

AM03

Notice of administrator's proposals



Companies House

For further information, please
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1 Company details

Company number 0 5 5 7 4 8 8 5

Company name in full Compound Photonics Limited

→ Filling in this form

Please complete in typescript or in
bold black capitals.

2 Administrator's name

Full forename(s) Geoffrey Paul

Surname Rowley

3 Administrator's address

Building name/number 2nd Floor

Street 110 Cannon Street

Post town London

County/Region

Postcode E C 4 N 6 E U

Country

4 Administrator's name ①

Full forename(s) Philip Lewis

Surname Armstrong

① Other administrator

Use this section to tell us about
another administrator.

5 Administrator's address ②

Building name/number 2nd Floor

Street 110 Cannon Street

Post town London

County/Region

Postcode E C 4 N 6 E U

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



Signature date

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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	Geoffrey Paul Rowley									
Company name	FRP Advisory Trading Limited									
Address	2nd Floor									
	110 Cannon Street									
Post town	London									
County/Region										
Postcode	E	C	4	N		6	E	U		
Country										
DX	cp.london@frpadvisory.com									
Telephone	020 3005 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

FRP

Compound Photonics Group Limited (in Administration)

Compound Photonics UK Limited (in Administration)

Compound Photonics Limited (in Administration)

Together; "the UK administration entities"

The Administrators' Proposals

14 April 2023

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The following abbreviations are used in this report:

FRP	FRP Advisory Trading Limited
The Company	Compound Photonics Group Limited (In Administration)
The Group	Compound Photonics Group Limited (In Administration), Compound Photonics UK Ltd (in Administration), Compound Photonics Ltd (in Administration) and Compound Photonics U.S.
The UK administration entities	Compound Photonics Group Limited (In Administration), Compound Photonics UK Ltd (in Administration), Compound Photonics Ltd (in Administration)
The Administrators	Geoffrey Paul Rowley and Philip Lewis Armstrong of FRP Advisory Trading Limited
The Insolvency Rules	The Insolvency (England and Wales) Rules 2016
CVL	Creditors’ Voluntary Liquidation
CVA	Company Voluntary Arrangement
SIP	Statement of Insolvency Practice
QFCH	Qualifying Floating Charge Holder
HMRC	HM Revenue & Customs
CPUK	Compound Photonics UK Ltd

Contents and abbreviations



CPL	Compound Photonics Ltd
CPUS	Compound Photonics U.S.
Snap	Snap Inc.
MVL	Members Voluntary Liquidation
OFSI	Office of Financial Sanctions Implementation
Minden	Minden Worldwide Limited
Aldon	Aldon Investments Limited
Vollin	Vollin Holdings Limited
UBO	Ultimate Beneficial Owners

1. Introduction and circumstances giving rise to the appointment of the Administrators

FRP

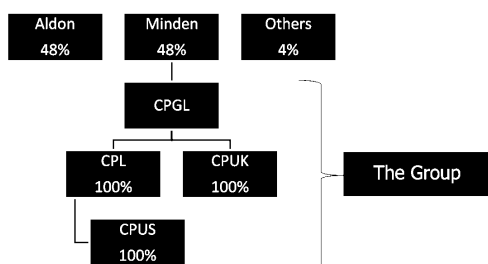
On 17 February 2023, the Company entered administration and Geoffrey Paul Rowley and Philip Lewis Armstrong were appointed as Administrators.

This document, together with its appendices, forms the Administrators' statement of proposals to creditors in accordance with Paragraph 49 of Schedule B1 to the Insolvency Act 1986 and the Insolvency Rules. The proposals are deemed delivered four business days after they are dated.

Certain statutory information about the Group and the administration is provided at **Appendix A**.

Background information regarding the Group

- CPGL was incorporated on 27 May 2009.
- CPUK was incorporated on 25 June 2013 and is 100% owned by CPGL.
- CPL was incorporated on 27 September 2005 and is 100% owned by CPGL.
- CPUS is a company incorporated under the laws of Delaware, and is 100% owned by CPL.
- The Company's shareholders include Minden (48%), Aldon (48%) with the remaining 4% of the issued shares in the Company are held by a number of shareholders including two former directors of The Company.
- The structure of the Group is as follows:



- CPGL had three directors, Jeremy Fletcher, Yaron Valler, and Kyriacos Zindilis.
- Jeremy Fletcher and Yaron Valler were also the directors of CPL, CPUK and CPUS.
- The Group's business was the intended development and commercialisation of academic research into gallium arsenide and liquid crystal technology. The focus of the Group was to develop, manufacture and sell a very small "Pico" projector.
- In June 2013, CPUK acquired a large gallium arsenide fabrication plant in Newton Aycliffe.
- Notwithstanding substantial investment and lending from Minden and Völlin (of which company Aldon is the successor) the Group continued to be loss making, being a pre-Revenue business.
- In May 2017, the Group's operating business in the UK was sold to Kaiam Corporation, leaving a remaining operating business in the US under CPUS and certain intellectual property rights relating to that business, held by CPL.
- On 6 January 2022, the business and assets of the Company were sold to Snap. The total consideration of this sale was \$101m, with the first tranche of consideration being \$41m of Snap shares (subject to a six month lock-up until July 2022 before those Snap shares could be sold). The second tranche of consideration is \$60m in either cash or Snap shares (at Snap's discretion) to be transferred in January 2025.

Events leading to the appointment of the Administrators

- The Company was introduced to Geoff Rowley of FRP by Yaron Valler and Jeremy Fletcher on 18 August 2022.
- The initial approach was to undertake an MVL for the UK administration entities with the deferred consideration under the Snap agreement being the primary asset.
- Discussions with Fieldfisher LLP around the solvency position (given the net liability position within the balance sheets of CPL and CPUK) and mechanism to retain rights to the deferred consideration from Snap changed the proposed strategy to an administration appointment across the UK entities within the Group.

1. Introduction and circumstances giving rise to the appointment of the Administrators

FRP

- The Company's shareholders, Aldon and Minden, form part of an investment structure controlled by individuals subject to sanctions legislation. The UBO of Minden is Roman Abramovich, who has been a Designated Person under UK sanctions since March 2022. The UBOs of Aldon are Alexander Frolov and Alexander Abramov, who became Designated Persons under UK sanctions on 2 November 2022.
- Following the controlling ownership of the Group being held by Designated Persons, the UK administration entities were considered to be caught under UK sanction legislation.
- Banking restrictions arising from this sanctions legislation meant that absent of an administration process, the UK administration entities/Group would not be able to open new bank accounts and receive the deferred consideration from the sale to Snap. Furthermore, a withdrawal of banking facilities across the Group would result in an uncontrolled insolvency of the Group.
- FRP were consulted to provide the following services:
 - Advice to the Company on its insolvent position;
 - Assisting the directors in placing the Company into Administration;
- In November 2022, following the extension of sanctions to the UBOs to the Group, FRP and Fieldfisher LLP provided advice to the Company/Group to enable the directors to act in the best interests of creditors and preserve the Group's rights to recovering the deferred consideration from Snap.

Prior to our appointment as Administrators we are required to consider any ethical and conflict issues in relation to the appointment. Provided we are satisfied that there are no matters arising that would preclude us consenting to act, we must provide a statutory statement and consent to act in which any prior relationship between the proposed Administrators and the UK administration entities is summarised. This statement is subsequently filed in Court. Following our appointment as Administrators our duty of care is to all the UK administration entities' creditors as officers of the Court and agents of the UK administration entities, taking over from the Board the responsibilities of managing the affairs, business and property of the UK administration entities.

Absent any secured creditor holding a QFCH over the UK administration entities, the appointment of the Administrators was obtained through a Court application.

Geoff Rowley and Philip Armstrong were duly appointed Joint Administrators over the UK administration entities on 17 February 2023.

Appointment of the Administrators

Yaron Valler, a director across all entities within the Group, initially sought advice from FRP on 18 August 2022.

At this stage FRP's primary duty of care was to the Company which would include consideration of the directors' fiduciary duties to act in the overall best interest of the company and its creditors. Until the appointment of Administrators the directors continued to be responsible for the Company and Group, and its affairs neither FRP nor its insolvency practitioners advised the directors personally.

2. Conduct of the administration

FRP

The objective of the administration

The Administrators think that objective (a) of the administration, as detailed in Paragraph 3(1) of Schedule B1 to the Insolvency Act 1986, being to rescue the Company as a going concern, will not be achieved due to the extent of the UK administration entities liabilities and inability to restructure these in a manner which would return the Company to solvency. The business and primary assets of the Group have been sold to Snap, therefore no rescue of the UK administration entities is deemed possible. The principal assets are the funds currently held in bank accounts and the deferred consideration due from Snap.

As such, it is envisaged that objective (b) will be achieved, a better result for the Company's creditors as a whole than would be likely if the Company had been wound-up (without first being in administration). This is because the Group's rights to the deferred consideration under the Snap business and assets sale are preserved under administration process, and it is anticipated that realisations will be sufficient to enable a return to the Company's unsecured creditors.

It is envisaged that objective (c) will be not achieved, to realise property in order to make a distribution to one or more secured or preferential creditors, due to the absence of such creditors in this case.

The Administrators' actions to date

Details of work already undertaken since appointment or anticipated will be undertaken is set out in the schedule of work attached at **Appendix C**.

Highlights to date include:

OFSI Licencing

Prior to the appointment of administrators, the Group only maintained a bank account with Wells Fargo through the US entity, CPUS. Following the ultimate beneficial owners of the business becoming sanctioned entities/individuals, Wells

Fargo advised that they would close this bank account on 28 February 2023, and absent banking facilities to continue the operations of the Group the Group would become both cash flow and balance sheet insolvent, hence the Court administration application process described previously. Due to the UK administration entities being caught under UK sanctions, the Court appointed Administrators required an OFSI licence to fulfil their statutory obligations in accordance with the Insolvency Act (1986). This application was submitted prior to the Court application, however the licence was only obtained on 10 March 2023. following ongoing dialogue between the administrators, their legal advisors (Fieldfisher LLP) and OFSI. This licence contained the provision for the administrators to *'make, receive, or process any payments, or take any other action, whether prior to or after the commencement of the Insolvency Proceedings, for the purposes of his or her functions under or in connection with the Insolvency Proceedings'*.

This licence therefore allows the Administrators to fulfil their statutory obligations in accordance with the Insolvency Act (1986). The OFSI licence also contains ongoing reporting obligations, which the administrators continue to adhere to on a periodic basis.

CPUS

The majority of the Group's former operations, prior to the sale of the business to Snap, was undertaken through the US entity, CPUS, with this same entity being the primary beneficiary of the deferred consideration owed under the Snap. purchase. This entity is 100% owned by CPL.

The former directors of CPUS advised that they intended to resign their directorships at the earliest availability following UK administration entities being placed into administration. Accordingly, in order to maintain CPUS as an entity of good standing under the laws of Delaware, a replacement director was sourced by the administrators of CPL with the administrators taking all such actions as required to affect that appointment, alongside a full briefing to this individual. Whilst not captured by UK insolvency law, the actions taken by CPUS have a direct impact on

2. Conduct of the administration

the outcome of the administration of CPL (due to the anticipated flow of funds arising from CPUS's conversion of the Snap shares into cash and partial settlement of the intercompany liabilities). Therefore, the Administrators of CPL have been liaising closely with the newly appointed director of CPUS to ensure the strategies adopted by CPUS are maximising the outcome for both CPUS and CPL (with CPGL subsequently also benefitting due to the anticipated flow of funds following these receipts). The following have been the key focus areas since the administration appointment:

Bank account

Noting the aforementioned closure of the CPUS Wells Fargo account, the administrators have been working with the newly appointed director to obtain replacement banking facilities for CPUS. This is to ensure that ongoing costs will be able to be met by CPUS, absent which some of the actions below cannot be progressed. Due to the sanctions environment under which the Group currently operates, this account opening has proved onerous but continues to be progressed as swiftly as possible. In the interim, the Joint Administrators (alongside a consultant to CPUS) have negotiated with Wells Fargo to obtain further extensions to the current bank account, which will remain in place until 30 April 2023, unless alternative banking facilities are sourced in the interim.

Consideration of position with employee claims

Prior to the extension of the sanctions regime to the UBOs of the Group, mediation with the former employees of CPUS had been close to conclusion regarding their claims in respect of incentives owed to the employees following the sale of the business to Snap. This arose through a contractual right for these employees to benefit from any cash consideration received from the sale of the business. As a result of these sanctions, this mediation was put on hold.

These employee claims remain outstanding, and following the appointment of the new director CPUS is recommencing the mediation to bring it to a swift and cost

effective conclusion, in consultation with the administrators of CPL. This is being assisted by the legal advisors to CPUS, Lowenstein Sandler LLP, who have been retained by CPUS. The administrators of CPL are being consulted during this process as any settlement through the mediation process will impact the flow of funds to the UK administration entities.

Snap Inc.

The newly appointed director has, in conjunction with legal advisors, advised Snap of the change of control of CPUS and taken steps to secure both the existing shares held by CPUS in Snap and retain all rights in relation to the deferred consideration payable in Snap shares in January 2025. CPUS currently holds \$4.7m of Snap shares at fair value in January 2023, with \$48m of future Snap shares (or cash) being realised within CPUS under the deferred consideration mechanics of the business and assets sale agreement. The realisation of these shares directly impacts the funds that will flow into CPGL by virtue of the intercompany balances between both entities.

Bank accounts

Following the appointment of Administrators, and the granting of the OFSI licence, the administrators have engaged with Barclays in order to open bank accounts to fulfil their statutory responsibilities. Approval to open such bank accounts was obtained on 3 April 2023, which the Administrators have subsequently filed the necessary paperwork to open bank accounts for the three UK administration entities.

Following the successful opening of these accounts, the Joint Administrators will transfer the funds currently held by Wells Fargo in CPUS that are being held on behalf of CPL. The Administrators will then proceed to make any payments as required to fulfil their obligations in accordance with the OFSI licence.

2. Conduct of the administration

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Minority shareholder Supreme Court Appeal

Prior to the appointment of Joint Administrators over the Group, both CPGL and CPUK were parties to ongoing litigation in respect of the treatment of the minority shareholders under the transaction with Snap Inc. This litigation was an unfair prejudice claim by the minority shareholders.

The Court of Appeal ordered that the minority shareholders should pay £400,000 by way of an interim payment in respect of the costs incurred by CPGL and CPUK, out of a total of £1,338,042 (as at July 2022).

The minority shareholder group have subsequently applied for permission to appeal to the Supreme Court in relation to this decision, and all parties await this decision. Whilst this permission is being considered, the order of this interim payment is stayed. The administrators understand that there is a six-month timeframe for the Supreme Court to hand down such a decision, following which the Administrators will be bound by the decision and take action accordingly. In the interim, the Joint Administrators have obtained and reviewed the background information, in order to preserve their rights following a decision from the Supreme Court.

Snap Inc shares and deferred consideration

In addition to CPUS, CPL also has shares in Snap that have yet to be converted to cash, and are scheduled to receive a further \$12m of shares in Snap in January 2025. The Joint Administrators have liaised with Snap to take control of the existing shares and secure these future rights to shares, in tandem with the same actions being undertaken by CPUS.

VAT claim

Prior to the appointment of the Joint Administrators, CPGL had an ongoing VAT dispute with HMRC regarding a payment of \$666,625 made to HMRC in relation to VAT in September 2022. HMRC alleges this is owed and fully payable, which CPGL disputed, but CPGL paid the sum to HMRC without prejudice to its position that the

sum is not due. The Joint Administrators are considering the merits of this claim and are liaising with the former tax advisors to the Group to determine whether this action should be pursued further.

Administrators' future work

Following approval of the Administrators proposals the Administrators will continue to conduct the Administration to achieve the purpose of the administration. Key matters to be undertaken include:

- The Administrators will conclude the opening of bank accounts in the name of the UK entities in administration with Barclays.
- Realising the Snap shares for value.
- Securing the ongoing rights to the deferred consideration from Snap, and realising these funds as they become due and payable.
- Assist CPUS in finalising the outstanding mediation discussions with the ex-employees of the Group around entitlement to incentive payments following the sale to Snap.
- Realising any and all funds recoverable following the Supreme Court decision on the costs order awarded to CPGL and CPUK by the Court of Appeal (with regards to the unfair prejudice litigation).
- Liaise with tax advisors and HMRC regarding the recovery of the Company's disputed VAT payment of US\$666,625 in September 2022.
- Investigate and, if appropriate, pursue any claims that the UK administration entities may have against any person, firms or company whether in contract or otherwise, including any officer or former officer of the UK administration entities or any person, firm or company that supplies or has supplied goods or services to the UK administration entities.
- Distribute realisations to the secured and preferential creditors where applicable.
- Seek an extension of the administration if needed.
- Agree the claims of the unsecured creditors.
- Ensure all statutory and compliance matters are attended to.

2. Conduct of the administration

- Pay all administration expenses and bring the administration to an end when deemed appropriate by the Administrators.

Receipts and Payments Account

A copy of the Administrators' receipts and payment account to date is attached as **Appendix B**. This shows no funds have yet been received or paid, due to the aforementioned difficulties in opening administration bank accounts under the current sanctions environment.

The directors' Statement of Affairs

The directors of the UK administration entities have been asked to submit a Statement of Affairs under paragraph 47 of Schedule B1 of the Insolvency Act 1986 and this is awaited – access to the Group's financial records has delayed the submission of these Statements of Affairs. Details of the financial position of the Company at the latest practical date, prepared from information available to the Administrators and including a list of creditors' names and addresses is provided at **Appendix E**. As and when the directors' Statement of Affairs is received it will be filed with the Registrar of Companies.

Matters requiring investigation

I am required as part of my duties to establish what assets the UK administration entities owns and to consider the way in which the UK administration entities' business has been conducted, and am required under the provisions of the Company Directors Disqualification Act 1986 to report to the Secretary of State for Business Energy and Industrial Strategy on the conduct of the directors. If you have any information or concerns regarding the way in which the UK administration entities' business has been conducted, or have information regarding potential recoveries for the estate please contact me as soon as possible.

The end of the administration

The administration will end automatically after 12 months from the date of appointment of the Administrators. This period can be extended with consent of the creditors for up to 12 months or longer by application to the Court as required. Given the timing of the deferred consideration (January 2025), the Administrators currently consider that an extension to cover that timeframe will be required and are therefore seeking the consent of the creditors to extend the administration for 12 months.

If the Administrators think the UK administration entities have no property which might permit a distribution to its unsecured creditors, or if they also consider that an exit from the administration into liquidation is not appropriate they will send a notice to the Registrar of Companies in accordance with Paragraph 84 of Schedule B1 to the Insolvency Act 1986 to bring the administration to an end and three months after the filing of the notice the UK administration entities will be deemed to be dissolved.

If the Administrators are of the view that a dividend will become available to the unsecured creditors (other than by virtue of the prescribed part) it is appropriate for the UK administration entities to move from administration into CVL pursuant to Paragraph 83 of Schedule B1 to the Insolvency Act 1986. If applicable the Administrators will take steps to place the UK administration entities into CVL.

Should a dividend not become available to the unsecured creditors but it is still appropriate for the UK administration entities to enter liquidation, the Administrators will petition the Court pursuant to Paragraph 79 of Schedule B1 to the Insolvency Act 1986 for an order to bring the administration to an end with a consequential order for the compulsory winding up of the UK administration entities.

Pursuant to Paragraph 83 of Schedule B1 to the Insolvency Act 1986, should the creditors not nominate a Liquidator, the proposed Liquidators in a CVL are to be the Administrators or any successor office holder(s). Any act to be done by the Liquidators may be done by all or any one of them. Pursuant to Paragraph 83(7)(a) of Schedule B1 to the Insolvency Act 1986 and the Insolvency Rules, creditors may nominate a

2. Conduct of the administration

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different person as the proposed liquidator, provided that the nomination is made after the receipt of these proposals and before these proposals are approved.

The Liquidators in a compulsory winding up will be appointed by the Court and may be the Administrators, or any successor office holder(s).

If the Administrators are of the view that it is appropriate for the creditors to consider the approval of a CVA the proposed supervisors are to be the Administrators or any successor office holder(s). Creditors may nominate different supervisors when considering whether to approve the CVA proposals.

In these administrations it is proposed that the administrators will take the necessary steps to move the UK administration entities into a CVL to enable a distribution to unsecured creditors.

Decision of creditors by correspondence

The Administrators are required to seek a decision from the UK administration entities creditors under Paragraph 51 of Schedule B1 to the Insolvency Act 1986 on the following matters:

- Approval of the Administrators' proposals, with or without modifications; and
- The appointment of a creditors' committee.

The decision is being sought by means of voting by correspondence, in accordance with the Insolvency Rules.

If, as a result of the vote, a creditors' committee is appointed, the following will require the determination of the creditors' committee:

- The basis of the Administrators' remuneration;
- Approval of the payment of the Administrators' disbursements for mileage costs;

If a creditors' committee is not appointed (which requires 50% of the creditors voting by value to vote in favour of it together with the nomination of at least 3 members entitled to sit on the committee) the above will be determined by the creditors.

To vote by correspondence creditors must have lodged a completed Proof of Debt form, which is considered by the Administrators and accepted for voting purposes, either in whole or in part, and return with the completed voting form by the decision date shown on that form. Creditors whose claims are wholly secured are not entitled to vote. A decision is made if, at the decision date, a majority in value of those who have responded have voted in favour. However, a decision is not made if those voting against it include more than half in value of creditors to whom notice of the vote by correspondence was sent and who are not connected with the Company. Notice of the decision will be sent to creditors after the decision date.

The Administrators must, however, summon a physical meeting if requested to do so by the required minimum number of creditors. The required minimum number is any one of the following:

- 10% in value of the creditors
- 10% in number of the creditors
- 10 creditors

The request must be made in writing within 5 business days of the date on which the notice of decision by correspondence is delivered, in accordance with the Insolvency Rules.

3. The Administrators' remuneration, expenses and pre-appointment costs

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Administrators' remuneration

A schedule of the work to be undertaken during the administration is set out at **Appendix C** together with an estimated outcome statement which includes an estimate of the expenses likely to be incurred by the Administrators.

The Administrators' remuneration will be drawn from the Company's assets and it is proposed that it will be charged by reference to the realisations obtained for each of the UK administration entities. Further details of how this will be calculated is set out below. The basis of the Administrators' remuneration has not yet been approved by creditors, and the Administrators have accordingly not drawn any remuneration.

Should the UK administration entities subsequently be placed into liquidation and the Administrators appointed as Liquidators, the basis agreed for the drawing of the Administrators' remuneration will also be that utilised in determining the basis of the Liquidators' remuneration, in accordance with the Insolvency Rules. The Liquidators' will seek further creditor approval for the quantum of fees to be drawn in the liquidation where necessary.

Whichever fee basis is approved by creditors and utilised to calculate the level of remuneration that can be drawn by the Administrators this will include all direct costs of providing professional services by the Administrators and his/her staff in dealing with the UK administration entities, but will exclude any expenses that may be paid to an associate or which have an element of shared costs (known as category 2 expenses), which require separate approval from creditors before they can be paid.

Where payments are to be made to associates of the office holder or their firm, creditors' approval to such payments must be received prior to payment being remitted. I can confirm no payments are being made to associates of FRP.

Remuneration charged on a percentage of realisations

It is proposed that the Joint Administrators' remuneration for the administration of the UK administration entities be fixed at 2.5% of gross realisations for each entity.

Setting our fee as a percentage of such realisations will ensure our remuneration is determined by successful outcomes and aligns our interests with those of creditors more generally.

Administrators' disbursements

The Administrators' disbursements are a recharge of actual costs incurred by the Administrators on behalf of the Company. Mileage payments made for expenses relating to the use of private vehicles for business travel, which is directly attributable to the administration of the Company, are paid by FRP at the HMRC approved mileage rate. It is proposed mileage is recharged and drawn at the HMRC approved mileage rate prevailing at the time the mileage was incurred.

Pre-administration costs charged or incurred by the Administrators

I do not propose to recover the unpaid pre-administration costs in this matter.

The Administrators note that Fieldfisher LLP were engaged by the Group prior to the appointment of the Administrators, however they understand that all pre-appointment costs were settled under a deposit provided and there are no unpaid costs subsequently requiring settlement.

Fieldfisher LLP have been instructed by the Administrators for ongoing legal advice required for the Administration of the UK administration entities.

Creditors' ability to challenge the Administrators' remuneration and expenses

Creditors have a right to request further information from the Administrators and further have a right to challenge the Administrators' remuneration and other expenses under the Insolvency Rules following receipt of a progress report. Further details of these rights can be found in the Creditors' Guide to Fees which you can access by using the following link <https://www.frpadvisor.com/legal-and-regulatory-notice/information-creditors-insolvency-proceedings/> and select the one

3. The Administrators' remuneration, expenses and pre-appointment costs

FRP

for administrations. Alternatively, a hard copy of the relevant guide will be sent to you on request.

4. Estimated outcome for the creditors

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Estimated Outcome Statement

We attach at **Appendix C** an estimated outcome statement which has been prepared from the information provided by the directors, advice received in connection with the value of the Company's assets, estimated sums due to creditors and an estimate of our remuneration and other expenses that may be incurred during the course of this administration. The assumptions made in preparing the estimated outcome statement details are set out in the schedule of work.

Based on the information available to date and the assumptions made I set out below the anticipated the outcome for creditors:

Outcome for Secured Creditor

There are no secured creditors in this matter.

Outcome for Preferential Creditors

There are no preferential creditors in this matter (all employees across the Group ceased to be employed following the sale of the business and assets to Snap).

Outcome for Secondary Preferential Creditors

From 1 December 2020 HMRC ranks as a secondary preferential creditor in respect of the following:

- VAT;
- PAYE (including student loan repayments);
- Construction Industry Scheme deductions; and
- Employees' NI contributions

It is currently estimated that the secondary preferential creditors will total £nil, as the UK administration entities were all in a VAT recoverable position at the date of our appointment (and had no employees). Should any such claims arise, it is anticipated that secondary preferential creditors will receive a dividend.

Outcome for Unsecured Creditors

Based on the assumptions made in the estimated outcome statement it is currently estimated that there will be sufficient funds available to make a distribution to unsecured creditors in due course. This distribution will be paid by a subsequently appointed Liquidator, the costs of the liquidation cannot at this stage be estimated and therefore it is not possible to estimate the level of distribution that may be made.

These estimated outcomes are illustrated at **Appendix C**.

Prescribed Part

The prescribed part is a carve out of funds available to the holder of a floating charge which is set aside for the unsecured creditors in accordance with section 176A of the Insolvency Act 1986. The prescribed part only applies where the floating charge was created after 15 September 2003 and the net property available to the floating charge holder exceeds £10,000.

A prescribed part is not appropriate because there are no holders of floating charges in this case.

Appendix A

Statutory information about the Company and the administration

FRP**COMPANY INFORMATION:**

Other trading names:	N/A
Date of incorporation:	27 May 2009
Company number:	06917133
Registered office:	2nd Floor, 110 Cannon Street, London EC4N 6EU
Previous registered office:	Riverbank House, Swan Lane, London EC4R 3TT
Business address:	Riverbank House, Swan Lane, London EC4R 3TT
Directors:	Jeremy Fletcher, Yaron Valler and Kyriacos Zindilis
Company secretary:	N/A
The directors have no shareholdings in the Company.	

ADMINISTRATION DETAILS:

Names of Administrators:	Geoffrey Paul Rowley and Philip Lewis Armstrong
Address of Administrators:	FRP Advisory Trading Limited 2nd Floor, 110 Cannon Street, London EC4N 6EU
Date of appointment of Administrators:	17 February 2023
Court in which administration proceedings were brought:	The High Court of Justice
Court reference number:	000726 of 2023
Date of notice of intention to appoint Administrators presented to Court:	N/A
Application for administration order	Directors

The appointment of the Administrators included a declaration that they are acting jointly and severally as Administrators of the Company in accordance with Paragraph 100 of Schedule B1 to the Insolvency Act 1986.

Appendix A

Statutory information about the Company and the administration

FRP

The directors have confirmed the UK administration entities centre of main interest has been in the UK and accordingly the proceedings will be COMI proceedings as defined in the Insolvency Rules.

Extracts from the financial statements available are summarised below:

Period Ended	Turnover £'000	Gross Profit £'000	Net Profit/ (Loss) £'000
31 December 2020	1,048	484	(19,732)
31 December 2019	1,285	611	(25,671)

Appendix B

Administrators' Receipts & Payments Account

FRP

Nil, due to bank accounts only having been approved to be opened shortly prior to the finalisation of these Proposals

Appendix C

The Administrators' Estimated Outcome Statements, expenses and costs information

FRP

**Estimated Outcome Statement as at 10 April 2023
& Financial Position of the Company as at 10 April 2023
Compound Photonics UK Limited - In Administration**

A - Summary of Assets

	Book value \$	Notes	\$
Floating Charge Assets			
VAT receivable	9,167	1	9,167
Costs order in minority shareholder litigation	N/A	2	125,000
Intercompany receivable	38,273	3	38,273
			172,440
Less costs:			
Legal fees		4	(100,000)
IP fees		5	(4,311)
Disbursements		6	(10,000)
			(114,311)
Total Assets Available for preferential creditors			58,129
B - Summary of Liabilities			
Assets available for Preferential creditors			58,129
Less due to Preferential Creditors			0
Net Property			58,129
Available to unsecured creditors:			58,129
Less due to unsecured creditors			(34,925,159)
Deficiency to unsecured creditors			(34,867,030)

Notes

1	The VAT receivable on the balance sheet is deemed fully recoverable
2	As described within the proposals, a costs order was made by the Court of Appeal for the minority shareholders to make an interim payment of £400,000 for legal costs incurred by CPUK and CPGL in defending this unfair prejudice litigation. This is subject to a decision by the Supreme Court, however this is deemed recoverable based on the current status of that litigation, and 25% of the £400,000 realisation have been attributed to CPUK (converted into USD)
3	The intercompany receivable balance relates to amounts owed by CPGL. As a result of the inflow of funds into this entity sufficient to settle all creditor claims (see CPGL EOS), funds will become available to settle this intercompany balance with CPUK.
4	Professional estimate
5	In accordance with our Proposals, the IP fees represent 2.5% of gross realisations within CPUK
6	Professional estimate

Appendix C

The Administrators' Estimated Outcome Statements, expenses and costs information

FRP

**Estimated Outcome Statement as at 10 April 2023
& Financial Position of the Company as at 10 April 2023
Compound Photonics Limited - In Administration**

A - Summary of Assets

	Book value \$	Notes	\$
Floating Charge Assets			
Other debtors	6,458	1	0
Deferred Snap shares income	12,000,000	2	10,800,000
Snap shares	1,172,164	3	1,054,948
VAT receivable	2,662	4	2,662
Intercompany receivable	28,672,845	5	873,062
Cash	414,918	6	414,918
			12,730,671
Less costs:			
Agent fees		7	(50,000)
Legal fees		8	(200,000)
IP fees		9	(318,267)
Disbursements		10	(10,000)
Tax		11	0
			(578,267)
Total Assets Available for preferential creditors			12,152,404
B - Summary of Liabilities			
Assets available for Preferential creditors			12,152,404
Less due to Preferential Creditors			0
Net Property			12,152,404
Available to unsecured creditors:			12,152,404
Less due to unsecured creditors			(27,700,892)
Deficiency to unsecured creditors			(15,548,488)

Notes

1	Other debtors on CPL's balance sheet are significantly aged balances, hence deemed irrecoverable
2	agreement with Snap. 10% of this balance has been removed from the anticipated recovery due to the requirement to settle the outstanding employee claim
3	This is the current value of the Snap shares held from the initial consideration received. Again, 10% of this balance has been removed from the anticipated recovery due to the requirement to settle the outstanding employee claim
4	The VAT receivable on the balance sheet is deemed fully recoverable
5	The intercompany receivable balance principally relates to amounts owed by CPUS. As a result of the realisation of shares in this entity, a proportion of those funds will become available for distribution to CPL
6	Cash represents the amounts currently held by CPUS on behalf of CPL, relating to the prior realisation of Snap shares.
7	Agents fees are an estimate of broker fees in realising the Snap shares
8	Professional estimate
9	In accordance with our Proposals, the IP fees represent 2.5% of gross realisations within CPL
10	Professional estimate
11	No tax is deemed payable, given any chargeable gains arising from the realisation of shares will be offset

Appendix C

The Administrators' Estimated Outcome Statements, expenses and costs information

FRP

Estimated Outcome Statement as at 10 April 2023
& Financial Position of the Company as at 10 April 2023
Compound Photonics Group Limited - In Administration

A - Summary of Assets

	Book value \$	Notes	\$
Fixed Charge Assets			
Intangible assets	35,900	1	0
Floating Charge Assets			
Other debtors	166,997	2	0
Disputed VAT payment	666,625	3	166,656
VAT receivable	140,325	4	140,325
Costs order in minority shareholder litigation	N/A	5	375,000
Intercompany receivable	322,162,600	6	55,118,369
			55,800,350
Less costs:			
Agent fees		7	(30,000)
Legal fees		8	(200,000)
IP fees		9	(1,395,009)
Disbursements		10	(10,000)
			(1,635,009)
Total Assets Available for preferential creditors			54,165,341
B - Summary of Liabilities			
Assets available for Preferential creditors			54,165,341
Less due to Preferential Creditors			0
Net Property			54,165,341
Available to unsecured creditors:			54,165,341
Less due to unsecured creditors			(96,301)
Surplus to unsecured creditors			54,069,040

Notes

1	Intangible assets are patents remaining on the balance sheet - deemed irrecoverable due to the sale of all IP to Snap.
2	Other debtors on CPGL's balance sheet relate to a prepaid legal deposit, with costs to this amount subsequently incurred
3	This amount is the VAT payment made in September 2022 which is under dispute. Whilst we currently consider this amount fully recoverable, we have conservatively estimated the realisation at 25% of the claim for prudence.
4	The VAT receivable on the balance sheet is deemed fully recoverable
5	As described within the proposals, a costs order was made by the Court of Appeal for the minority shareholders to make an interim payment of £400,000 for legal costs incurred by CPUK and CPGL in defending this unfair prejudice litigation. This is subject to a decision by the Supreme Court, however this is deemed recoverable based on the current status of that litigation, and 75% of the £400,000 realisation have been attributed to CPGL (converted into USD)
6	The intercompany receivable balance relates to amounts owed by CPUS and CPL. As a result of the realisation of shares in this entity, a proportion of those funds will become available for distribution to CPL which is represented here
7	Agents fees are an estimate of broker fees in realising the Snap shares
8	Professional estimate
9	In accordance with our Proposals, the IP fees represent 2.5% of gross realisations within CPGL
10	Professional estimate

Appendix C

The Administrators' Estimated Outcome Statements, expenses and costs information

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FRP Advisory Trading Limited ("FRP")

EXPENSES POLICY

Expenses are any payment from the insolvent 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 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.

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 independent third parties who are not an associate of the office holder and where there is specific expenditure directly referable to the appointment.

Category 1 expenses may include but are not limited to items such as case advertising, storage, bonding, company searches and insurance.

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.

With the exception of mileage FRP do not charge category 2 disbursements. Mileage payments relate to the use of private vehicles for business travel, and are directly attributable to the estate. They are paid by FRP at the HMRC approved mileage rate prevailing at the time the mileage was incurred, at the time of this report this is 45p per mile.

Before being paid, category 2 expenses require approval in the same manner as an office holder's remuneration whether paid directly from the estate or as a disbursement.

Compound Photonics UK Ltd Creditors

Name	Address 1	Address 2	Address 3	Address 4	Address 5	SoA Amount
Compound Photonics Group Limited	c/o FRP Advisory Trading Limited	110 Cannon Street	London	EC4N 6EU		97468
Compound Photonics US	330N	56th St	Chandler	AZ 85226	United States	12262861
Compound Photonics Limited	c/o FRP Advisory Trading Limited	110 Cannon Street	London	EC4N 6EU		22564830.4
H M Revenue & Customs	Debt Management & Insolvency Durrington Bridge House	Barrington Road	Worthing	West Sussex	BN12 4SE	0
H M Revenue and Customs	Central Insolvency Sift Team	3NW Queens Dock	Liverpool	L74 4AA		0

Compound Photonics Ltd Creditors

Name	Address 1	Address 2	Address 3	Address 4	Address 5	SoA Amount
Compound Photonics Group Limited	c/o FRP Advisory Trading Limited	110 Cannon Street	London	EC4N 6EU		27694702
Compound Photonics US	330N	56th St	Chandler	AZ 85226	United States	13900.66
H M Revenue & Customs	Debt Management & Insolvency Durrington Bridge House	Barrington Road	Worthing	West Sussex	BN12 4SE	0
H M Revenue and Customs	Central Insolvency Sift Team	3NW Queens Dock	Liverpool	L74 4AA		0

Compound Photonics Group Ltd Creditors

Name	Address 1	Address 2	Address 3	Address 4	Address 5	SoA Amount
Brian White Tax Resolution	Cloisters House	Riverside Buildings	New Bailey St City Centre	Manchester	M3 5FS	6451.44
Consilio (Northern Lights)	10 Aldersgate Street		London		EC1A 4HJ	13900.66
FieldFisher LLP	Fieldfisher	Riverbank House	2 Swan Ln	London	EC4R 3TT	98468.3
H M Revenue & Customs	Debt Management & Insolvency	Barrington Road	Worthing	West Sussex	BN12 4SE	0
H M Revenue and Customs	Central Insolvency Sift Team	3NW Queens Dock	Liverpool	L74 4AA		0
Meltar Law	16 Abba Hille Silver Road	5250608 Ramat Gan		Israel		2863.81
Aldon Investments Ltd	Wickhams Cay II	Vistra Corporate Services Centre	Road Town	VG1110	Tortola British Virgin Islands	13975000
Minden Worldwide Ltd	Wickhams Cay II	Vistra Corporate Services Centre	Road Town	VG1111	Tortola British Virgin Islands	13975000

Appendix D

Schedule of work

FRP

The table below sets out a detailed summary of the work undertaken by the office holders to date and details of the work anticipated to be undertaken by the office holders throughout the duration of this assignment. Details of assumptions made in compiling this table are set out below.

Where work undertaken results in the realisation of funds, there may be a financial benefit to creditors should there be sufficient funds available to make a distribution to one or more class of creditor. In this case work undertaken will include the scrutiny and agreement of creditor claims subject to a prescribed part dividend being payable.

A proportion of the work undertaken by an Insolvency Practitioner is required by statute, including ensuring the appointment is valid, notifications of the appointment to third parties, regular reporting on the progress, notifying statutory bodies where required in relation to the conduct of the directors, complying with relevant legislation and attending to regulatory matters. This work may not have a direct financial benefit to creditors but is substantially there to protect creditors and other stakeholders and ensure they are kept informed of developments.

GENERAL ASSUMPTIONS IN COMPILING THIS SCHEDULE OF WORK
• The records received are complete and up to date; • The work that may be undertaken by any subsequently appointed liquidator has been excluded; • No financial irregularities are identified; • A committee of creditors is not appointed; • There are no exceptional queries from stakeholders; • Full co-operation of the directors and other relevant parties is received as required by legislation; • There are no health and safety or environmental issues to be dealt with; • The administrations will be concluded within three years of the Administrators' appointment.

Appendix D

Schedule of work

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Note	Category	
1	ADMINISTRATION AND PLANNING Work undertaken during the reporting period	ADMINISTRATION AND PLANNING Future work to be undertaken
	Regulatory Requirements	
	- Finalising FRP's internal money laundering risk assessment procedures and Know Your Client checks in accordance with the Money Laundering Regulations. - Finalising take-on procedures which include consideration of professional and ethical matters and other legislation such as the Bribery Act and Data Protection Act procedures, along with case-specific matters. - Adhering to internal and regulatory protocols, as appropriate.	- Ongoing review of regulatory compliance and taking any further actions necessary in accordance with the Money Laundering Regulations, Bribery Act and Data Protection Act. - Regular review of the conduct of the case and the case strategy as required by the Administrators' Regulatory Professional Body to ensure all statutory matters are attended to and to aid case management and progression.
	Case Management Requirements	Case Management Requirements
	- Formulating and documenting the administration strategy. - Corresponding with the UK administration entities former accountants, bankers, insurers, solicitors and other advisors as applicable to request information and documentation to assist with the administration. - Setting up a case-specific file to be updated and maintained for the duration of the appointment. Filing all relevant documents and correspondence and maintaining a diary system to ensure all matters are discharged in accordance with legislation. - Taking steps to identify and secure relevant records required for the purpose of the administration for the UK administration entities.	- Set up and administer administration estate bank accounts. - Set up procedures to ensure the administration estate bank accounts are regularly reconciled to produce accurate and timely reports internally; to fulfil OFSI reporting obligations; and to creditors when required. - Regularly reviewing the administration strategy and documenting any changes to the same. - Continuing to correspond with the UK administration entities former advisors as appropriate. - Continuing to maintain the administration case file. - Ensuring the administration estate bank accounts are regularly reconciled to produce accurate and timely reports to all creditors when required. Processing and recording of all receipts and payments throughout the appointment on the Insolvency Practitioners System ("IPS") and providing internal and external reports as required. Continued updating and maintenance of records on the IPS system. - Ongoing liaison with HMRC to crystallise the Company's pre-appointment tax position and to achieve tax clearance for the period of the administration.

Appendix D

Schedule of work

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		Ongoing collation and review of relevant UK administration entities' records and storage thereof for the relevant required period.
	Ethical Requirements	Ethical Requirements
	Prior to the Administrators' appointment and prior to the period covered by this report, a review of ethical issues was undertaken and no ethical threats were identified. During the period covered by this report, no new threats to compliance with the Code of Ethics have been identified.	Ongoing review of potential ethical issues.
2	ASSET REALISATION Work undertaken during the reporting period	ASSET REALISATION Future work to be undertaken
	One of the main purposes of an insolvency process is to realise the insolvent estate's assets and to ensure a fair distribution of the proceeds to the creditors in the correct order of priority as set out by legislation. Work undertaken to date has included: - Liaising with Wells Fargo to ensure ongoing provision of the CPUS bank account. - Corresponding with Snap to preserve CPL's and CPUS's rights in relation deferred consideration due. - Undertake initial enquiries regarding the current position regarding the ongoing VAT dispute.	- Assisting the CPUS appointed director in securing the cash held within CPUS in a new bank account, and distributing those funds belonging to CPL to a CPL administration account. - Realising the Snap shares for value. - Securing the additional Snap shares (or cash) that form the deferred consideration under that sale and purchase agreement, then realising those shares for value. - Recover sums in accordance with the costs order relating to the unfair prejudice claim litigation pursued by the minority shareholders, in accordance with the outstanding decision from the Supreme Court. - Pursuing recovery of the VAT payment from HMRC, assuming realisation prospects are considered strong. - Recover any outstanding pre-appointment VAT that can be reclaimed.

Appendix D

Schedule of work

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3	CREDITORS Work undertaken during the reporting period - Drafting correspondence to all known creditors in order to notify them of the Administrators' appointment and provide proof of debt forms for creditors' completion and submission. - Responding to queries received from creditors in writing and by telephone.	CREDITORS Future work to be undertaken - Dealing with all queries and correspondence received from creditors on an ongoing basis. - Continuing to liaise with and provide reports and updates to all creditors as appropriate. - Liaising with HMRC to establish their unsecured and secondary preferential claims and seeking tax advice as appropriate. - Calculating, documenting and paying any secondary preferential distributions as appropriate.
4	INVESTIGATIONS Work undertaken during the reporting period An insolvency office holder has a duty to review the books and records and other information available to identify the assets that may be available to realise for the benefit of the insolvency estate. Furthermore, there may be other antecedent or voidable transactions that are identified which if pursued could swell the funds available for the insolvency estate. In this regard, the Administrators have to date: Requested that all directors of the UK administration entities, both current and those holding office within the three years preceding the date of administration, complete a questionnaire to assist in preparing the statutory return required to be submitted to the Department for Business, Energy and Industrial Strategy ("DBEIS") in accordance with the Company Directors Disqualification Act ("CDDA"). Information provided to the DBEIS is confidential but can be used to assist the DBEIS in identifying conduct that should be	INVESTIGATIONS Future work to be undertaken - Conducting initial enquires into the conduct of the UK administration entities and its officers and associated parties. - Considering any information provided to the Administrators by creditors or other parties which might assist in the identification further assets or lines or enquiry for the Administrators to explore if a benefit to the estate is possible. - Reviewing the contents of questionnaires returned by the UK administration entities current and former directors. - Filing a statutory return on the UK administration entities and its directors' conduct to the DBEIS in accordance with the CDDA. - Considering whether any matters have come to light which require notification to the Secretary of State or National Crime Agency. - Contact the UK administration entities pre-appointment bankers and request bank statements. - Commence initial review of the UK administration entities' books and records.

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Schedule of work

FRP

	investigated further and could result in individuals being disqualified from acting as a director. Invited creditors to provide any information they have which may result in recoveries for the administration estate.	
5	STATUTORY COMPLIANCE AND REPORTING Work undertaken during the reporting period	STATUTORY COMPLIANCE AND REPORTING Future work to be undertaken
	- Dealing with all appointment formalities including notifications to creditors and other relevant parties, filings with the Court and the Registrar of Companies and statutory advertising. - Arranging for an insolvency bond to protect the assets available for creditors. - Carrying out pensions searches in respect of the UK administration entities. - Notifying creditors of their right to set up a creditors' committee. - Statutory reporting, including preparing and distributing these proposals and filing of this report in accordance with legislation. - Issuing letters to directors requesting the completion and submission of the Statement of Affairs and providing guidance in this regard. - Drafting and circulating to the secondary preferential and unsecured creditors a fee estimate and other relevant documentation in relation to the decision procedure for the payment of the Administrators' expenses.	- Reporting to and liaising with the creditors' committee, if formed. - Continuing to maintain the bond at the appropriate level. - Placing applicable legal advertisements as prescribed under the Act which may include formal meetings of creditors and notice to submit claims, as applicable. - Monitoring these proposals' decision procedure. Making the notice of approval available to creditors and filing the notice with the Court and registrar of Companies. - Documenting and notifying creditors of the outcome of the decision procedure for the payment of the Administrators' expenses and the basis of the Administrators' post-appointment remuneration. - Maintaining a record and forecast of the work that has been or is anticipated to be undertaken throughout the duration of the administration. - Reviewing the UK administration entities' management accounts and providing guidance and assistance to the directors in the preparation of the Statement of Affairs, as required. Filing the Statement of Affairs with the Registrar of Companies once completed. - Preparing and providing statutory reports to stakeholders at regular intervals and managing any queries arising therefrom. Arranging filing with the Registrar of Companies. - Dealing with the statutory requirements in order to bring the case to a close and for the Administrators to obtain their release from office,

Appendix D
Schedule of work



		including preparing a final report for stakeholders, making this report available to all known creditors and members and filing the relevant documentation with the Court and Registrar of Companies. <u>Post-appointment Tax/VAT</u> • Preparing and submitting VAT returns for post-administration periods. • Arranging the Company's VAT deregistration following the realisation of relevant assets. • Instructing and liaising with tax advisors for the preparation and submission of corporation tax returns for the post-administration period.
6	LEGAL AND LITIGATION Work undertaken during the reporting period	LEGAL AND LITIGATION Future work to be undertaken
	• Liaising with solicitors, Fieldfisher LLP, in relation to appointment formalities and application and approval of an OFSI licence.	• Continued liaison with Fieldfisher LLP in relation to a report on the validity of the Administrators' appointment, any further advice required in relation to the OFSI licence, asset realisations and any other legal advice required in the course of the administration. • Engagement with Fieldfisher LLP following a decision by the Supreme Court in relation to recovering the legal costs incurred in defending the unfair prejudice litigation pursued by the minority shareholders.