

EXPLANATORY INFORMATION FOR THE CREDITORS OF LUMIRADX INVESTMENT LIMITED (“THE COMPANY”)

Decision date for the appointment of joint liquidators: 23 August 2024

This explanatory information supplements the Statement of Affairs prepared by the directors and provides creditors with information so that they can make an informed decision in respect of the appointment of joint liquidators.

STATUTORY INFORMATION

The Company was incorporated on 4 July 2016 in the name LUMIRA INVESTMENT LIMITED. The Company Registration Number is 10260187.

The Company’s business was “manufacture of medical and dental instruments and supplies” (SIC 32500). The Company is part of a wider group that provides point of care testing and diagnostic services to community-based healthcare.

A summary of the Company’s background and history are given on the next page.

The Company’s registered office has been as follows:

From	To	Registered Office Address
4 July 2016	Present	3 More London Riverside London SE1 2AQ

The authorised share capital is 1 ordinary share of \$1, which has been issued and fully paid as follows:

Name of member	Ordinary	Percentage
LumiraDx Group Limited	1	100%

Aside from the formation agents, the officers of the Company have been as follows:

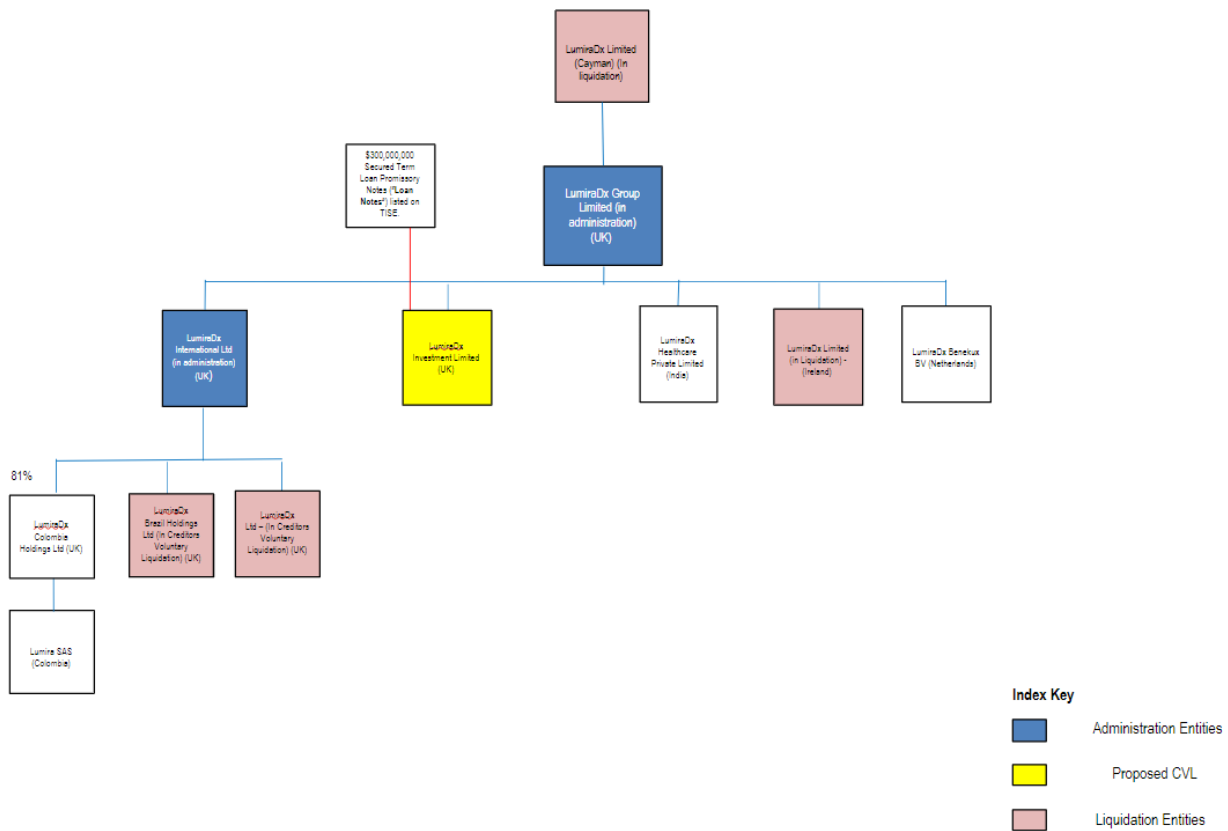
Name	Position	Appointed	Resigned
AMEYE, Veronique Yvonne	Director	4 July 2016	n/a
WELCH, Peter Geoffrey	Director	4 July 2016	17 December 2023
WESTON, Clive	Director	4 July 2016	4 July 2016

OTHER INFORMATION

Accountants: Johnston Carmichael LLP, 227 West George Street, Glasgow, G2 2ND

Parent company: LumiraDx Group Limited (“Group Limited”) – in Administration (Company number: 09198288) c/o FTI Consulting LLP, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD.

Associated companies: the Company is a member of the wider LumiraDx group of companies (“the Group”), with Group Limited as its immediate parent and LumiraDx Limited (Cayman) as its ultimate parent, as shown in the simplified group structure below.



Lenders: Biopharma Credit Plc (“the Lender”). Borrowings were made in March 2021 by the Company, and certain other entities with the Group are guarantors.

These borrowings are secured by a fixed and floating charge over the Company’s assets.

Security held: Fixed and floating charges over certain company assets have been granted to the Lender in respect of the group loan facility referenced above. The security was given on 29 March 2021.

BACKGROUND AND HISTORY

The Group was founded in 2014 by a group of entrepreneurs, with Group Limited (the parent of the Company) incorporated on 1 September 2014, to facilitate its business. The Company itself was incorporated on 4 July 2016.

The Group's main products were its point of care platforms for community-based healthcare, its Fast Labs solutions aimed at larger labs, and test strip consumables for its products.

In March 2021, the Group obtained a facility with the BioPharma Credit Plc ("Secured Creditors") with the Company as the borrower, shortly after which the Secured Creditors registered a charge over various Group companies. This funding supported the Group's rapid growth, leading to its listing on the NASDAQ in September 2021, development of 30+ tests, and international expansion.

Notwithstanding growth in revenues between December 2021 to March 2022, the Group remained unprofitable. Additionally, for a number of reasons, including challenges related to the COVID-19 pandemic and regulatory and government changes, the operating business experienced a decline in sales over the course of 2023. It attempted to manage this with a cost reduction program that commenced in early 2023 to stem ongoing losses, including significant redundancies.

Ultimately, accumulated losses led to the Group breaching the covenants of its borrowing. Given the scale of the accumulated debt and insufficient EBITDA being generated to service this debt burden, the Secured Creditors engaged with the Group's management to understand possible strategic options.

No solvent solution could be found, and so on 29 December 2023 the directors of Group Limited and LumiraDx International Limited ("International") (together the "Administration Companies") put those entities into Administration in order to progress and complete the best and only practicable offer received to acquire substantially all of the Group's assets.

The administrators of the Administration Companies completed a sale of majority of the Group's business and assets to Roche Diagnostics Limited on 26 July 2024.

The Company did not form part of the transaction perimeter and no longer serves a purpose for the Group, so the decision was taken by the directors to put the Company into a Creditors' Voluntary Liquidation as part of the overall wind down strategy of the remaining Group entities.

TRADING RESULTS

The most recent accounts prepared for the Company are shown below:

LumiraDx Investment Limited - Statement of Financial Position				
\$	Filed YE 31-Dec-19	Filed YE 31-Dec-20	Filed YE 31-Dec-21	Mgmt At 30-Jun-24
Assets				
Non current assets				
Intercompany Receivable	-	-	291,441,365	349,828,886
Total	-	-	291,441,365	349,828,886
Current assets				
Debtors	37,910,077	1	-	-
Total	37,910,077	1	-	-
Total assets	37,910,077	1	291,441,365	349,828,886
Equity and liabilities				
Equity				
Share capital	1	1	1	1
Capital contribution reserve	456,948	-	4,626,864	5,136,076
Retained earnings	-	-	-	(34,310,724)
Total equity	456,949	1	4,626,865	(29,174,647)
Liabilities				
Non current liabilities				
Long term debt	-	-	286,814,500	355,143,652
Total	-	-	286,814,500	355,143,652
Current liabilities				
Creditors	37,453,128	-	-	-
Accrued interest	-	-	-	23,859,881
Total	37,453,128	-	-	23,859,881
Total liabilities	37,453,128	-	286,814,500	379,003,533
Total equity and liabilities	37,910,077	1	291,441,365	349,828,886

LumiraDx Investment Limited - Statement of Profit or Loss					
\$k	Filed YE 31-Dec-19	Filed YE 31-Dec-20	Filed YE 31-Dec-21	Mgmt YE 31-Dec-22	Mgmt YE 31-Dec-23
Interest receivable from group undertakings	3,251	9,242	21,462	31,809	14,444
Interest payable on borrowings	(3,285)	(9,699)	(21,971)	(34,272)	(45,782)
Loss before taxation	(34)	(457)	(509)	(2,463)	(31,339)
Tax on loss	-	-	-	-	-
Loss and comprehensive expenditure for the year	(34)	(457)	(509)	(2,463)	(31,339)

For each of the presented financial years ended 2019 and 2020, the Company was entitled to exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies. For the presented financial year ended 2021, the accounts were subject to audit. For the financial years ended 2022 and 2023, and the position at 30 June 2024, management account figures have been used which have not been audited and may have been subject to change.

INSOLVENCY

The Company has no significant assets, and its financial position was confirmed by written resolutions signed on 12 August 2024 to the satisfaction of the Director that the Company was insolvent.

JOINT LIQUIDATORS' FEES AND EXPENSES

The proposed joint liquidators were engaged by the board on 7 August 2024 to provide certain services related to placing the Company into liquidation, including to assist in the preparation of the directors' Statement of Affairs and to seek a decision from the creditors on the appointment of joint liquidators. The engagement letter was signed by Veronique Ameye on behalf of the Company, and by the proposed liquidators on behalf of FTI Consulting LLP. FTI has charged a fixed fee of \$13,000 for the pre-liquidation workstreams plus VAT and disbursements.

The proposed liquidators will seek fee approval from the Company's creditors following their appointment as joint liquidators, for post appointment time costs.

INSOLVENCY PRACTITIONERS' COMMENTS ON THE STATEMENT OF AFFAIRS

The proposed joint liquidators assisted the directors in preparing a Statement of Affairs and they have commented on it, as set out below. A copy of the Statement of Affairs will be delivered to creditors on or before 21 August 2024.

Assets

Intercompany receivable

The Company has an intercompany receivable due from Group Limited, in respect of the on-lending to that entity of the funds obtained through the secured borrowing in March 2021.

Given that Group Limited is in Administration, the Company will have a claim in Group Limited for this amount and will rank as an unsecured creditor. Any potential realisation of this amount will be as a result of an unsecured dividend received as part of a Prescribed Part dividend only (capped at £800k).

Liabilities

Secured Liabilities

The Company is the borrower entity in respect of finance put in place in March 2021. These borrowings have been secured by fixed and floating charges over the Company's assets. As the facility is unlikely to be repaid from Cayman and Investment, the full amount of the facility is shown in the Statement of Affairs. However, various entities within the Group have given guarantees in respect of the lending and are jointly and severally liable for the amounts owing to the Lender.

Preferential Liabilities

The Company is not expected to have any preferential creditors.

Unsecured Liabilities

Other than the unsecured element of the Lender’s claim (owing to the shortfall under its security from its charge over several entities within the Group), we are only aware of a second creditor (Appleby Securities) which may be owed sums in respect of professional services for acting on the Company’s behalf in connection with the proposed listing of certain Notes in 2023.

Comments on Material Transactions in the previous 12 months

The directors have indicated during the 12 months prior to the winding up resolution, no material transactions, other than in the ordinary course of business, have taken place involving the Company.

Deficiency Account

A deficiency account reconciling the position shown in the management accounts as at 30 June 2024 to the deficiency in the directors’ Statement of Affairs, is shown below:

LumiraDx Investment Limited - Deficiency Account	
\$	
Profit and loss account as at 30 June 2024	(34,310,724)
Less: write-down of assets per Directors' Statement of Affairs	
Cash	-
Further write-downs/additional liabilities	(89,899,578)
Total	(89,899,578)
Deficit per Directors' Statement of Affairs	(124,210,302)

Pre-liquidation Role and Ethical Considerations

Please note that when carrying out all professional work relating to an insolvency appointment, Insolvency Practitioners are bound by the Insolvency Code of Ethics, as well as by the regulations of their professional body.

Prior to being asked by the Board of the Company to assist in these matters, FTI Consulting LLP had the following involvement with the LumiraDx group of companies (“the Group”):

- FTI Financial Services Limited (“FTI FS”) were initially engaged by the Group in June 2023 to provide certain services to the Group, including financial advisory services.
- FTI FS’s initial role was to advise the Group on their options. However, when it became clear that the insolvency of both LumiraDx Group Limited (“Group Limited”) and LumiraDx International Ltd (“International”) (together, “the Administration Companies”) was inevitable, FTI FS additionally worked with the directors of the Administration Companies and their legal advisers in preparing for Administration.
- On 14 December 2023, the Group agreed to engage FTI to assist in the preparations for a pre-packaged administration and the appointment of the then prospective administrators (now the joint administrators).

- The decision was taken by the directors of the Administration Companies on 29 December 2023 that they should be placed into Administration. Andrew Johnson, Lisa Rickelton and Lindsay Hallam (“the Appointees” and “the Joint Administrators”) were appointed as joint administrators of the Administration Companies on 29 December 2023.
- As part of the Group wind-down strategy giving rise to this proposed appointment, the Appointees were also appointed as joint liquidators of LumiraDx Limited (UK) and LumiraDx Brazil Holdings Limited on 21 June 2024. This proposed appointment was delayed at the request of the Secured Creditors.

Group Limited is the parent of the Company and it is proposed that the Appointees are also appointed as joint liquidators of the Company.

Given that the process for a creditors’ voluntary liquidation requires a resolution of shareholders, the proposed liquidation appointment presents a potential self-interest issue as the Appointees would (as agent of the shareholders) be appointing themselves to be the joint liquidators of the Company.

With these potential threats mind, the following mitigating factors are relevant:

- The nomination of proposed liquidators is led by the Company in consultation with its creditors, not the shareholder, and the Insolvency Rules require the board of the Company to obtain a decision from its creditors agreeing to the nomination of the proposed liquidators. Therefore, creditors ultimately (and independently) control the choice of liquidator.
- Before a company passes a resolution for voluntary winding up it must give written notice of the resolution to the holder of any qualifying floating charge (“QFCH”). Therefore, the Company’s QFCH has been advised in advance of the formal notifications to creditors and any resolutions of the members, and has provided consent. The QFCH is the ultimate economic beneficiary of the liquidation of the Company as the Company is expected to have minimal other creditors (with a low value).
- The creditors’ decision procedure will be coordinated to take place on the same day as the members’ resolutions, in order to avoid any period where the Appointees are in office as joint liquidators without the ‘approval’ of creditors.
- Remuneration for acting as liquidators will be determined by the creditors of the Company (or any liquidation committee), and such approval process will not involve the Administration Companies (as parent companies) or the Joint Administrators.

Having considered the extent of their prior involvement with the Group in the light of the Insolvency Code of Ethics, the proposed liquidators considered that the threats to their objectivity (identified as a result of their prior involvement) was not at a significant level, therefore they would be able to act objectively as liquidators.

Andrew James Johnson, Lisa Jane Rickelton and Lindsay Kate Hallam are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales, under section 390A(2)(a) of the Insolvency Act 1986. Insolvency Practitioners are bound by the Insolvency Code of Ethics which can be found at:
<https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics>.

FTI Consulting LLP (“FTI”) uses personal information in order to fulfil the legal obligations of our Insolvency Practitioners under the Insolvency Act and other relevant legislation, and also to fulfil the legitimate interests of keeping creditors and others informed about the insolvency proceedings. You can find more information on how FTI uses your personal information in our Data Privacy statement on our website at:
<https://www.fticonsulting.com/uk/creditors-portal>.