whilst they seek to reach agreement with the landlord of the Leasehold property regarding a potential assignment of the lease. The LtO has been granted to ensure the orderly continuance of the Companies businesses following the sale, there is no expected to be any realisable value for the Companies administration estates as a result of the LtO process.

Considerations regarding sale of debtors

The Companies faced significant challenges collecting aged debtor balances (invoices dated pre March 2024), primarily relating to clients impacted by the cyber incident. The Purchaser paid £50,000 for all debts, however any collections made from the date of the transaction up to and including 15 April 2024 would be for the benefit of the Companies and returned to the administration estates. Legal advice suggested challenges in realising any significant value from the debts, especially from clients affected by data outages, due to potential counterclaims.

Any options, buy-back arrangements, deferred consideration or similar conditions attached to the transaction	No options, buy back arrangements or deferred consideration is attached to the transaction.
If the sale is part of a wider transaction, a description of the other aspects of the transaction	A TSA was entered into between the Purchaser and Tiger Eye for a period of six months, covering transitional services such as hosting and key management time commitments.
Connected party transactions	Not applicable.
The sale and the purpose of administration	<p>Following their appointment, administrators must perform their functions with the objective of achieving the statutory purpose of the administrations.</p> <p>The statutory purpose of administration is to achieve one of these objectives:-</p> <ul style="list-style-type: none"> a) rescuing the company as a going concern, or if that is not possible or if (b) would achieve a better result for the creditors than (a) b) achieving a better result for the company creditors as a whole than would be likely if the company were wound up (without first being in administration), or finally, if that is not possible c) realising the company assets to pay a dividend to Secured or Preferential creditors. <p>In general, administrators must perform their functions in the interests of the creditors of the Companies as a whole.</p> <p>In this case, the Administrators are pursuing objective (b) for each appointment as it was not possible to rescue the Companies as going concerns.</p> <p>The Administrators confirm that the sale enables the statutory purpose to be achieved.</p> <p>The Administrators also confirm that the outcome was the best available for creditors as a whole in all the circumstances.</p>

Appendix D: Estimated financial positions including creditors' details

As mentioned previously, we set out below the estimated financial positions of the Companies as at 4 April 2024.

Converge-IT.Net Limited - in Administration Estimated financial position as at 4 April 2024

	Book Value October 2023 £000	Estimated to Realise £000
Hire purchase assets		
Data centre	2,032	2,032
Less: Hire purchase liability	(1,932)	(1,932)
Date centre surplus/(deficit)	100	100
Assets subject to fixed charge		
IP	378	580
Net fixed charge assets realisations	378	580
Less: amount due to HSBC		(14,665)
Surplus/(deficit) from fixed charge assets		(14,085)
Less: amount due to Tenzing		(34,447)
Surplus/(deficit) from fixed charge assets		(48,532)
Floating charge assets		
Data centre surplus	-	100
Office equipment	244	20
Cash at bank	485	485
Ring fenced cash received from insurers	106	-
Book debts received 4 April to 15 April	-	Unknown
Book debts post 15 April (sold to the Purchaser)	2,675	43
Business interruption claim	-	-
Tax receivable	327	-
Deferred tax receivable	64	-
Prepayments	518	-
Intercompany receivables		
- CTS Group Holdings Limited	6	Unknown
- CTS Group Midco Limited	3,000	Unknown
- CTS Group Management Limited	1,250	Unknown
Floating charge realisations	8,675	648

Secondary preferential creditors	
HMRC	(1,083)
Available to Prescribed Part	-
Less: Estimated Prescribed Part where applicable	-
<i>Estimated total assets available to floating charge holder</i>	-
Less: amount due to HSBC under floating charge	(14,085)
Less: amount due to Tenzing under floating charge	(34,447)
<i>Surplus/(deficit) to floating charge holders</i>	(48,532)
Unsecured creditors	
Trade creditors	(1,830)
HMRC (non-preferential element)	(158)
HMRC (unpaid preferential claim)	(435)
Intercompany creditors	(8,399)
Total Unsecured creditors	(10,821)
<i>Estimated deficiency to floating and Unsecured creditors</i>	(59,353)

Notes to the estimated financial position are included after that for Sprout.

City Business Solutions UK Ltd - in Administration
Estimated financial position as at 4 April 2024

	Book Value October 2023 £000	Estimated to realise £000
Assets subject to fixed charge		
Fixtures and fittings	4	-
IP	-	95
Net fixed charge assets realisations	4	95
Less: amount due to HSBC		(14,665)
Surplus/(deficit) from fixed charge assets		(14,570)
Floating charge assets		
Office equipment	44	5
Cash at bank	26	26
Book debts received 4 April to 15 April	-	Unknown
Book debts post 15 April (sold to Newco)	199	3
Deferred tax receivable	15	-
Prepayments	33	-
Other debtors	290	-
Intercompany receivables		
- CTS Group Management Limited	1,723	Unknown
- Converge-IT.Net Limited	2,541	Unknown
Floating charge realisations	4,870	34
Secondary preferential creditors		
HMRC		(43)
Available to Prescribed Part		0
Less: Estimated Prescribed Part where applicable		(0)
Estimated total assets available to floating charge holder		(0)
Less: amount due to HSBC under floating charge		(14,570)
Surplus/(deficit) to floating charge holder		(14,570)
Unsecured creditors		
Trade creditors		(23)
HMRC (unpaid preferential claim)		(9)
Intercompany creditors		(438)
Total Unsecured creditors		(470)
Estimated deficiency to floating and Unsecured creditors		(15,040)

Notes to the estimated financial position are included after that for Sprout.

Sprout Technologies Limited - in Administration
Estimated financial position as at 4 April 2024

	Book Value October 2023 £000	Estimated to realise £000
Assets subject to fixed charge		
Fixtures and fittings	1	-
IP	-	185
Net fixed charge assets realisations	1	185
Less: amount due to HSBC		(14,665)
Surplus/(deficit) from fixed charge assets		(14,480)
Floating charge assets		
Office equipment	17	15
Cash at bank	486	486
Book debts received 4 April to 15 April	-	Unknown
Book debts post 15 April (sold to Newco)	773	4
Tax receivable	74	-
Prepayments	136	-
Deposits	30	-
Accrued income	168	-
Intercompany receivables		
- CTS Group Management Limited	2,042	Unknown
- Converge-IT.Net Limited	4,215	Unknown
- City Business Solutions UK Ltd	438	Unknown
Floating charge realisations	8,380	505
Available to Prescribed Part		505
Less: Estimated Prescribed Part where applicable		(104)
Estimated total assets available to floating charge holder		401
Less: amount due to HSBC under floating charge		(14,480)
Surplus/(deficit) to floating charge holder		(14,078)
Unsecured creditors		
Trade creditors		(1,638)
Total Unsecured creditors		(1,638)
Estimated deficiency to floating and Unsecured creditors		(15,717)

Notes to the estimated financial positions:

The full balance owed to HSBC IB is shown in each estimated financial position statement as the Companies are jointly and severally liable for this liability. This will be consolidated however is split out here for illustrative purposes.

In line with the statutory format of a statement of affairs, our estimate of the financial position for the Companies does not include any provision for costs of the administrations, which are payable from the assets available prior to any distribution to creditors. This means that a proportion of the estimated realisations will be utilised in meeting the costs of realisation, administration and the fees and disbursements of the Joint Administrators. These costs will be provided in our remuneration report when we set out the estimated costs of the administrations and will impact the returns illustrated above.

As the estimated financial position does not include the costs of each administration, the estimated financial position shows an amount distributable to each Company's Secondary ranking preferential creditors (noting there is no Ordinary preferential creditor balance as all employees transferred to the Purchaser via TUPE). The amount of funds available to be distributed to Preferential creditors will reduce when the costs of the administrations are included.

The figures provided in the estimated financial positions have not been audited.

In Converge, we have included a separate line to illustrate that c.£106k of the cash held at the bank on appointment was received from the insurers in relation to a claim for payment of specific invoices in relation to the business interruption policy. The estimated to realise value for this is nil as we are investigating the nature of this insurance issue to understand whether monies should be held on trust for the benefit of those suppliers or whether they are available to the general body of creditors.

The estimated to realise value for the Companies' book debts from appointment to 15 April have not been included, as providing an estimated realisable value could be prejudicial to future recoveries.

The estimated to realise value for the Companies' intercompany debtor position is reported above as uncertain. We will require a detailed reconciliation to be performed for each intercompany debtor to reconcile the amount owed and determine the estimated realisable value and this will be undertaken as part of our post administration work.

The estimated amount owed to HMRC as a Secondary preferential creditor is based on management information (balances may change as the Companies' records are brought up to date as at the date of the administrations), the actual amount owing will not be established until we have received a formal claim from HMRC.

The amount estimated as owing to the Unsecured creditors of the Companies is based on initial information provided by the Companies. We haven't yet received creditor claims to determine the true value of Unsecured creditor claims. The estimate of creditor claims also does not include any potential unsecured amount due to HMRC as we have not yet received a claim from HMRC and have not been provided with any information from the Companies in respect of what the unsecured element of their claim may be.

There could be additional customer claims that form part of the Unsecured creditor balances however the quantum and value are uncertain at present and are therefore excluded from the estimated financial positions.

The indebtedness to the Secured creditors is based on the Companies' books and records is likely to change as it will be subject to further interest and charges.

We are also required to attach a list of the names and addresses of known creditors of the Companies. We have been provided with a list of creditors, (attached below). The omission of a creditor from this list (or from the statement of affairs in due course) does not prejudice the position of a creditor, or affect its ability to lodge a claim.

Converge creditor details

Unsecured creditors								
Name	POAddressLine1	POAddressLine2	POAddressLine3	POAddressLine4	POCity	PORegion	POPostalCode	Amount £
Access Group.com(DDR)	The Old School	School Lane	Stratford St. Mary		Colchester	Suffolk	CO7 6LZ	451.12
AirPlus	Building 4	Chiswick Park	Chiswick High Road		London		W4 5YE	8,967.03
ANS Group (UK Fast)	Birley Fields				Manchester		M15 5QJ	132,138.37
Aquacool(DDR)	Unit 1A	Heapriding Mill	Ford Street		Stockport	Greater Manchester	SK3 0BT	198.41
Bagnall & Morris (DDR)	Iris House	Dock Road South			Wirral	Merseyside	CH62 4SQ	596.67
Bartlett Wealth Management	Bartlett	Broadway Hall	Broadway	Horsforth	Leeds	Leeds	LS18 4RS	6,180.00
Big Brand Ideas Ltd	Trunk B B I	Manchester House	84 Princess Street		Manchester	Manchester	M1 6NG	3,000.00
BNP Paribas Leasing Solutions Ltd	St James Court	St James Parade			Bristol		BS1 3LH	862.80
British Gas (DDR)	New Bridge House	2 Leeds City Office Park			Leeds		LS11 5BD	1,937.53
Bupa DD	Vantage Office Park	Old Gloucester Road	Hambrook		Bristol		BS16 1GW	694.13
Calibre One	Calibre One Ltd	Audrey House 16-20	Ely Place		London	Camden	EC1N 6SN	38,000.00
Cheshire Landscapes	Hill Quays	14 Commercial Street			Manchester		M15 4PZ	115.20
Comms Care	Comms Care Ltd	8 Cheshire Business Park	Cheshire Avenue	Lostock Gralam	Northwich	Nest And Chester	CW9 7UA	420.00
Comms Express	Comms Express Ltd	7 Grafton Place			Chelmsford	Essex	CM2 6TG	135.84
Complete Security	72 Townfield Ln				Frodsham		WA6 7RL	108.00
Control Risks Group	Cottons Centre	Cottons Lane			London		SE1 2QG	47,720.80
Coolaire Equipment Ltd	Coolair House	Globe Lane	Dunkinfield				SK16 4UJ	842.40
Covenco UK Limited	Unit H1	Deseronto Estate	St. Marys Road		Slough		SL3 7EW	65,664.00
Credit Card RBS	Po Box 5747				Southend-On-Sea		SS1 9AJ	17.77
Croneri	17th Floor	240 Blackfriars Road			London	Southwark	SE1 8NW	94.50
Dataspace/Oasis	Wincham Business Park				Northwich	Cheshire	CW9 6GB	114.56
Datum Datacentres Ltd	Cody Technology Park				Farnborough	Hampshire	GU14 0LX	33,347.22
Dee Properties - DD	27 Old Cultra Road	Hollywood	County Down				BT18 0AE	
Direct Security Solutions	Regus	Cinnamon House	Crab Lane	Fearnhead	Warrington	Warrington	WA2 0XP	2,714.31
Drax Executive Limited	Savoy Hill House 7-10	Savoy Hill			London	Middlesex	WC2R 0BU	69,600.00
E92Plus Ltd	Argent Court	Hook Rise South			Surbiton	Surrey	KT6 7NL	3,360.00
Entanet(DDR)	Unit 6	Stafford Park 12			Telford		TF3 3AT	500.40
EXA Infrastructure Services UK Lim	Third Floor	New Castle House	Castle Boulevard		Nottingham	Nottinghamshire	NG7 1FT	2,280.04
Exclaimer	Exclaimer Ltd	250 Fowler Avenue			Farnborough	Hampshire	GU14 7JP	268.92
Fleishman Hillard	Bankside 2	100 Southwark St			London		SE1 0SW	6,461.48
Fruidel Limited	Fruidel House	17 Norbury Court	Ashton Old Road		Manchester		M11 2NB	247.76
GTT EMEA Ltd	3rd Floor New Castle House	Castle Boulevard	Nottigham				NG7 1FT	11,205.52
Halton Borough Council	Kingsway	Widnes					WA8 7QF	42,457.00
HireRight LTD	15 Westferry Circus				London		E14 4HD	1,392.42
HM Revenue & Customs	Debt Management	EIS -Cevenue and Customs					BX9 1SH	586,678.12
Ingram Micro	36-432 Midsummer Boulevard				Milton Keynes		MK9 2EA	9,600.00
Inspired Learning Leadership Devel	14 Blackberry Close	Edleston			Nantwich	Cheshire East	CW5 5XJ	1,200.00
iomart Hosting Ltd (LDeX)	5th Floor, 6 Atlantic Quay	55 Robertson Street			Glasgow	Glasgow City	G2 8JD	21,945.00
Ivanti UK Limited	3 Arlington Square	Downshire Way			Bracknell		RG12 1WA	10,448.05
JEC Business Finance Ltd	Norton	Runcorn	Cheshire	WA7 6RY				
Kaseya International (UK) Limited	15-19 Cavendish Place				London	Middlesex	W1G 0QE	69,737.93
KDE Ltd	K D E Ltd	Greenfields	Chester Road	Sutton Weaver	Runcorn	Nest And Chester	WA7 3EG	563.77
LB Tech Solutions	Hurricane Way Suite G7	Woodland Place	Wickford	SS11 8YB				7,186.35
Logic Monitor (USD)	LogicMonitor, Inc. Dept.	LA 24200			Pasadena	CA	91185	43,780.56

Converge-IT.Net Limited, City Business Solutions UK Ltd and Sprout Technologies Limited – all in administration 61

Metronet UK Ltd T/A M24Seven	M247	Turing House	Archway		Manchester	Manchester	M15 5RL	26,768.44
Microsoft Limited	Microsoft Campus	Thames Valley Park	Berkshire	Reading	RG6 1WG			6,499.49
Mimecast Services Limited	Mimecast Services Limited	1 Finsbury Avenue			London		EC2M 2PF	172,824.22
Moorepay Limited (DDR)	Warwick House	Hollins Brook Way			Bury		BL9 8RR	86.69
NODE4(DDR)	Pope St	Altofts	Normanton	WF6 2TA				35,634.97
nuvias	Unit 5 Genesis Business Park	Woking	Surrey	GU21 5RW				564.96
Osborne Clarke LLP	2 Temple Back East	Temple Quay			Bristol		BS1 6EG	16,314.40
Pen Test Partners LLP	, Buckingham, MK18 2LB, UK	ey Junction Business Park,	Buckinghamshire				MK18 2LB	18,900.00
Pinsent Mason LLP	30 Crown Place				London		EC2A 4ES	65,321.70
Pluralsight (USD)	1785 E 14850	#360 Clearfield	Utah	84015	United States			1,881.41
Quality Quest	3 Bartlett Close	Bramley	Tadley	Hampshire			RG26 5UT	2,520.00
Quant/Tiberium	Woodberry House	2 Woodberry Grove			London	Barnet	N12 0DR	18,144.00
Reliance Cyber	entine Pl, London SE1 8QH	London					SE1 8HQ	26,553.40
Rijo 42 Ingredients Ltd	Apache House	Unit F2/E Lomax Way	Jtliply Logistics North		Bolton		BL5 1FQ	618.36
RSM UK Audit LLP	Bluebell House	Brian Johnson Way			Preston	Lancashire	PR2 5PE	26,100.00
Searchability	HQ Offices	58 Nicholas Street	Chester	CH1 2NP				(2,430.00)
Smartsheets								7,296.00
Softcat					Marlow	Bucks	SL7 1LW	507,469.07
Solarwinds	Suites 11 & 12	The Vision Building	20 Greenmarket		Dundee	Dundee City	DD1 4QB	41,345.33
Stannah Lift Services Limited	Watt Close	East Portway			Andover	Hampshire	SP10 3SD	735.17
StorageCraft/arcserve								312.66
TechData/TD Synnex	Techdata	Techdata	Maplewood		Basingstoke	Hampshire	RG24 8YB	99,865.66
Technimove Ltd	Technimove Ltd	Unit 16 pitfire Business Park	1 Hawker Road		Croydon	Surrey	CR0 4WD	80,580.00
The Continuum	Suite 1 Concept House	23 Billet Lane	Hornchurch	Essex	RM11 1XP			2,340.00
Titan HQ/Copperfasten								6,000.00
Total Clean	Gilbert Wakefield House	67 Bewsey Street			Warrington		WA2 7JQ	4,622.40
Total Energy Gas (DDR)					Harrogate	North Yorkshire	HG1 1EL	0
United Utilities								219.17
VAIONI	Unit 14'd University Business Park	Leslie Hough Way			Salford	eater Manchester	M6 6AJ	1,241.23
Vendira	38 Aragon Road				KingstonUponThames	Surrey	KT25QE	4,320.00
Wavenet								1,232.60
Weaver Business Machines Ltd (DDR)					Middlewich		CW10 9GA	62.32
Workplace Advice Group(S/O)	Trent House	234 Victoria Road	Stoke-on-trent	ST4 2LW				459.00
Yellowgrid Ltd								1,004.70
Zerto UK Ltd	210 Wharfedale Road	Winnersh Triangle			Wokingham		RG41 5TP	7,920.00
Sprout Technologies Ltd	7450 Daresbury Park	Daresbury	Warrington		Cheshire		WA4 4BS	5,261,084.37
City Business Solutions Ltd	7450 Daresbury Park	Daresbury	Warrington		Cheshire		WA4 4BS	2,545,363.32
Tiger Eye Consulting Ltd	7450 Daresbury Park	Daresbury	Warrington		Cheshire		WA4 4BS	592,287.82
								10,815,296.84

Hire Purchase creditors

Lombard		11 Hardman Boulevard	Manchester	M3 3AQ	
Wesleyan	80 Fenchurch Street	London	EC3M 4BY		1,159,671.93
Corporate Asset Finance	Chilworth Old Village	Southampton	SO16 7JP		121,869.25
Hampshire Trust Bank	55 Bishopgate	London	EC2N 3AS		218,083.97
Propel Finance	55 Langstone Business Village	Langstone Park	Newport	NP18 2LH	227,059.63
Societe Generale	5 Kew Road	Richmond	Surrey	TW9 2PR	205,149.40

1,931,834.18**Preferential creditors**

HM Revenue & Customs	Debt Management	EIS -C evenue and Customs	BX9 1SH		1,083,000.00
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Secured fixed and floating charge				Charge details	Value of security
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HSBC Innovation Bank Limited	Alphabeta 14-18	Finsbury Square	London	EC2A 1BR	Fixed and floating charge over all property or undertaking of the company dated 24 November 2020	14,665,000.00
					Fixed charge including over leasehold property and trademarks. Floating charge covers all the property or undertaking of the company, dated 22 December 2017	
Tenzing Private Equity	Heddon House,	149-151 Regent Street,	London, W1B 4JD	W1B 4JD		34,447,000.00
						49,112,000.00
Total creditors						62,942,131.02

CBS creditor details

Unsecured creditors						
Name	AddressLine1	AddressLine2	AddressLine3	AddressLine4	AddressLine5	Amount £
AI Networks/Vorboss	Vorboss Limited, Broadw	5 Appold Street	Stevenage	London	EC2A 2AG	10,197.84
Citrix Systems UK Ltd	Building 3 Chalfont Park	Chalfont St Peter	Gerrards Cross		SL9 0BG	-15.30
City of London	Chamber of London	PO Box 270	Guildhall	London	EC2P 2EJ	-76.50
Consensus Cloud Solutions International	Unit 3.1,		Woodford Business Park			13.20
ESET UK	Sovereign House	242 Charminster Road	Bournemouth	Dorset	BH8 9RP	1,002.94
Exclaimer Ltd	3rd Floor,	250 Fowler Avenue	Farnborough	Hampshire	GU14 7JP	1,223.49
Exertis (UK) Ltd	Technology House	Magnesium Way	Hapton	Burnley	Lancashire BB12 7BF	2,962.36
Exponential-E limited	100 Leman Street		London		E1 8EU	39.48
Focus Group	Focus House	Ham Road	Shoreham-by-Sea	West Sussex	BN43 6PA	
Gradwell	Trimbridge House	Ground Floor	Trim Street	Bath	BA1 1HB	621.95
Grove Group	Grove Information Syster	124 New Bond Street	London		W1S 1EJ	3,132.78
HM Revenue & Customs	Debt Management	EIS -C	HM Revenue and Customs	BX9 1SH		9,000.00
Insight Direct UK Ltd	The Altrium	1 Harefield Road	Uxbridge		UB8 1PH	1,430.81
Luminet	Leroy House	436 Essex Road	London	London	N1 3QP	2,071.40
Sprout Technologies Limited	Central Square	29 Wellington Street	Leeds		LS1 4DL	438,066.56
Stream Networks Ltd	Unit 2	Riverside House, Mill Lane	Newbury	Berkshire	RG14 5LP	169.20
Talk Talk Business (formerly Opal)	24 Kingfisher Court	Hambridge Road	Newbury	Berkshire	RG14 5SJ	782.39
Tresorit	Tresorit AG	Minervastrasse 3	8032 Zurich	Switzerland		-95.88
						470,526.72
Preferential creditors						
HM Revenue & Customs	Debt Management	EIS -C	HM Revenue and Customs	BX9 1SH		43,000.00
Secured fixed and floating charge					Charge details	Value of security
					Fixed and floating charge over all property or undertaking of the company dated 24 November 2020	
HSBC Innovation Bank Limited	Alphabeta 14-18	Finsbury Square	London	EC2A 1BR		14,665,000.00
Total creditors						15,178,526.72

Sprout creditor details

Unsecured creditors							
Name	POAddressLine1	POAddressLine2	POAddressLine3	POCity	PORegion	POPostalCode	Amount £
ArrowECS	Nidderdale House	Beckworth Know	Otley Road	Harrogate	NORTH YORKSHIRE	HG3 1SA	5,791.10
Cloud Distribution	Unit 5	Genesis Business	Albert Drive	Woking	GU21 5RW		375.36
Connected Business Solutions Ltd	Coombe House	562 Kingston Road		Raynes Park	London	SW20 8DR	9,401.00
ConnectWise, Inc.	Earl Place Floor 5	15 Appold Street	London	EC2A 2DL			23,796.30
E92plus.com	Unit C & Unit D	Argent Court	Hook Rise South	Surbiton	Surrey	KT6 7NL	321.60
EXCLUSIVE NETWORKS	Alresford House	Mill Lane	Alton	GU34 2QJ			1,619.34
Exertis	Shorten Brook W	Altham Business Park	Altham	Accrington	Lancashire	BB5 5YJ	5,000.00
Exponential-e (EXPON)	5th Floor	100 Leman Street		London		E1 8EU	91,458.90
Fruidel Limited	Stamford House	Northenden Road	Sale	Cheshire	M33 2DH		51.04
IAM Technology Group	The Media Centre	Northumberland	Huddersfield	HD1 1RL			235.56
Initial Washroom Hygiene				Park, Blackwater, Camberley,		Surrey,	(44.78)
London City Cleaning	3 Hornbeam Lane	Essendon		Hatfield	Hertfordshire	AL9 6JF	2,051.54
Microsoft	Microsoft Campus	Thames Valley Park	Berkshire	Reading	RG6 1WG		1,476,915.36
MiCrow	14th Floor	33 Cavendish Square	London	W1G 0PW			414.00
Mimecast (MIM)	1 Finsbury Avenue			London		EC2M 2PF	3,022.89
Outer Temple Chambers	The Outer Temple	222 Strand		London	London	WC2R 1BA	(2,164.80)
Prestige Quoting	104 Leighswood Road			WALSALL	West Midlands	WS9 8AW	3,312.00
Redsift Limited	3rd Floor	1 Ashley Road	Altrincham	Cheshire	WA14 2DT		13,762.08
Scutum London Ltd	St Ann's Road			Chertsey	Surrey	KT16 9EH	357.05
SOLARWIND MSP	1 St Katharine's	V London	E1W 1UN				(3.01)
TD Synnex	Maplewood Croft	Chineham Park	Basingstoke	Hampshire	RG24 8YB		(525.94)
The Change Organisation Limited	Camburgh House	27 New Dover Road	Canterbury	Kent		CT1 3DN	3,247.20
Xeretec Office Systems Ltd	Ashridge House	Oaklands Park	Wokingham	Berkshire		RG41 2FD	20.54
							1,638,414.33
Preferential creditors							
HM Revenue & Customs	Debt Management	EIS -C	HM Revenue and	Box 9	1SH		0.00
Secured fixed and floating charge				Charge details		Value of security	
				Fixed charge over trademarks, floating charge over all property or undertaking of the company dated 23 December 2020			
HSBC Innovation Bank Limited	Alphabeta 14-18	Finsbury Square	London	EC2A 1BR			14,665,000.00
Total creditors							16,303,414.33