

## EXPLANATORY INFORMATION FOR THE CREDITORS OF LUMIRADX BRAZIL HOLDINGS LTD (“THE COMPANY”)

### Decision date for the appointment of joint liquidators: 21 June 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 12 May 2015 in the name LUMIRA BRAZIL HOLDINGS LTD and changed its name on 25 May 2016 to its current name, LUMIRADX BRAZIL HOLDINGS LTD. The Company Registration Number is 09587090.

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
2 June 2016	Present	3 More London Riverside London SE1 2AQ
12 May 2015	2 June 2016	2 Temple Back East Temple Quay Bristol BS1 6EG

The authorised share capital is 1 ordinary share of £0.01, which has been issued and fully paid as follows:

Name of member	Ordinary	Percentage
LumiraDx International Ltd	1	100%

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

Name	Position	Appointed	Resigned
AMEYE, Veronique Yvonne	Director	12 May 2015	n/a
WELCH, Peter Geoffrey	Director	12 May 2015	17 December 2023
OVAL NOMINEES LIMITED	Director	12 May 2015	12 May 2015

**OTHER INFORMATION**

**Lenders:** Biopharma Credit Plc (“the Lender”). Following finance put in place in March 2021, the Company is a guarantor in respect of certain borrowings of:

- LumiraDx Limited (Cayman) (“Cayman”), the ultimate parent company; and
- LumiraDx Investment Limited (“Investment”), a subsidiary of the intermediate parent company, LumiraDx Group Limited (“Group Limited”).

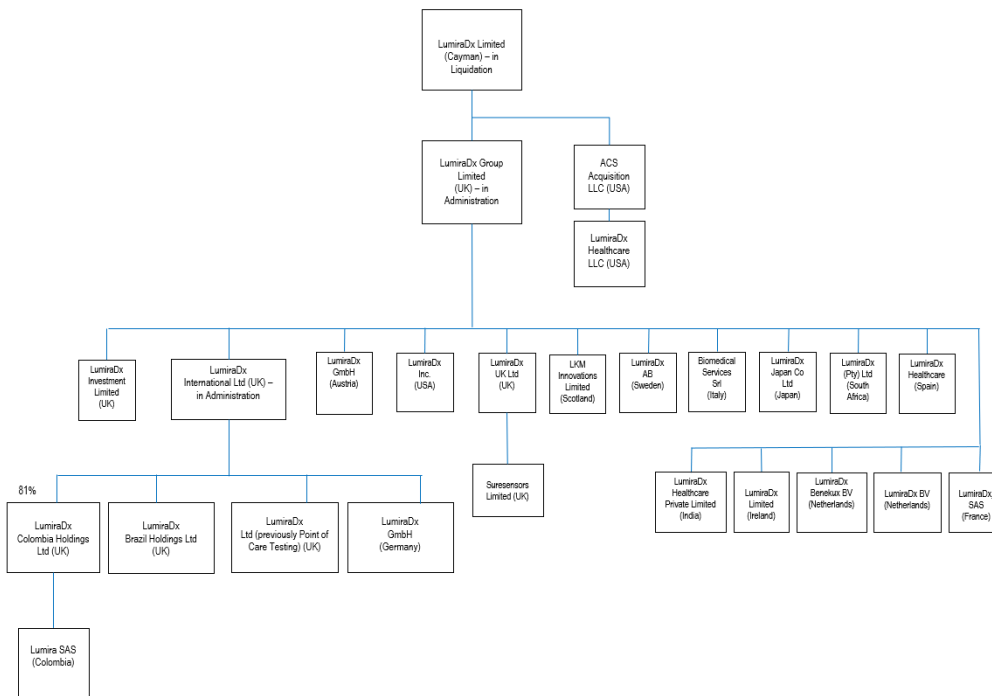
These borrowings are secured by a fixed and floating charge over the Company’s assets.

**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.

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

**Parent company:** LumiraDx International Ltd (“International”) – in Administration (Company number: 09124383) c/o FTI Consulting LLP, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD.

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



The Company sold its only investment in the Brazilian registered entity, Lumira Healthcare Ltda, in early April 2024. As part of the disposal, the intercompany receivable between the two entities was converted to equity and then written off, with \$320k of cash proceeds being received (\$70k net proceeds after \$250k advisor costs). As such, that entity is not shown in this structure.

## BACKGROUND AND HISTORY

The Group was founded in 2014 by a group of entrepreneurs, with Group Limited incorporated on 1 September 2014 and International (the parent of the Company) incorporated on 10 July 2014, to facilitate its business. The Company itself was incorporated on 12 May 2015.

The Group's main products are 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 Secured Creditors, shortly after which the Secured Creditors registered a charge over Group companies including the Company. 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 International 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 Company did not form part of the transaction perimeter of the transaction signed by the Administrators on 29<sup>th</sup> December 2023. Therefore, the decision was taken 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 Brazil Holdings Ltd - Statement of Financial Position						
\$	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	Mgmt 30-Apr-24
<b>Assets</b>						
<b>Non Current Assets</b>						
Investments	1,000,000	6,135,625	6,135,625	6,135,625	6,435,625	-
<b>Total</b>	<b>1,000,000</b>	<b>6,135,625</b>	<b>6,135,625</b>	<b>6,135,625</b>	<b>6,435,625</b>	<b>-</b>
<b>Current Assets</b>						
Debtors	7,220,453	3,004,354	3,594,314	4,708,289	5,234,842	-
Cash	-	-	-	-	-	70,000
<b>Total</b>	<b>7,220,453</b>	<b>3,004,354</b>	<b>3,594,314</b>	<b>4,708,289</b>	<b>5,234,842</b>	<b>70,000</b>
<b>Total Assets</b>	<b>8,220,453</b>	<b>9,139,979</b>	<b>9,729,939</b>	<b>10,843,914</b>	<b>11,670,467</b>	<b>70,000</b>
<b>Equity and Liabilities</b>						
<b>Equity</b>						
Other Reserves	7,784,229	8,484,229	8,984,229	9,971,710	10,661,710	10,661,710
Profit and Loss Reserves	436,224	655,750	745,710	872,204	1,008,757	(10,591,710)
<b>Total Equity</b>	<b>8,220,453</b>	<b>9,139,979</b>	<b>9,729,939</b>	<b>10,843,914</b>	<b>11,670,467</b>	<b>70,000</b>
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Equity and Liabilities</b>	<b>8,220,453</b>	<b>9,139,979</b>	<b>9,729,939</b>	<b>10,843,914</b>	<b>11,670,467</b>	<b>70,000</b>

LumiraDx Brazil Holdings Ltd - Statement of Profit or Loss					
\$	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	183,661	219,526	89,960	113,975	136,553
<b>Profit before tax</b>	<b>183,661</b>	<b>219,526</b>	<b>89,960</b>	<b>113,975</b>	<b>136,553</b>
Tax	-	-	-	-	-
<b>Profit for the year</b>	<b>183,661</b>	<b>219,526</b>	<b>89,960</b>	<b>113,975</b>	<b>136,553</b>

For each of the presented financial years ended 2019, 2020 and 2021, the Company was entitled to exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies. For the presented financial years ended 2022, 2023 and the position at 30 April 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 11 June 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 4 June 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.

A retainer invoice totalling \$13,000 (plus VAT) has been paid by the Company to FTI Consulting LLP, as agreed at the board meeting on 11 June 2024. FTI has charged a fixed fee of \$13,000 for the pre-liquidation workstreams plus VAT.

These amounts have been drawn in full ahead of the Company being placed into liquidation.

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 was delivered to creditors on 20 June 2024.

### **Assets**

#### Cash at Bank

On the date the Statement of Affairs was signed (18 June 2024), there was understood to be currently c. \$70,000.00 held by International on trust for the Company, which has been included in the Statement of Affairs and subsequent deficiency account.

This amount is before the deduction of our pre-appointment fees in the sum of \$13,000 plus VAT.

Once liquidators are appointed, the cash will be swept into a liquidation account to enable an orderly wind down of the Company. Any funds not utilised to meet costs of the liquidation will form part of the distributions to the creditors of the Company, in accordance with statutory priorities. However, it is likely that the costs of the liquidation will exceed the value of the cash at bank and therefore there will be no dividend available for creditors.

Any shortfall in the value of assets needed to discharge the expenses of the liquidation will be funded by the Secured Creditor pursuant to a funding agreement in place for the Administrations of parent companies Group Limited and International.

### **Liabilities**

#### Secured Liabilities

Following finance put in place in March 2021, the Company is a guarantor in respect of certain borrowings of Cayman, the ultimate parent company, and Investment, a subsidiary of intermediate parent company Group Limited. 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 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), creditors are limited to HMRC in respect of a penalty notice issued to the Company in April 2024 in the sum of £700, which has been converted to US dollars in the Statement of Affairs at the Bank of England spot rate of 1.2843 \$/£ on 12 June 2024.

### **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 April 2024 to the deficiency in the directors’ Statement of Affairs, is shown below:

<b>LumiraDx Brazil Holdings Ltd - Deficiency Account</b>	
<b>\$</b>	
<b>Profit and loss account as at 30 April 2024</b>	<b>(10,591,710)</b>
<b>Less: write-down of assets per Directors' Statement of Affairs</b>	
Cash	-
Further write-downs/additional liabilities	(378,615,746)
<b>Total</b>	<b>(378,615,746)</b>
<b>Deficit per Directors' Statement of Affairs</b>	<b>(389,207,456)</b>

<sup>1</sup> All GBP values converted to USD at the Bank of England spot rate of 1.2843 \$/£ on 12 June 2024.

### **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 this matter, FTI Consulting LLP had the following involvement with 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 Group Limited and 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.

International is the parent entity 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 appointments present 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 in 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 boards 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 on our website at [https://www.fticonsulting-emea.com/~/\\_media/Files/emea-files/creditors-portal/cip-emea-forms-info/cip-data-privacy.pdf](https://www.fticonsulting-emea.com/~/_media/Files/emea-files/creditors-portal/cip-emea-forms-info/cip-data-privacy.pdf).*