

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	1	3	0	3	9	6	9	9
Company name in full	Spectrumx Holdings Limited							

→ Filling in this form

Please complete in typescript or in
bold black capitals.

2 Administrator's name

Full forename(s)	Guy Robert Thomas
Surname	Hollander

3 Administrator's address

Building name/number	Tower Bridge House
Street	St Katharine's Way
Post town	London
County/Region	
Postcode	E 1 W 1 D D
Country	

4 Administrator's name ①

Full forename(s)	Adam
Surname	Harris

① Other administrator

Use this section to tell us about
another administrator.

5 Administrator's address ②

Building name/number	Tower Bridge House
Street	St Katharine's Way
Post town	London
County/Region	
Postcode	E 1 W 1 D D
Country	

② Other administrator

Use this section to tell us about
another administrator.

AM03

Notice of Administrator's Proposals

6

Statement of proposals



I attach a copy of the statement of proposals

7

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

2

^d

2

^m

1

^m

2

^y

2

^y

0

^y

2

^y

1

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 Mitchell Ward

Company name Mazars LLP

Address Tower Bridge House
St Katharine's Way

Post town London

County/Region

Postcode E 1 W 1 D D

Country

DX

Telephone 020 7063 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

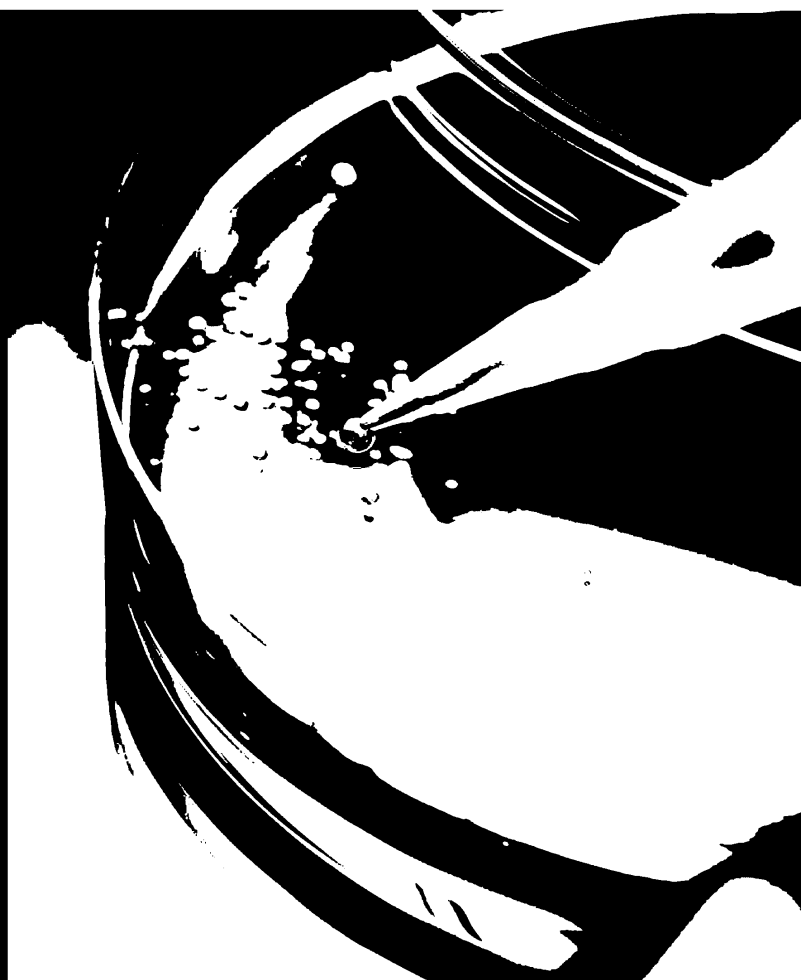
SpectrumX Holdings Limited – in Administration

Administrators' Statement of Proposals

22 December 2021

mazars

Confidential



Preface

Administrators' Statement of Proposals Pursuant to Paragraph 49 of Schedule B1 of the Insolvency Act 1986 ("the Proposals")

SpectrumX Holdings Limited – in Administration ("the Company")

This report has been prepared for the sole purpose of updating creditors pursuant to the Insolvency Act 1986. The report should not be referred to, reproduced or quoted from, in whole or in part, by creditors for any purpose other than advising them, or by any other person for any purpose whatsoever.

The Administrators act as agents of the Company without personal liability.

G R T Hollander and A Harris
Mazars LLP
Tower Bridge House
St Katharine's Way
London
E1W 1DD

In accordance with rule 3.35(e) of the Insolvency (England and Wales) Rules 2016, the proposals are deemed delivered to creditors on 24 December 2021.

Future Reports

A progress report covering the first six months of the Administration will be circulated to creditors during June 2021.

Should you have any queries in relation to this matter, please do not hesitate to contact the Administrators or Mitchell Ward at this office.

Yours faithfully
For and on behalf of
SpectrumX Holdings Limited – In Administration



G Hollander
Joint Administrator

22 December 2021

Authorised to act as an insolvency practitioner in the UK by the Institute of Chartered Accountants in England and Wales and bound by the Insolvency Code of Ethics. Where personal data is required to be processed, this will be dealt with in accordance with the Mazars LLP Insolvency Services Privacy Statement which can be accessed at: www.mazars.co.uk/Legal-and-privacy.

The affairs, business and property of the Company are being managed by the Joint Administrators.

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

Glossary of terms

CLN	Convertible loan notes
the Company	SpectrumX Holdings Limited – in Administration
the Directors	Damien Hancox and Aziz McMahon
DH	Damien Hancox, Director of the Company
EOS	Estimated Outcome Statement
Fieldfisher	Fieldfisher LLP
the Group	SpectrumX Holdings Limited and its subsidiaries
HOCI	Hypochlorous Acid
IP	Insolvency Practitioner
IPO	Initial Public Offering
Joint Administrators	Guy Hollander and Adam Harris
OM	Oliver Morley, shareholder of the Company
the Proposals	Administrators' Statement of Proposals Pursuant to Paragraph 49 of Schedule B1 of the Insolvency Act 1986
SW	Sanderson Weatherall, chattel agents
SAI	Spectrum Antimicrobials Inc.
SXD	SpectrumX Direct Limited
SXHC	SpectrumX Healthcare Limited
SXM	SpectrumX Medical Limited
SXP	SpectrumX Pharmaceuticals Limited
SXHUK	SXH UK Limited, the proposed purchaser
the Subsidiaries	SpectrumX Direct Limited, SpectrumX Healthcare Limited, SpectrumX Medical Limited and SpectrumX Pharmaceutical Limited

Contents

01	Introduction & background	5
02	Assets	12
03	Investigations	15
04	Liabilities	17
05	Estimated outcome to creditors	19
06	Other key information	21
07	Decisions required from the Creditors	23
08	Administrators' remuneration & expenses	26
09	Appendices	32

01

Introduction & background

1.1	Introduction	6
1.2	Statutory information	7
1.3	Circumstances giving rise to the Administrators' appointment	8
1.4	Subsequent events	10

1.1 Introduction

Statement to Creditors

This statement is addressed to the creditors of SpectrumX Holdings Limited and includes the Joint Administrators' Proposals.

Creditors are asked to approve the Proposals via a decision by correspondence. If creditors choose to reject the Proposals, a report will be sent to the Court advising of this outcome and the Court may provide that the appointment of the Joint Administrators ceases and make such an order as it deems appropriate. This may include the Company being returned to the control of the Directors or a winding-up order being made, placing the Company into compulsory liquidation.

In accordance with Rule 3.39 of the Insolvency (England and Wales) Rules 2016, whenever a decision is required of the creditors, an Administrator must at the same time invite the creditors to form a committee. The purpose of such a committee would be to assist the Joint Administrators in the discharge of their duties and responsibilities. The committee is also responsible for agreeing the costs of the Administration.

If the Proposals are agreed, the Joint Administrators will continue to control the business of the Company. At a later date, the Administrators will arrange for the Company to exit from the Administration. This will be via a Creditors' Voluntary Liquidation as there will be funds available to distribute to creditors.

The statutory purpose of an Administration comprises three hierarchical objectives:

- a. rescuing the Company as a going concern;
- 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
- c. realising property in order to make a distribution to one or more secured or preferential creditors.

The Directors, who are also both shareholders, had been in ongoing and protracted discussions and negotiations with OM, the third shareholder. We understand that there was disagreement about the management and future direction of the Company.

The Directors were unable to resolve the position and, as a consequence, were notified by SAI that they were no longer willing to provide a licence to SXM, in accordance with previously agreed heads of terms, and threatened to terminate the two existing licences in SXHC and SXD.

This would in effect leave the Group without a viable business and consequently the Directors considered what further steps they should take in light of the Company being insolvent on a balance sheet basis. Although the Company held funds of c.£2.4m, the Directors concluded that with the prospect of there being no viable trading business across the Group and an impasse in the shareholders dispute, it was appropriate to place the Company into Administration in order to protect the Company's assets.

Following our appointment, we reached out to the Directors, shareholders and SAI to confirm our appointment and to enter into a dialogue with these parties to explore the statutory purposes of the Administration.

We concluded that there was a prospect of rescuing the Company in its existing form as a going concern if the shareholder disputes could be resolved. Failing which the purpose of the Administration would be objective (b).

We explore the subsequent steps we have taken to achieve one of these objectives in our Proposals.

1.2 Statutory information

We would advise you that we were appointed Jointed Administrators of the Company by the Directors on 12 November 2021. We are both authorised to act as Insolvency Practitioners in the UK by the Institute of Chartered Accountants in England and Wales.

Identification details for the Company and the Administrators are attached at Appendix A.

The proceedings are centre of main interests ("COMI") proceedings as the Company's COMI is in the United Kingdom.

All acts required to be done by the Joint Administrators, may be done by either or both, acting jointly or alone.

Details of the Company's Directors and shareholders are as follows:

Directors	Date appointed	Date resigned	Shares held
Danien Paul Hancox	24 November 2020	-	39%
Aziz Zachery McMahon	08 October 2021	-	15%
Benjamin Howard Hibbert	24 November 2020	08 October 2021	-
Oliver Morley			46%

1.3 Background to the Administration appointment

Company History

Incorporated in November 2020, the Company is a holding company with four wholly owned subsidiaries including:

- SXD;
- SXHC;
- SXM; and
- SXP.

The Group was established to commercialise new formulations of HOCl for use in the healthcare and pharmaceutical markets and under licence from SAI (certain licences are held by certain Subsidiaries). This included bringing to market respiratory therapy and a hand sanitiser under patent pending HOCL formulations, principally in response to the COVID-19 pandemic.

The Company was founded by DH and OM with each owning 50% of the business (shareholding subsequently changed as per 1.2 above) and its principal assets comprising its investments in three core operating companies:

Investment	Overview
SXM	A novel pharmaceutical nebuliser product for the treatment of all viral and bacterial infections, including COVID-19
SXD	Sanitisation solutions for business, healthcare and direct to consumer sectors, including a premium skin and beauty line
SXHC	Patented human sanitisation tunnels with exceptional efficacy to support the sports, music and events sector

The Company also owns SXP registered in Ireland focusing on Medical products for the EU market.

It was envisaged the Company would undertake an IPO in late 2021.

Pre-IPO, further shareholder equity and convertible unsecured loan notes of c. £6.4m (c. 178 holders) were raised and used to fund various clinical trials, however, c.£4m had been expended and additional funding, in excess of the Company's current cash holding, was required to finance further trials, obtain registrations and regulatory approvals, run production facilities and supporting the launch of products in the UK and Europe.

The Company recently became subject to financial distress and ultimate failure due to the following:

- A major ongoing shareholder dispute that could not be resolved. This severely impacted the future direction and viability of the Company and the Group.
- SAI confirming that they would not proceed with the pending licence in SXM and threatening to terminate the other licences held between them and the Group as a result of the impasse between the shareholders.
- This put the prospect of raising further funding with the Company's loan note holders at risk, thereby adversely impacting the ability of the business to continue to trade and operate;
- The Company was balance sheet insolvent with creditors in the region of c. £7.5m comprising convertible loan notes, shareholders loans and other creditors. Cash reserves were insufficient to continue operations across the Group to complete the clinical trials and bring the products to market.

The Company had no non-director employees as at the date of Administration.

1.3 Background to the Administration appointment

Initial advice and meetings

On 8 November 2021, Adam Harris of Mazars first discussed with the Directors the financial position and issues faced by the Company. This followed an introduction to the Directors by their corporate advisers, Alfred Henry LLP.

Our initial response was for the Directors to endeavour to resolve the position amongst the shareholders and we understand further communications took place between the shareholders and SAI. However, a resolution could not be reached to the satisfaction of all the parties.

We were contacted again by DH on 11 November 2021 following the shareholders being unable to reach agreement and met with him on 12 November 2021. Also present at the meeting was Ben White of BGS Capital Limited, who have facilitated and procured the funding from the loan note holders, and our lawyers Fieldfisher.

Various restructuring options were discussed and considered with the Directors, however, it was concluded by the Directors that Administration appeared to be an appropriate insolvency route for the Company on the following grounds:

- The process to place the Company into Administration is significantly quicker, when compared to a Compulsory or Creditors' Voluntary Liquidation. A moratorium will be in place immediately preventing any formal creditor action;
- Given the possible value associated with the Group's subsidiaries (and their employees) and the prospect of licence arrangements remaining in place, asset realisations are expected to be greater in an Administration compared to a Liquidation. This may include the recovery of intragroup debt and intangible assets; and
- In light of these factors, the Administrators will be able to pursue Objective (b), whereby the Administration will be able achieve a better result for creditors as a whole, than would be likely if the company were wound up. However, objective (a) was not discounted if the Administration process would be able to facilitate a resolution amongst the key stakeholders.

Consequently, Mazars were formally instructed on 12 November 2021 to take the necessary steps to place the Company into Administration. Fieldfisher were instructed to prepare the necessary documentation to appoint Administrators by the Directors. Guy Hollander and Adam Harris of Mazars were appointed as Joint Administrators on 12 November 2021.

1.4 Subsequent events

Overview

Immediately upon our appointment on 12 November 2021, we took control of and insured the Company's assets.

We quickly reached out to the Company's key stakeholders comprising SAI, its shareholders and the core operations team of the Group's subsidiaries to evaluate and determine the most appropriate strategy in Administration.

Notwithstanding we were aware of the ongoing shareholder dispute, our independent assessment, following extensive dialogue with the key stakeholders, suggested there were sufficient grounds and encouragement from the relevant parties to work towards resolution and to determine a solution in the Administration. Supported by our legal advisers, we held numerous discussions with key stakeholders and helped facilitate negotiations between the principal parties.

Although there was a risk that the shareholder dispute would not ultimately be resolved, on several occasions we were informed by the relevant parties that consensus could possibly be reached and consequently considered there was a credible possibility of a rescue of the Company as a going concern. If achievable, this would have resulted in the Company moving out of Administration and securing the Group's future prospects to continue to trade and proceed with an IPO strategy. This eventuality would have provided the best outcome to the Company's creditors and stakeholders compared to alternative realisation strategies.

While negotiations continued with the relevant parties for a period of time and a potential rescue was supported by the Joint Administrators, we were also mindful of the underlying objectives of the Administration and the risks in the event agreement could not be reached to the satisfaction of all parties.

Notwithstanding the negotiations between the key parties, we ran in parallel, the open marketing of the business and assets of the Company. In addition, we reached out to two pharma consultancy firms for their advice and views on the value of the Company's business and assets and marketing of the business.

Connected Party interest

An offer for the assets of the Company was received from SXHUK on 19 November 2021. SXHUK is a connected party of the Company by virtue of having common directors. Given our attempts to achieve a rescue of the Company as a going concern, initially, we did not evaluate their offer and this only became necessary once the prospect to rescue the Company started to stall.

With effect from the week commencing 13 December 2021, we were contacted by SXHUK to re-consider their offer, as they considered that a rescue of the Company was no longer feasible. This was also on the basis that a majority of the loan note holders were not willing to support a venture where all the shareholders remained intact.

Similarly, we reached out to SAI, who had been sympathetic to the stance being taken by the two shareholder groups. As a consequence, they had adopted an impartial approach, yet at the same time, proposed solutions that they considered would be beneficial to all parties. However, the delays in resolving matters was now impacting their US operations, having an adverse financial effect on their own business.

SAI confirmed that they were satisfied with the management team of SXHUK and that they had no objection to the Administrators agreeing a business and asset sale to them. Furthermore, they confirmed that they would not be willing to enter into a dialogue or negotiations with any third party interest or share their trade secrets with them, which would be critical to any purchaser.

On the basis of our extensive discussions and communications with the key stakeholders, supported by the lack of any credible interests from third parties, and in conjunction with the high level professional advice we sought around marketing and valuation, we agreed to accept SXHUK's offer subject to contract and approval from the creditors (see Section 2 for the details of this offer).

1.4 Subsequent events

Marketing

We prepared an “acquisition opportunity teaser” and the acquisition was listed via an online marketing platform, *Deal Opportunities*. Furthermore, the teaser was communicated to all Mazars UK partners and our Deal Advisory team and listed on our international M&A platform as well as LinkedIn.

We received interest from seven parties and non-disclosure agreements were signed by five parties. However, ultimately no firm interest was forthcoming and no offers were received by the Joint Administrators (save for that received from SXHUK).

As referenced in the previous section, SAI, are a pivotal stakeholder, and had communicated to us that they would not be willing to enter into any licence agreement with a third party and/or share trade secrets with that party. Therefore, the above outcome was not unexpected.

Professional advisers

At the outset of the Administration, we engaged independent professional advisers to support the objectives of the Administration. These included:

- Fieldfisher to provide legal advice in respect to the Administration and in particular the potential rescue of the Company, failing which, a sale of the business and assets. Fieldfisher are a well respected law firm and specialist insolvency lawyers;
- SW were instructed to value the non-property assets of the Group, principally comprising plant and machinery, leasehold improvements and stock. Although these assets are not directly assets of the Company, they are indirectly of relevance as possible recoveries could flow back up to the Company (see Section 2). SW is a well established chattel agent and valuer and have suitable experience in the industry sector.

In addition, we approached two pharma consultancy firms for their advice around marketing and valuation with the intention of instructing one of these firms. One company was not willing to proceed on agreeable terms but the other firm was very helpful in providing a high level assessment of the position.

In their view, they would need a period of at least three to six months to run an extensive marketing campaign. This would only be proposed once they had undertaken their phase 1 work of establishing if the business had any material value to warrant such a campaign.

Based on the information provided, they were strongly of the view that a distressed marketing programme would unlikely generate any material interest given their own timelines referred above. Furthermore, with SAI being key to any proposed sale, the Administrators would need to establish whether SAI would entertain a sale to a third party. As indicated above, SAI confirmed that they were not willing to do so.

Finally, their views were that unless existing management were interested in acquiring the business and assets, which was supported by SAI, the business and assets were unsaleable. Accordingly, they did not consider it was appropriate to formerly instruct them given these circumstances.

02

Assets

Assets

Assets realised to date

As at the date of Administration, £2,374,898 was held by the Company with Metro Bank plc and this has been secured by the Joint Administrators.

To date, no other assets have been realised by the Joint Administrators and in accordance with Statement of Insolvency Practice 13, there have been no transactions with connected parties.

Assets remaining to be realised

The Company's key material assets include the following:

1. Investments in Subsidiaries; and
2. Amounts owed by the Subsidiaries; and

The nature of these assets and the proposed strategy for dealing with these during the course of the Administration is set out below.

1. Investments in Subsidiaries

On the Company being placed into Administration, it was accepted that the four trading subsidiaries would initially remain outside of insolvency as they were key to the potential value in the Group. We were advised by the Directors that in the very short term, they held sufficient cash balances to meet any immediate cash needs. However, the position would need to be addressed before the end of November as there were salaries, contractor fees, licence fees and supplier payments that needed to be made.

To date, funds requested and paid across to the Subsidiaries totals £579,000. The Administrators have considered the funding requests made, challenged where appropriate and released four tranches of payments where we have concluded that funding is necessary for the ongoing viability of the trading businesses to enable either a rescue of the Company or the sale of the Subsidiaries.

2. Amounts owed by the Subsidiaries

In accordance with the August 2021 management accounts, amounts due to the Company from its Subsidiaries totals £2.3m. Based on further financial analysis, we have estimated that a further £909k was advanced to the Subsidiaries up to the date of Administration. Accordingly, the intercompany receivables are estimated to be in the region of £3.2m, together with the funding of £579,000 provided in the Administration.

Proposed sale to SXHUK

As referenced in the previous section, SXHUK have submitted an offer to acquire the business and assets of the Company and their offer encapsulates the following:

- SXHUK shall acquire all of the Company's right, title and interest in the shares it holds in the Subsidiaries and intellectual property rights, including trademarks;
- SXHUK will pay £115,203 on completion, with the balance of the commitments to be paid within 60 days after a successful IPO. A successful IPO being defined as:
 - *"The listing of, or the admission to trading of, all or any of the shares of SXH UK Limited or any group company (or securities representing those shares including, without limitation, depositary interests, American Depositary Receipts, American Depositary Shares, Global Depositary Receipts and/or other instruments) on any official list of securities or on any stock exchange, investment exchange, multi-lateral trading facility or any other market or platform for the public trading of shares or other securities".*
- SXHUK will guarantee the settlement of the intercompany receivables (estimated to be in excess of £3.2m) within 60 days of a successful IPO;

Assets

Proposed sale to SXHUK (continued)

- SXHUK will pay sufficient funds to the Company to enable payment of all expenses and agreed creditors' claims in full within 60 days of a successful IPO (save for any interest that may be due).
- The total consideration to be paid will therefore not exceed the agreed amounts due to creditors. It is understood that loan note holders have been or will be offered the ability to assign their notes in the Company or their entitlement to a dividend from the Company, to SXHUK in return for notes in SXHUK, but this is not a transaction to which the Company is a party; and
- The deferred consideration will be secured;

In our view, the proposed sale to SXHUK will enable the creditors to either receive full settlement of their agreed claims or enable those loan note holders who wish to subscribe into SXHUK the opportunity to convert their debt into equity if an IPO is successful.

As indicated above, the majority of the consideration is dependent, on SXHUK achieving a successful IPO. Therefore there is a risk this may not materialise, whether this is as a result of problems encountered with the Company's products, obtaining the necessary licences and regulatory approvals, competitor products entering the market and/or other market forces.

Furthermore, the shareholder dispute has not been resolved and, as a consequence, litigation may still ensue, which could have an adverse impact on SXHUK being able to successfully "go to market".

The alternative to the sale not being agreed, is for the Administrators to stop all further funding, which is likely to result in the directors of the Subsidiaries having to stop trading and for those companies to enter some form of insolvency.

In this scenario, we would expect any recoveries from the four companies to be negligible (SW have advised that on a forced sale they would not expect to make any material recoveries from the sale of chattel assets).

Therefore, the Administrators, would be left with the remaining cash balance that it would distribute to creditors. We have undertaken our EOS analysis which provides for an estimated recovery of c.20%.

This also assumes that there is no litigation brought against the Company/Administrators. If there is, this is likely to materially diminish the funds held and also hold up any distribution for potentially 12 – 24 months.

Accordingly, given that the offer by SXHUK, provides for creditors to be either paid in full or enable the loan note holders to transfer their debt into this company and subscribe for shares, subject to a successful IPO being achieved, the Administrators recommend that SXHUK offer be accepted.

As the proposed sale is to a connected company and within 8 weeks from the date of the Administrators' appointment, it is necessary, under The Administration (Restrictions on Disposal etc to Connected Persons) Regulations 2021, to obtain the approval of the Company's creditors to the sale.

The creditors, by approving the Administrators' Proposals will agree to this sale if a sufficient majority is reached (see Section 7 for further details).

03

Investigations

Investigations

Overview

The Joint Administrators are required to investigate the affairs of the Company and the conduct of the Directors in the period leading up to the Administration. An initial investigation into the Company's affairs by the Joint Administrators in accordance with Statement of Insolvency Practice 2 has commenced. The purpose of these investigations is to establish whether there are any potential asset recoveries or conduct which requires further investigation which may lead to any recoveries for the benefit of creditors.

In addition, the Joint Administrators findings are reported to the Insolvency Service in accordance with the Company Directors' Disqualification Act 1986, and an appropriate report will be filed in due course. The content of the report is confidential.

Should creditors have any information which they consider may assist the Joint Administrators in carrying out their investigations, or be aware of any matters which they believe should be brought to the attention of the Administrators, please provide details in writing to this office. This request for information forms part of our usual investigation procedures and does not imply that there may be any cause of action lying against any person concerned in the Company's affairs.

04

Liabilities

Liabilities

Secured Creditors

No fixed or floating charges were granted by the Company and consequently there are no known Secured Creditors in the Administration.

Preferential Creditors

The Company had no non-director employees and therefore it is understood that there are no preferential employee creditor claims.

Secondary Preferential Creditors – HM Revenue & Customs

From 1 December 2020, certain debts owing to HM Revenue & Customs at the date of insolvency rank as a secondary preferential creditor. These debts include PAYE, Employees NIC and VAT and are to be paid in priority to any prescribed part, any floating charge creditors and unsecured creditors.

As at the date of Administration the Company owed c.£18k to H&M Revenue and Customs.

Unsecured Creditors

Based on the Company's books and records, unsecured creditors are estimated to total c.£7.5m. Claims received to date currently total c.£6.5m, being largely the claims from the loan note holders.

We estimate that there is likely to be a distribution to unsecured creditors and this is set out in Section 5.

Prescribed Part

In accordance with Section 176A of the Insolvency Act 1986, a proportion of the Company's net assets are to be set aside for the benefit of the Company's unsecured creditors where the Company has granted a floating charge after 15 September 2003. This is calculated as being 50% of the first £10,000 of net property and 20% of net property thereafter subject to a maximum fund of £600,000. Net property is defined as being the realisations from assets subject to the floating charge after costs and after settlement of the preferential creditors' claims.

As there is no floating charge, the Prescribed Part does not apply in this instance.

05

Estimated outcome to creditors

Estimated outcome to creditors

Estimated outcome to creditors

Estimated Outcome Statement

Attached as Appendix D is our EOS analysis, which illustrates the estimated outcomes to creditors depending on the two most likely realisation strategies:

- **Going Concern** – assumes a sale of the business and assets to SXHUK on the terms outlined in Section 2; or
- **Forced Sale** – a sale is not achieved, and no further funding of the Subsidiaries is undertaken, resulting in a liquidation of these companies with no prospect of any recovery flowing up to the Company.

In Section 2 we have provided commentary on SXHUK's offer and the key assumptions affecting the outcome to creditors on a Going Concern are:

- A majority of the creditors vote in favour of the sale;
- A successful IPO is achieved in a timely manner;
- The costs and expenses and the quantum of creditors' claims are in line with expectations; and
- Costly and damaging litigation does not ensue, as a result of the shareholder disagreements that impacted on the Company prior to Administration.

On a Forced Sale, the key assumptions are:

- The Company no longer provides any funding to the Subsidiaries;
- No material asset recoveries are expected from the likely liquidation of the Subsidiaries;
- The costs and expenses and the quantum of creditors' claims are in line with expectations; and
- No litigation is commenced against the Company and or the Administrators.

The estimated outcomes to creditors are summarised in the table below:

Illustrative EOS analysis summary			
	Creditors (£'000)	Outcome estimate (%)	
		Going Concern	Forced Sale
Preferential creditors	(18)	100%	100%
Unsecured creditors	7,533	100%	20%

Other key information

Other key information

Other key information

Statement of Affairs

In accordance with paragraph 47 of Schedule B1 of the Insolvency Act 1986, the Directors were requested to prepare a Statement of Affairs by 30 November 2021. As the Administrators were exploring a rescue of the Company with the Directors it was agreed that the requirement to submit a Statement of the Affairs could be suspended until the outcome was known.

As the rescue of the Company is no longer considered to be achievable, the Directors have been requested to submit that Statement of Affairs but it is acknowledged that the document will not be completed by the time the Administrators' Proposals are submitted.

In the absence of the Statement of Affairs, it is necessary to present a summary of the financial position at the date of Administration. Attached at Appendices B and C respectively is a summary of the Company's financial position as at 12 November 2021, together with a list of creditors. This summary is based on management accounts up to 31 August 2021 and subsequent cash movements.

Receipts & Payments Account

Attached as Appendix D is a summary of my receipts and payments for the period from 12 November 2021 to 17 December 2021 which shows that we are currently holding funds of c. £1,795,000. These funds are held at Lloyds Bank plc in an interest bearing account.

The only material payment made to date is funding of £579,000 to the Subsidiaries. The types of expenditure were referred to above in Section 2.

Duration

The appointment of the Joint Administrators shall cease to have effect at the end of the period of one year beginning with the date of their appointment. However, pursuant to para 76 of Schedule B1 of the Insolvency Act, 1986 this may be extended by either:

- an application to Court for a specified period, or
- by consent of the creditors for a specified period not exceeding one year.

It is not envisaged that an extension of the Administration is likely to be sought in this case (unless litigation ensues), but creditors will be kept advised of developments.

Proposed exit route

It is proposed that the administration will convert to Creditors' Voluntary Liquidation ("CVL") on the basis that there will be sufficient funds to pay a non-prescribed part dividend to unsecured creditors. At the appropriate time, the Administrators will provide a final report and file a notice under Paragraph 83 of Schedule B1 of the Insolvency Act 1986 to move the Company from Administration to CVL.

It is proposed that the Administrators, Adam Harris and Guy Robert Thomas Hollander, (or if appropriate their successors) be appointed as Joint Liquidators. However, in accordance with paragraph 83(7) of Schedule B1 of The Insolvency Act 1986, and Rule 3.60 of the Insolvency (England and Wales) Rules 2016, creditors may nominate a different person to act as Liquidator provided that the nomination is made after the receipt of these Proposals and before the deemed decision date for their approval, which is 10 January 2022.

07

Decisions required from the Creditors

The Proposals

As noted earlier, in accordance paragraph 49 of Schedule B1 to the Insolvency Act 1986, our Proposals must be approved by a decision of the creditors. In order to assist creditors with making this decision we have briefly summarised our Proposals below:

1. That the creditors approve the sale of the Company's business and assets to SXHUK, a Connected Party of the Company and as summarised in Section 2.
2. That the Joint Administrators continue to manage and realise the assets of the Company as outlined in Section 2.
3. That the Joint Administrators continue to investigate, and if appropriate, pursue any claims that an office holder and /or the Company may have under The Companies Act or Insolvency Act against any parties concerned with the affairs of the Company as disclosed in Section 3.
4. That the Joint Administrators conclude the Administration and place the Company into CVL, with the appointment of Adam Harris and Guy Robert Thomas Hollander (or if appropriate, their successors) as Joint Liquidators. In accordance with section 231 of the Insolvency Act 1986, the Joint Liquidators are to act jointly and severally.

At the same time as seeking a decision from the creditors regarding our Proposals, we are also required to invite the creditors to form a committee. Details of the functions of the committee are provided in the next section. Creditors can provide their decision in respect of the approval of the Proposals and their requirement for a committee on the voting form that is circulated to creditors in the covering letter to these Proposals.

In the event that creditors decide not to form a committee, we are required to request additional decisions from the creditors in respect of the following matters:

- i. The approval of the pre-Administration costs as set out in Section 8 below;
- ii. The approval of the Administrators' remuneration as set out in Section 8 below; and
- iii. The approval of the Administrators' category 2 expenses as set out in Section 8 below.

These decisions are set out in detail on the attached voting form and it would assist me if creditors could indicate on the voting form their decision by deleting either approved or rejected on the voting form (as appropriate) and returning the signed voting form back as follows:

- If you are a loan note holder the voting form is to be emailed to our agent, Neville Registrars at info@nevilleregistrars.co.uk
- If you are a trade creditor or other creditor the voting form is to be posted to this office or sent back by email to the address on the voting form.

For creditors who have not submitted a proof of debt form, this must be submitted, otherwise the voting form will be marked as invalid.

Loan note holders **do not need** to submit a proof of debt form as we already hold the necessary details.

If any loan note holders have assigned their entitlement to another party, please ensure Neville Registrars have been provided with a notice of this assignment.

The deadline for voting forms and proofs of debt is 10 January 2022.

Decisions required from the Creditors

The Proposals

As noted on the Important Information section on the attached Notice regarding the requirement for decisions from the creditors, creditors can request that a physical meeting be called if, within five business days from the date of delivery of this notice 10% of the value of the creditors, 10% of the number of the creditors, or 10 creditors request such.

In the event that a physical meeting is convened, the decision by correspondence procedure currently in place will be superseded.

The Creditors' Committee

The function of a committee is to assist the Administrators in discharging their duties and to receive information from time to time on the conduct of the administration and the implementation of the proposals. Where appropriate, the Administrators' will seek the committee's sanction to proposed actions.

A creditors' committee can only be formed if sufficient creditors are willing to be members of the committee. The committee must be formed of at least three, but not more than five eligible members.

Further information on the role of the committee, its formation and eligibility to act is provided in the guide entitled "Creditors' Committees and Commissioners – A Guide for Creditors" which is available to download from the website <https://www.r3.org.uk/technical-library/england-wales/technical-guidance/creditor-guides/more/29111/page/1/liquidation-creditors-committees-and-commissioners/> or which is available upon request.

08

Administrators' remuneration & expenses

Administrators' remuneration

Pre-Administration costs

The pre-administration costs total £9,000 plus VAT and remain unpaid. A summary of the costs incurred is provided in the table below:

Pre-Administration Costs			
Firm	Costs Incurred (£)	Cost Estimate (£)	Capped Fee (£)
Mazars LLP	5,011	5,000 - 7,500	5,000
Fieldfisher LLP	6,560	2,500 - 4,000	4,000
	11,571	6,500 - 11,500	9,000

The time costs of Mazars and Fieldfisher for the pre-appointment work are shown above, against the agreed fee range as approved by the Directors in our engagement letter dated 12 November 2021 and the proposed capped fee where approval from the creditors' committee / creditors is required. There were no disbursements.

These costs were incurred before the Company entered administration but with a view to it doing so in order to further the achievement of the administration objective.

The time incurred was necessary to understand the financial position of the Company, the issues impacting the Company resulting in the Directors' decision to place the Company into Administration and planning for the Administration.

Approval of the pre-administration costs is not part of the Proposals and agreement of the costs will be sought from the creditors' committee, or where a committee is not formed, from the creditors. If approval is received, the payment of these costs will be treated as an expense of the Administration.

Administrators' remuneration

Basis of Administrators' remuneration

In accordance with rule 18.16 of the Insolvency (England and Wales) Rules 2016, the basis of our remuneration may be fixed:

- a. as a percentage of the value of the property with which we have to deal; or
- b. by reference to the time properly given by our staff in attending to matters arising in the administration; or
- c. as a set amount; or
- d. as a combination of any one or more of the above.

As noted earlier, the creditors' committee is required to approve the Administrators' remuneration, however where a committee is not formed, a decision in this regard is to be sought from the creditors.

Having considered the nature of the work involved in concluding the matters remaining per the Proposals, I would request that our fees be approved on the basis of time properly spent in dealing with these matters.

Where such a time-cost basis is sought we are required to provide you with various additional information to include:

- Details of the work already undertaken and why that work was undertaken prior to the approval of the fee basis;
- Details of the work yet to be undertaken and why that work is required;
- Whether the work which has or will be undertaken provides a financial benefit to creditors;
- Details of the rates of the staff proposed to work on this engagement; and
- Details of the anticipated time each part of the work will take to conclude and the costs of the work.

This additional information is contained in the Fees Information Pack ("the Fees Pack") attached at Appendix F.

Creditors will note that the Fees Estimate totals £197,947.70. This estimate acts as a cap for our fees and we will be unable to take any additional fees without the approval of the creditors' committee (if one is appointed) or the creditors. If we exceed our fees estimate or believe it is likely we will do so we will revert to creditors again.

On the basis that a significant proportion of the work required to be undertaken has already occurred, we do not envisage that the Fees Estimate will require increasing, however, the Fees Estimate assumes that the purchaser will achieve a successful IPO in a timely manner and that litigation does not ensue as a result of the shareholder dispute that had arisen prior to Administration.

Our firm's Rates and Expenses policy included within the Fees Pack (at Appendix F5) is subject to change as charge out rates may increase over the period of the administration of the case, in common with other professional firms. Details of any changes will be provided as part of my reporting throughout the life of the case. All staff that work on the case, including the cashiers, support and any secretarial staff charge their time directly to the assignment in 6 minute units.

Creditors can find additional information relating to Administrator's fees in a copy of the publication "A creditors guide to Administrators' Fees" which is available to download from <https://www.r3.org.uk/technical-library/england-wales/technical-guidance/fees/more/29113/page/1/guide-to-administrators-fees/> or alternatively will be provided free of charge upon written request to this office and is available separately on the Portal.

Administrators' remuneration

Costs already incurred

As noted in the Fees Pack attached, we have already undertaken substantial work on this case prior to seeking fee approval. This work was necessary for the following key reasons:

- exploring a rescue of the Company with the principal stakeholders;
- running in parallel a marketing and sale of the Company's business and assets;
- review and approve funding requests to preserve the financial viability of the Subsidiaries, being a prerequisite to achieving the above;
- complying with statutory requirements and deadlines.

Attached within Appendix F1 is a summary of our time costs to date with a comparison to our Fees Estimate. To date, 192.5 hours have been spent dealing with the administration of this case, at a total cost of £106,361.70 representing an average hourly rate of £552.53.

Our Detailed Fees Estimate (included at Appendix F2) explains what work has already been done in respect of these costs incurred as well as work that is yet to be done.

Administrators' expenses

Expenses

Expenses are any payments from the estate which are neither an office holder's remuneration nor a distribution to a creditor or a member. Expenses also include disbursements. Disbursements are payments which are first met by the office holder, and then reimbursed to the office holder from the estate.

Expenses are divided into those that do not need approval before they are charged to the estate (category 1) and those that do (category 2).

- Category 1 expenses: These are payments to persons providing the service to which the expense relates who are not an associate of the office holder. Category 1 expenses can be paid without prior approval.
- Category 2 expenses: These are payments to associates or which have an element of shared costs. Before being paid, category 2 expenses require approval in the same manner as an office holder's remuneration. Category 2 expenses require approval whether paid directly from the estate or as a disbursement.

We are seeking the approval of the payment of Category 2 expenses in accordance with this firm's Expenses Policy, attached at Appendix D6. To date, no Category 2 expenses have been incurred.

In accordance with Rule 18.16 of the Insolvency (England & Wales) Rules 2016, prior to the determination of the basis of my remuneration we must provide creditors with details of the expenses we consider are likely to be incurred.

The EOS attached at Appendix D and the Expense Estimate attached at Appendix F4 within the Fees Pack provide details of the expenses we consider will be, or are likely to be incurred on this matter, together with an explanation as to why it is necessary to incur each expense. Including our remuneration, these are anticipated to total £879,772.

Details of expenses already paid can be found in the attached Receipts and Payments account at Appendix B. To date, the only material expenditure has been the funding of the trading Subsidiaries.

We have reviewed the expenses incurred to date and we satisfied that they are fair and reasonable and proportionate in the circumstances of the case.

Expenses incurred but not yet paid predominantly comprise the fees and disbursements of our professional advisors, and these are included in the above appendices.

Contacts

Guy Hollander

Joint Administrator

T: 020 7063 4112

E: guy.hollander@mazars.co.uk

Adam Harris

Joint Administrator

T: 020 7063 4689

E: adam.harris@mazars.co.uk

Alex Nowak

Associate Director

T: 020 7063 4404

E: alex.nowak@mazars.co.uk

Mitchell Ward

Senior Executive

T: 020 7063 4729

E: mitchell.ward@mazars.co.uk

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of more than 42,000 professionals – 26,000+ in Mazars' integrated partnership and 16,000+ via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*Where permitted under applicable country laws

www.mazars.com

mazars

Appendices

- A** Identification Details
- B** Summary of Financial Position
- C** Schedule of Trade & Expense Creditors
- D** Receipts & Payments and Estimated Outcome Statement
- E** Pre-Administration Costs
- F** Fees Information Pack
 - F1 Fees Estimate
 - F2 Detailed Fees Estimate
 - F4 Expense Estimate
 - F5 Rates and Expenses Policy

Appendices

Appendix A: Identification details

Details relating to the Company		Details relating to the Joint Administrators	
Company name	SpectrumX Holdings Limited	Date of appointment	12 November 2021
Previous names	Not applicable	Joint Administrators	G R T Hollander and A Harris of Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD
Trading name	SpectrumX Holdings Limited		
Company number	13039699		
Registered office	Tower Bridge House St Katharine's Way London E1W 1DD		
Previous registered office	Unit 8 Novus Parkgate Industrial Estate Haig Road Knutsford Cheshire WA16 8FB	Joint Administrators' functions	IP No(s) 009233 and 015454 All acts required to be done by the joint administrators, may be done by either or both, acting jointly or alone
Trading address	Alex House 260/268 Chapel Street Salford Manchester M3 5JZ	Joint Administrators' address	Tower Bridge House St Katharine's Way London E1W 1DD
Court	The High Court of Justice, Business and Property Court of England and Wales, Insolvency and Companies List (Chd)	Appointed by	The Directors
Court reference	CR-002096 of 2021	Joint Administrator's contact telephone number	020 063 4000

Appendix B: Summary of Financial Position – the Company

Summary of financial position as at 12 November 2021

	31 August 2021	Adjustments	12 November 2021
	£'000	£'000	£'000
Intangible assets	1	-	1
Shares in group undertakings	-	-	-
Fixed assets	1	-	1
Cash at bank	136	2,239	2,375
VAT	20	-	20
Other debtors	1	-	1
Amounts owed by group undertakings	2,305	909	3,214
Prepayments and accrued income	13	-	13
Current assets	2,475	3,148	5,623
Trade creditors	(19)	-	(19)
Other creditors	(226)	-	(226)
Directors' Loan Account	(745)	-	(745)
Current liabilities	(990)	-	(990)
Current assets less current liabilities	1,485	3,148	4,633
Total Assets less Current Liabilities	1,486	3,148	4,634
Convertible loan notes	(2,223)	(4,320)	(6,543)
Long term liabilities	(2,223)	(4,320)	(6,543)
Net liabilities	(737)	(1,172)	(1,909)
Share capital	-	-	-
Profit and loss reserve	(737)	(1,172)	(1,909)
Capital & reserves	(737)	(1,172)	(1,909)

Source: Management accounts, information provided by Management and estimation

Overview

With no Statement of Affairs having been provided by the Directors and no management information being available since 31 August 2021, the financial position of the Company as at the date of Administration has been presented for illustrative purposes.

The financial position of the Company as at 31 August 2021 is as set out in the unaudited management accounts. The financial position as at the date of Administration has been estimated based on known material transactions as advised by Management. These include:

- Issuing additional CLNs amounting to c. £4.3m during August 2021 but which were not reflected in the management accounts;
- Adjusting cash at bank to represent the balance as at the date of Administration;
- Adjusting for amounts owed by group undertakings;
- Balancing movement through the profit and loss account.

Although this approach and inter-period adjustments are likely to be a reasonable reflection of the Company's core assets and liabilities, creditors should be mindful that the financial position of the Company as at the date of Administration remains to be fully investigated and determined by the Joint Administrators.

Appendices

Appendix B: Summary of Financial Position – the Subsidiaries

Subsidiaries balance sheet summaries

	SXD	SXM	SXHC
	31 August 2021	31 August 2021	31 August 2021
	£'000	£'000	£'000
Intangible assets	95	-	62
Tangible assets	96	-	397
Fixed assets	191	-	459
Stock	146	-	-
Cash at bank	51	1	25
VAT	77	6	-
Rent Deposit	174		
Other debtors	7		
Prepayments and accrued income	-	-	13
Amounts owed by group undertakings	-	26	211
Current assets	455	33	249
Trade creditors	(94)	(26)	(48)
Amounts owed to group undertakings	(973)	(58)	(372)
Social security and taxes	(21)	-	(35)
Other creditors	(20)	-	-
Accruals and deferred income	(38)	(10)	-
Loans and overdrafts	-	-	(942)
Current liabilities	(1,146)	(94)	(1,397)
Current assets less current liabilities	(691)	(61)	(1,148)
Net liabilities	(500)	(61)	(689)
Share capital	-	-	-
Profit and loss reserve	(500)	(61)	(689)
Capital & reserves	(500)	(61)	(689)

Source: Management accounts

Note: no management accounts were provided for SXP

Appendix C: Schedule of Trade & Expense Creditors

Schedule of trade & expense creditors		
Name	Amount	Claims Received
Brandsmiths	6,553	-
Damien Hancox	22,917	-
Edwards Veeder LLP	180	-
HMRC	17,767	-
Laytons	20,700	-
Luther Pendragon	39,588	-
Aziz McMahon	7,538	-
Acuitas	1	59,400
Pello Capital	1	-
Total	115,245	59,400

Source: Management Information/ Claims received by Administrators

Note: Amounts of £1 included above represent claims disputed by management

Appendix D: Receipts & Payments and Estimated Outcome Statement

SpectrumX Holdings Limited - in Administration
Joint Administrators' Summary of Receipts & Payments and Estimated Outcome Statement

As at 22 December 2021

	Notes	Book value £'000	Receipts & Payments to 22 December 2021 £'000	Going Concern outcome estimate		Forced Sale outcome estimate	
				Estimated Future Receipts & Payments £'000	Estimated Final Outcome £'000	Estimated Future Receipts & Payments £'000	Estimated Final Outcome £'000
Unencumbered assets							
Intangible assets		1	-	1	1	-	-
Shares in group undertakings		-	-	-	-	-	-
Cash at bank		2,375	2,375	-	2,375	-	2,375
Repayment of funding		-	-	579	579	-	-
Contribution to make creditors whole		-	-	2,244	2,244	-	-
VAT		20	-	-	-	-	-
Other debtors		1	-	-	-	-	-
Amounts owed by group undertakings		3,214	-	3,214	3,214	-	-
Prepayments and accrued income		13	-	-	-	-	-
		5,624	2,375	6,038	8,413	-	2,375
Costs of realisation							
Pre-Administration costs		n/a	-	(9)	(9)	(9)	(9)
Administrators' remuneration		n/a	-	(198)	(198)	(175)	(175)
Administrators' disbursements		n/a	-	(1)	(1)	(1)	(1)
Legal fees		n/a	-	(83)	(83)	(75)	(75)
Legal disbursements		n/a	-	(1)	(1)	(1)	(1)
Agents' fees		n/a	-	(3)	(3)	(3)	(3)
Funding provided to the Subsidiaries		n/a	(579)	-	(579)	-	(579)
Communication & advertising		n/a	(1)	-	(1)	-	(1)
Contingency		n/a	-	(5)	(5)	(10)	(10)
		-	(580)	(300)	(880)	(274)	(854)
Net floating charge realisations		5,624	1,795	5,738	7,533	(274)	1,521
HMRC secondary preferential creditors - PAYE/NI		(18)	-	(18)	(18)	(18)	(18)
Net realisations available to unsecured creditors		5,606	1,795	5,720	7,515	(292)	1,503
Estimated amount due to unsecured creditors		(7,533)	-	(7,533)	(7,533)	(7,533)	(7,533)
Estimated recovery to unsecured creditors (%)					100%		20%

Appendix E: Pre-Administration Costs

Pre-Administration Costs			
Firm	Costs Incurred (£)	Cost Estimate (£)	Capped Fee (£)
Mazars LLP	5,011	5,000 - 7,500	5,000
Fieldfisher LLP	6,560	2,500 - 4,000	4,000
	11,571	6,500 - 11,500	9,000

Appendices

Appendix F1: Fees Estimate

FEES ESTIMATE

My total Fees Estimate as at 22 December 2021 to conclude this matter is £197,947.70. I have provided below a breakdown of how these costs will be split between the different functions my staff and I are likely to perform on this case. I have also included a similar breakdown of the actual time spent and costs incurred to date:

Description of Work	Fees Estimate			Actual as at 17 December 2021		
	Total Time (hours) (£)	Total Costs (£)	Blended Hourly Rate (£)	Total Time (hours) (£)	Total Costs (£)	Blended Hourly Rate (£)
Administration & Planning	37.6	17,972.20	477.98	18.6	10,267.20	552.00
Taxation	20.2	9,110.30	451.00	1.2	508.30	423.58
Investigations	37.4	15,437.60	412.77	8.4	2,557.60	304.48
Realisation of Assets	112.5	66,905.20	594.71	97.5	58,464.20	599.63
Trading	5.3	2,640.40	498.19	1.8	1,076.40	598.00
Employees	1.5	531.30	354.20	1.5	531.30	354.20
Creditors	45.7	25,566.80	559.45	29.7	19,057.80	641.68
Reporting	55.2	25,944.00	470.00	3.7	1,541.00	416.49
Distributions	18.0	7,176.00	398.67	-	-	-
Cashiering	32.6	12,459.10	382.18	16.1	5,789.10	359.57
Statutory & Compliance	32.0	14,204.80	443.90	14.0	6,568.80	469.20
Totals	398.0	197,947.70	497.36	192.5	106,361.70	552.53

Attached to this Fees Estimate is a detailed summary of the work that has been incurred to date and that is anticipated to be incurred, together with an explanation as to why the various tasks are required.

Creditors will note that a blended hourly charge-out rate has been provided. This is calculated as the prospective average cost per hour based upon the estimated time to be expended by each grade of staff at their specific charge out rate. Details of the hourly rates of staff anticipated to work on this case can be found on the Rates and Expenses policy attached to this report. Please note that where total costs do not equate to the total time at the blended hourly rate, this is due to rounding.

Not all of the work which I am required to perform will provide a direct financial benefit to creditors. Some of the work to be undertaken is required because statute dictates that I must perform this task, or because guidance issued by the Insolvency Service or my regulatory body requires such.

Exceeding the Fees Estimate

The Fees Estimate has been based on previous examples of cases of a similar size and complexity to this case, together with our current knowledge of the case and the work which is anticipated to be necessary.

The Joint Administrators do not anticipate having to seek further fees at this stage, however, as indicated in our report, these costs do not reflect the costs of any litigation or substantial time costs being incurred adjudicating creditor claims in a subsequent liquidation. Should these circumstances change, then the Joint Administrators shall consider seeking a further estimate in the future if necessary.

The above estimate also assumes that this Administration will remain open for 12 months and then move to Creditors' Voluntary Liquidation.

Appendix F2: Detailed Fees Estimate

Description of work
<p>Administration and Planning</p> <p>To date, the Administrators have undertaken the following work in this Category:</p> <ul style="list-style-type: none"> • Case acceptance and ethical reviews. • Completing case strategy notes. • Holding strategy meetings and engaging in correspondence with solicitors, Directors and SAI. • Managing and maintaining the case on the Firm's client systems and our specialist insolvency software system. <p>Future work in this category is expected to include:</p> <ul style="list-style-type: none"> • Ongoing strategy meetings between the Administrators, their staff and advising solicitors; • Documenting decisions; and • Managing and maintaining the case on the Firm's client systems and our specialist insolvency software system. <p>This work is necessary to ensure that the case is administered correctly and in line with statutory requirements.</p> <p>It is not expected that this work will result in a direct financial benefit for creditors. However, appropriate case administration and planning ensures that the case is managed coherently and efficiently, with minimisation of costs and avoidance of duplication of work. A clear case strategy and strong internal processes aid to add value through the efficient management of the case. This work is also required in order to appropriately document and record how the case has been administered in accordance with regulatory requirements.</p>

Appendix F2: Detailed Fees Estimate

Taxation

To date, the Administrators have undertaken the following work in this category:

- Notifying HM Revenue & Customs ("HMRC") of our appointment and establishing whether they have any outstanding claims or ongoing investigations.

Future work in this category is expected to include:

- Establishing the full extent of HMRC's claim in the administration. Such enquiries will assist the Administrators' own investigations;
- Preparing post-Administration VAT and Corporation Tax returns, as required by statute;
- Deregistering the Company for VAT once appropriate, in line with VAT regulations; and
- Liaising with Mazars Tax team regarding pre-appointment tax matters
- Seeking tax clearance for closure of the Administration.

The majority of this work derived no direct financial benefit for creditors; however, it is required to ensure the Company is administered in line with legislative requirements. Further work regarding HMRC's claim will assist with the adjudication process for when the time is appropriate for a preferential distribution to be made to the preferential creditors.

Appendix F2: Detailed Fees Estimate

Investigations

Investigations are required in accordance with Statement of Insolvency Practice 2, so as to identify whether any assets have been dissipated and what recoveries can be made so as to enhance the funds available to distribute. They also assist with Appointment taker(s) duty under the Company Directors Disqualification Act 1986.

To date, the Administrators have undertaken the following work in this category:

- Initial review of Company information and documentation regarding the affairs of the Company and the conduct of its Directors / former directors;
- Preparing and issuing questionnaires to the Directors and former directors in accordance with statutory requirements; and
- Liaising with solicitors, Directors and former directors in respect of the Company's background and financial position.

Further work in this category is expected to include:

- Ongoing investigation into the affairs of the Company and the conduct of its Directors/former directors;
- A review of Company's books and records, to identify any potential transactions that were outside the ordinary course of business.
- Reviews of the creditor questionnaires received and investigation into any matters notified;
- Recovery of further books and records outstanding; and
- Reporting to the Insolvency Service on the directors/former directors as required.

This work is required by statute, and unless any assets or rights of action are identified by the Administrators there is generally no financial benefit to creditors in carrying out the work. However, should the Administrators' investigations reveal additional assets or rights of action, then these may lead to additional realisations but the costs of pursuing these actions are likely to increase. In this case, further information will be provided to creditors under separate cover in due course.

Appendix F2: Detailed Fees Estimate

Realisation of Assets

The Company's assets are as stated in section 2. To date, the Administrators have undertaken the following work in this category:

- Emailing Insurers upon appointment to arrange open cover on the assets until the asset position has been confirmed.
- Liaising with the Directors and bank for the cash held at Metro to be transferred to the Administration account.
- Liaising and communication with Fieldfisher in respect of potential values around the IPR, trademarks and licenses and subsidiaries
- Liaising and communication with pharma consultants around the IPR, trademarks and licenses
- Liaising and communication with SW in respect of potential chattel asset values held in the Subsidiaries
- Reviewing data room information
- Drafting and finalising an "acquisition opportunity teaser" document to market the potential sale of the business and advertising on Deal Opportunities and other media
- Liaising with Directors regarding license agreements in place and potential interest from third parties
- Liaising with SAI in respect of their position and stance re third party interests
- Corresponding with interested parties regarding potential business sale
- Liaising with Fieldfisher regarding Intellectual Property position
- Liaison and communications with all key stakeholders regarding rescue of Company opportunities
- Liaison and communications with all key stakeholders regarding sale of the business and assets
- Liaising with Fieldfisher regarding potential sale to SXHUK and liaison with Directors
- Liaison with Group staff in respect of information, accounts, cash movements

Further work in this category is expected to include:

- Complete the sale of the business and assets to SXHUK if approved by creditors including liaison with Fieldfisher and SXHUK personnel

This work is anticipated to result in a financial benefit for the Administration estate due to the realisation of the outstanding assets of the Company.

Appendix F2: Detailed Fees Estimate

Trading

To date, the Administrators have undertaken the following work in this category:

- Meetings/calls with the Directors and Group operations manager regarding funding requests for Subsidiaries
- Reviewing funding request and payment schedule received from operations manager

The above work was required in order to enable the Subsidiaries to continue to trade with the aim of achieving either a rescue of the Company or a sale of the business and assets

Employees

To date, the Administrators have undertaken the following work in this category.

- Undertaking a S120 search for relevant pension schemes;
- Seeking clarity and confirmation of any employee status and communicate accordingly

The majority of this work derived no direct financial benefit for creditors; however, it is required to ensure the Company is administered in line with legislative requirements.

Appendix F2: Detailed Fees Estimate

Creditors

To date, the Administrators have undertaken the following work in this category in order to deal with creditors appropriately:

- Requesting an initial list of creditors for initial notification purposes
- Discussions with unsecured creditors
- Logging creditor claims
- Liaising with BGS Capital in relation to the loan note holders and their contact details
- Liaising with solicitors regarding unsecured creditor position
- Correspondence with Neville Registrars regarding the 178 loan note holders and arranging notice of appointment
- Reviewing loan note holder schedule and assessing creditor position

Future work in this category is expected to include:

- General correspondence with creditors and responding to queries that arise;
- Logging creditor claims;
- Requesting further information from creditors in support of their claims as required; and
- Requesting for creditor questionnaires to be completed and returned to assist with our investigations.

This work derived no financial benefit for creditors, however, it is necessary to comply with the regulations placed upon the Administrators.

Appendix F2: Detailed Fees Estimate

Reporting

To date, the Administrators have undertaken the following work in this category:

- Issuing the initial notification to all known creditors and members; and
- Drafting the Administrators' Statement of Proposals.

Future work in this category is expected to include:

- Issuing the Administrators' Statement of Proposals to all creditors;
- Reporting the outcome of any decision procedures;
- Reporting to creditors in respect of fee and expense approvals;
- Preparing and issuing six monthly progress reports as required by statute; and
- Drafting and issuing the final progress report to move Company into CVL
- Closure Reporting and convening the final meeting of creditors

It is not expected that this work will result in a direct financial benefit for creditors. However, it is required in order to ensure that the case has been administered in line with regulatory requirements.

Distributions

As part of the subsequent Liquidation, the following work is anticipated:

- Adjudication of creditor claims and review of supporting documentation
- Seeking legal advice on any claims as necessary
- Calculation of dividend amounts
- Writing to creditors providing notice of an intended dividend, agreeing claims, rejecting claims and payments of dividends;
- Advertising for creditors to submit claims and notice of intended dividends; and
- Preparation of paperwork to control and facilitate payment of dividends.

This work is required in order to ensure that creditors are paid the correct amount outstanding to them in a timely manner..

Appendix F2: Detailed Fees Estimate

Cashiering

To date, the Administrators have undertaken the following work in this category:

- Establishing set up of case details on our insolvency software system.
- Setting up bank accounts, including deposit accounts as necessary.
- Issuing payments and banking receipts, and preparing the appropriate paperwork for such transactions.

Future work in this category is expected to include:

- Bank account maintenance, including monthly reconciliations; and
- Issuing payments and banking receipts and preparing the appropriate paperwork for such transactions.
- Issuing cheques or electronic payments for anticipated distribution to creditors

It is not expected that this work will result in a direct financial benefit for creditors. However, it is required in order to ensure that the estate bank account is operated in accordance with guidance issued by my regulatory body.

Statutory and Compliance

Statutory and compliance work as required by statute or our internal procedures involves:

- Preparation and lodgement of statutory appointment documents.
- Initial notices following appointment.
- Advertising the appointment of Administrators in the London Gazette;
- Case bordereau.

Future work in this category is expected to include:

- Case monitoring and statutory compliance, including internal case review;

It is not expected that this work will result in a direct financial benefit for creditors. However, this work is required in order to ensure that the case has been administered in accordance with regulatory requirements.

Appendix F3: Expense Estimate

Type of Expenditure	Requirement for Expenditure	Initial Expense Estimate £
Category 1 Expenses		
Professional Advisors' Costs:		
Legal fees and disbursements	Fieldfisher LLP ("Fieldfisher") were instructed to provide legal services as set out in the report. Their fees have been agreed on a time costs basis, however no fees have been paid to date.	
	Pre-appointment Costs - initial estimates by Fieldfisher were in the range of £2,500 - £4,000. Actual time costs incurred by them were £5,605 however they have agreed to cap their costs at £4,000.	4,000
	Post-appointment Costs - time costs as at 17 December 2021 were £43,375 and remaining time costs are estimated to be in the range of £30k - £50k. We have assumed a midpoint of £40,000 for their further costs.	83,375
Agent's fees and disbursements	Sanderson Weatherall were instructed to provide an independent valuation of the Company's non-property assets, principally comprising Plant and Machinery, leasehold improvements and stock. Fees have been agreed on a time cost basis.	2,500

Appendix F3: Expense Estimate

Type of Expenditure	Requirement for Expenditure	Initial Expense Estimate £
Category 1 Expenses		
Other Expenses:		
Direct Expenses paid to Subsidiaries	Funding provided to the Subsidiaries in order to continue to trade	579,000
Corporation tax	It is likely that corporation tax will be payable in respect of the interest accrued whilst surplus funds are held on an interest-bearing deposit account (estimate provided)	250
Insurance of assets	The estimated costs for insurance over the assets under the Insolvency Scheme with Marsh Limited and administration fee	100
Stationary & Postage	Postage costs paid to a third party provider, Nevilles Registrars, for printing and despatching letters to all loan note holders and any other postage charges	1,500
Provision	Provision for further costs which may arise	5,000
Joint Administrators' Disbursements	Disbursements are expenses paid by this firm in the first instance and subsequently re-charged to the estate when there are sufficient funds. Expenses incurred or expected to be incurred in this manner include: - Specific bond - the insolvency regulations require that a specific bond to be taken out in respect of the value of the assets. - Statutory Advertising - these are costs paid for statutory advertising as required under the insolvency legislation. Some of these expenses have been incurred but have not yet been paid	1,000 99
Total Category 1 Expenses		676,824

Appendix F3: Expense Estimate

Type of Expenditure	Requirement for Expenditure	Initial Expense Estimate £
Category 2 Expenses		
These expenses require approval in the same manner as the office holder's remuneration		
Mileage	This expense represents the costs of the office holder/their staff in travelling.	0
Total Category 2 Expenses		0
Mazars LLP Remuneration		
Office holders' pre-appointment costs	The pre-administration costs were estimated at £5,000 - £7,500. Time costs incurred were £5,011, and it is proposed to cap this at £5,000 plus VAT	5,000
Office holders' post-appointment costs	Management of the Company's affairs in order to achieve the objective of the Administration. Realising and distributing the Company's assets and performing those tasks required as dictated by statute, best practice and ethical requirements.	197,948
Total Mazars LLP Remuneration		202,948
Total		879,772

1. Professional Advisors

The office holder's choice of the professional advisors listed above was based on their perception of the advisors' experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of the fee arrangement with them. The office holders have reviewed the costs incurred to date and are satisfied that they are reasonable in the circumstances of the case.

2. Category 2 Expenses

The office holders have reviewed the expenses which have been or are likely to be incurred in this matter and do not consider that there are any instances where payments could reasonably be perceived as presenting a threat to the office holders' objectivity or independence by virtue of a professional or personal relationship, including to an associate, and which require approval as a Category 2 Expense, other than those listed above.

Appendix F4: Rates and Expenses Policy

Charge-out rates

Details of the current charge-out rates of the personnel working on this case are set out below:

	Partner	Director	Associate Director / Manager	Senior Executive / Executive	Cashier	Support staff
Current charge out rate per hour effective from 1 September 2021 - 30 September 2022 (£)	736	598	414-529	230-299	184	161

Specialist departments within our Firm, (Tax and VAT) may charge a number of hours if and when their expert advice is required. The rate ranges above incorporate these different rates.

Charge-out rates are reviewed annually on 1 September and in common with other professional firms, may increase over the period of the administration of a case. The rates are appropriate to the skills and experience of the team member and the work that they perform. Time is recorded in 6 minute units with supporting narrative to explain the work undertaken.

Expenses

Expenses are any payments from the estate which are neither an office holder's remuneration nor a distribution to a creditor or a member. Expenses also include disbursements.

Disbursements are payments which are first met by the office holder, and then reimbursed to the office holder from the estate.

Expenses are divided into those that do not need approval before they are charged to the estate (category 1) and those that do (category 2).

- **Category 1 expenses:** These are payments to persons providing the service to which the expense relates who are not an associate of the office holder. Category 1 expenses can be paid without prior approval.

- **Category 2 expenses:** These are payments to associates or which have an element of shared costs. Before being paid, category 2 expenses require approval in the same manner as an office holder's remuneration. Category 2 expenses require approval whether paid directly from the estate or as a disbursement.

It is proposed that the following Category 2 expenses incurred in administering the case be charged:

- Mileage will be charged at relevant HM Revenue & Customs prevailing rates, currently 45p per mile.

The Joint Administrators reserve the right to increase the charges applicable to mileage in accordance with any increases in the prevailing rate set by HM Revenue & Customs. Any material amendments will be advised to creditors in the next statutory report.