Explanatory Statement for the Restructuring Plan

under Part 26A of the Companies Act 2006

prepared by NGI Systems & Solutions Limited ("NGI Systems")

CR-2022-LDS-000923

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

This document comprises an explanatory statement in compliance with section 901D of the Companies Act 2006 (the "Explanatory Statement"). It is being made available on Restructuring Plan Website to persons or entities who are believed to be creditors or shareholders of the Good Box Co Labs LTD ("GoodBox", the "Company") on the 21st of December 2022.

The Restructuring Plan Website, which contains all documents forms and notices related to the Restructuring Plan, can be accessed using the following URL: https://www.ngi.systems/GoodBox-Restructuring/

If you have assigned, sold, or otherwise transferred, or assign, sell or otherwise transfer, your interests in GoodBox before this date, you must forward this document and the accompanying documents at once to the person or entity to whom you have assigned, sold, or otherwise transferred, or assign, sell or otherwise transfer, your interests in the Company.

If you are in any doubt as to the contents of this Explanatory Statement or the documents that accompany it or what action you should take, you are recommended to seek your own independent legal and financial advice.

This Explanatory Statement comprises an explanatory statement in accordance with Part 26A of the Companies Act 2006 in respect of the proposed Restructuring Plan proposed in the case CR-2022-LDS-000923 and is accompanied by a Combined Proxy and Voting Form. It is important that you read the accompanying documents carefully for information about the Restructuring Plan and that you complete and return the Combined Proxy and Voting Form of Proxy in accordance with the instructions therein.

Contents

1. Disclaimers Regarding this Explanatory Statement

1.1 Unless the context otherwise requires, all terms defined in this Explanatory Statement shall have the meanings set out in the Definitions and Interpretation of the Restructuring Plan at Appendix 1 of this Explanatory Statement. The appendices to this Explanatory Statement form an integral part of it and, unless expressly stated otherwise, references to this Explanatory Statement shall be construed as references to the Explanatory Statement including the appendices to it.

1.2 This Explanatory Statement is issued for the purpose of providing information to the creditors and shareholders in connection with the Restructuring Plan. The information contained in this Explanatory Statement has been prepared based upon information available to NGI Systems as at the date of this Explanatory Statement.

1.3 In making a decision in respect of the Restructuring Plan, each shareholder and creditor must rely on its own examination, analysis and enquiry with respect to the Company and the terms of the Restructuring Plan including the merits and risks involved.

1.4 The summary of the principal provisions of the Restructuring Plan contained in this Explanatory Statement are each qualified in their entirety by reference to the Restructuring Plan, the full text of which is set out in Appendix 1 of this Explanatory Statement.

1.5 Each stakeholder is advised to read and carefully consider the text of the Scheme. This Explanatory Statement has been prepared solely to assist the stakeholders to vote on the Restructuring Plan.

1.6 In the event of a conflict between the information and terms described in this Explanatory Statement and the Restructuring Plan, the terms of the Restructuring Plan shall prevail.

1.7 This Explanatory Statement contains statements, estimates, opinions, and projections with respect to the Company. Statements made are true to the direct knowledge of NGI Systems or are sourced from documents and information obtained by NGI Systems in the course of its dealings with the Company, and NGI Systems believes them to be true. Where NGI Systems relies on information supplied by others, the basis and source of that information is explained to an appropriate level of detail for this Explanatory Statement. NGI Systems confirms that the information is true to the best of its knowledge and belief.

1.8 Nothing contained in this Explanatory Statement shall be deemed to be a forecast, projection or estimate of the Company's future financial performance, except where otherwise specifically stated. This Explanatory Statement contains certain statements, statistics and projections that are, or may be, forward-looking. The accuracy and completeness of all such statements, including, without limitation, statements regarding the Company's future financial position, strategy, plans and objectives for the management of future operations, is not warranted or guaranteed.

1.9 These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "will", "may", "should", "would", "could" or other words of similar import. These statements are based on numerous assumptions and assessments made by NGI Systems, or where specifically stated, the CEO of GoodBox, as appropriate in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors which they believe appropriate. Although NGI Systems believes that the expectations reflected in such statements are reasonable, no assurance can be given that such expectations will prove to be correct. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. Such forward-looking statements only speak as at the date of this Explanatory Statement. A number of factors could cause actual results to necessarily differ materially from the results discussed in the forward-looking statements, including, but not limited to, future performance being lower than expected, deterioration in general economic conditions, changes in the regulatory environment, fluctuations in interest and exchange rates, the outcome of litigation, government actions and the other factors set out or referred to in the Risk Factors section of this Explanatory Statement. It is up to the recipient of this Explanatory Statement to make its own assessment of the validity of such forward-looking statements and assumptions and no liability is accepted by NGI Systems in respect of the achievement of such forward-looking statements and assumptions. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this Explanatory Statement.

1.10 The implications of the Restructuring Plan for stakeholders who are residents in or citizens of jurisdictions other than the UK may be affected by the laws of the relevant jurisdiction. Such overseas stakeholders should inform themselves about and observe any applicable legal requirements. Any person outside the United Kingdom who is resident in, or who has a registered address in, or is a citizen of, an overseas jurisdiction should consult independent professional advisers and satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection with the Restructuring Plan, including obtaining any requisite governmental or other consents, observing any other requisite formalities, and paying any issue, transfer, or other taxes due in such jurisdiction.

2. Background to the Plan

2.1 The following key points are well publicized and documented in shareholders communications as well as the Administrators reports published on Companies House accessible to all creditors and shareholders of GoodBox. This Explanatory Statement provides only a short summary of the background for completeness.

2.2 GoodBox borrowed a combined £9m of convertible debt in January 2021 via the UK Government Future Fund investment scheme. The debt had a maturity of 36 months unless converted to equity before that as per the scheme's intent. Conversion is mandatory if certain conditions of the scheme are met or may be triggered in some situations at the discretion of the lead lender of the transaction, who provided 50% of the funding.

2.3 In the case of GoodBox, the lead lender was Q Invest Limited, a company incorporated in Guernsey in December 2020 and controlled by Miles Carroll who is also a shareholder of GoodBox, and controls Monek Limited, a UK company that provides transaction processing services to GoodBox.

2.4 The funding provided by Q Invest Limited was conditional on GoodBox buying a £5.2m payments gateway from Q Invest Limited and its purchase was agreed prior to the funding being released by Q Invest Limited. According to the Board of GoodBox, the gateway software, as delivered after over 1 year of delays, did not meet key contractual capabilities and was not usable by GoodBox in the manner presented to GoodBox shareholders who approved the transaction. The Board of GoodBox resolved to seek a full refund.

2.5 Amid the above-mentioned dispute, the Board of GoodBox stated that it could not secure predictability on the conversion terms of the convertible debt, which were at the discretion of Q-Invest Limited, the lead lender, and could not offer existing and prospective investors sufficient comfort to be able to secure further investment to provide liquidity to GoodBox. As GoodBox was trading at a loss, the Company ran out of cash.

2.6 NGI Systems applied for an administration order via the Court, proposing to fund the trading losses and Administration of GoodBox, with the intention to propose a restructuring that would exchange the convertible debt for shares and thus remove the uncertainty that prevented the company from raising investment.

2.7 The administration order was granted on the 28th of June 2022, and the continued trading of the business was secured to preserve its value. Secured funding for the Administration was agreed between NGI Systems, GoodBox and the Administrators.

2.8 The Administrators of GoodBox did not wish to adopt or jointly develop the restructuring plan proposed by NGI Systems, requiring NGI Systems to independently negotiate and prepare this Restructuring Plan and submit it to the court which incurred additional delays and costs.

3. Rationale for the Plan

3.1 The Restructuring Plan is proposed as a means of rescuing GoodBox from administration as a going concern, fulfilling the primary purpose of the Administration while at the same time providing a better outcome for creditors than the relevant alternative.

3.2 The fundamental impediment to the Company carrying on its mission to invest in technological innovation to support charities in a cashless economy and to grow its client base to reach profitability is its high debt burden which, without a predictable conversion to equity, dissuades investors from providing funding to the Company.

3.3 The proposed conversion to equity of the convertible debt is considered reasonable by NGI Systems on the basis that it was the intention and design of the Future Fund Scheme to become an equity holder of its portfolio companies. All participants in the Future Fund transaction entered that transaction in full awareness of the convertible nature of the debt which is documented in the terms of the loan.

3.4 The Administrators of GoodBox have had over 5 months to propose alternatives to this Restructuring Plan to creditors. The only alternative they proposed as per their application for the directions within proceedings CR-2022-LDS-000414 heard on the 2nd of December 2022, is a sale of the business and assets to a yet undisclosed buyer for a sum of £375,000 that is not able to cover the costs of the Administration, leaving all pre-Administration creditors and shareholders with no recovery of their debts or investments.

3.5 It follows that if the Restructuring Plan is not sanctioned, the business and assets of the Company will very likely be sold, and the Company will wound up. The anticipated recovery for creditors and shareholders in that scenario is nil.

3.6 Taking a step back from the strictly commercial considerations for creditors and shareholders, GoodBox is a company with significant positive impact on the UK charity sector. It is a multi-award-winning innovation leader in its field, the leading brand in the sector, and has become part of the key fundraising infrastructure for over 2,000 UK charities. GoodBox is, in the view of NGI Systems, a company worth saving in its own right.

3.7 The merits and achievements of GoodBox as well as its prospects are presented in Annex 2 of the Explanatory Statement containing the Investor Presentation to be used by GoodBox to recapitalize the Company after the sanctioning of this Restructuring Plan. NGI Systems is told by the CEO of GoodBox, that multiple established venture capital firms that are already familiar with GoodBox are interested to invest under the valuations indicated in the presentation.

3.8 The Investor Presentation was prepared by NGI Systems in collaboration with the CEO of GoodBox who provided the financial details for the Company including the forecasts according to his estimations based on the trends to date of the performance of the business. This can be found at slides 36-39 of the Investor Presentation. The financials consider revenue only from the current product lines and only in the UK so do not represent the full potential of the Company with a broader product range and international expansion which NGI Systems believes to be an order of magnitude larger than what the Company is valued to be worth for the UK market alone.

4. Overview the Plan

4.1 The Restructuring Plan divides the stakeholders of the Company into 4 different classes with different rights and / or different proposed outcomes under the compromise terms of the Restructuring Plan.

4.2 "**Administration Creditors**": This class is formed of creditors with Claims from the Administration which rank as an Administration Expense. This includes the secured funding provided by NGI Systems for costs of the Administration and the Administrators' outstanding fees and expenses.

4.3 "**Convertible Loan Holders**": This includes the creditors who have participated in the UK Government Future Fund financing round for the Company in the first quarter of 2021 (the Transaction). The composition of this class is presented below with the nominal debt amounts as listed in the statement of affairs of the Administrators as published on Companies House on the 4th of October 2022. Q Invest Limited specifically requested that they be kept in the same class as the British Business Bank. This request was duly implemented.

4.3.1 Q Invest Limited (of Guernsey), the lead lender of the Transaction – £4,500,000
4.3.2 The British Business Bank PLC, representing the UK Future Fund – £4,500,000
4.3.3 Mark Kimber, headroom subscriber of the Transaction – £50,000
4.3.4 Seedrs Nominee Limited, headroom subscriber of the Transaction – £63,990

Note that the above amounts simply represent the nominal amounts of funding provided to the Company when the respective loans were provided. The corresponding debt Claims will be submitted to the Plan Administrators and will be subject to the Adjudication Process. Some Convertible Loan Holders have submitted claims of higher value than the nominal amounts lent.

4.4 "**Trade Creditors**": This class is formed of all pre-Administration suppliers of the Company, excluding any Claims which rank as an Administration Expense. Other than the Rescue Funders, Administration Creditors and the Convertible Loan Holders, all other creditors of the Company fall into this class.

4.5 "**Historical Shareholders**": This class is made up of all current members of the company, all of whom hold ordinary shares in the Company.

4.6 The detailed effect of the proposed compromise is explained below in the respective section. The plan also proposes to appoint a new independent Board of GoodBox and to adopt new Articles of Association as well as Shareholders Agreement. These are explained in more detail in the respective section of the Explanatory Statement.

4.7 Key to note that this Restructuring Plan, while being proposed and represented by NGI Systems, has the financial backing of a group of existing shareholders of GoodBox. Several of these shareholders are professional angel investors with significant financial resources. NGI Systems is the agent and trustee of this group called the Rescue Funders in the Restructuring Plan. The Rescue Funders are proposed to be the majority shareholders of GoodBox upon the sanctioning of the Restructuring Plan, holding 85% of the post-restructuring equity of the Company.

4.8 The 85% of new equity will be allotted to the Rescue Funders in proportion to the funding they have provided, as set out at Schedule 01 to the Restructuring Plan. As per Clause 6.7 of the Restructuring Plan, NGI Systems, as agent of the Rescue Funders, will direct the Company to allot shares in those proportions to the Rescue Funders, upon sanction of the Restructuring Plan. The anticipated shareholding of NGI Systems based on its contribution to the Rescue Funders, will be less than 10%.

4.9 Until strategic investment can be raised, the Rescue Funders will finance the operations of the Company via a syndicated Debt Facility with NGI Systems as the Agent and Security Trustee. NGI Systems will also act as an individual Lender under the facility. The details of the facility are explained later in the Explanatory Statement.

4.10 In exchange for the additional funding, along with an agreement to reduce the cost of the services of NGI Systems to GoodBox going forward, it is a condition of the Restructuring Plan that a proportion of the pre-Administration Trade Creditor Claim of NGI Systems is accepted by the Company. This is explained in more detail later in the Explanatory Statement.

4.11 The final point to note about the Restructuring Plan, is that NGI Systems has taken a highly inclusive approach to its formulation and negotiation. Any shareholder or creditor of GoodBox had the opportunity to engage with NGI Systems over the past months, out of which a group of shareholders decided to participate and become Rescue Funders of GoodBox, shaping the Restructuring Plan.

4.12 Any feedback or request for the plan from any stakeholder that engaged with the NGI Systems was incorporated as far as reasonable and practicable. Where key requests were not incorporated, these are explained in the relevant sections.

4.13 For transparency, NGI Systems explains that it is connected with TSB IT Systems SRL, a small Trade Creditor of GoodBox, which is the personal service company of Tibor Barna, a co-founder and the pre-Administration Chief Technology Officer of GoodBox. Tibor Barna is, as disclosed on previous occasions, also a key shareholder and co-founder of NGI Systems.

4.14 Tibor Barna, who was never a director of GoodBox, has not held the CTO role or responsibilities since the commencement of the Administration of GoodBox, providing only specific support to the Administrators, where requested by them.

5. Effect on Administration Creditors

5.1 All Claims of the Administration Creditors, once adjudicated according to the Adjudication Process defined in the Restructuring Plan will be paid in full, with a delay of up to 6 months. The Administrators have the option to apply to the court to determine their fees if they disagree with the outcome of the Adjudication Process.

5.2 NGI Systems, with funding contributed by the Rescue Funders, will provide £800,000 of Rescue Funding to the Company to cover the costs of the Administration and the Restructuring Plan Expenses. Any surplus not required to pay costs of the Administration and the Restructuring Plan Expenses will be deposited into cash accounts of the Company. The Rescue Funding will be converted to equity as part of the Restructuring Plan. Significant parts of the £800,000 Rescue Funding have already been spent on Administration funding, pursuant to administration funding agreements between NGI Systems, GoodBox and the Administrators and this funding is secured by way of a debenture in favour of NGI Systems (as agent and security trustee for the Rescue Funders). The Restructuring Plan is drafted so that the debt currently outstanding to the Rescue Funders (as well as the balance of the Rescue Funding) will be treated as an equity injection into the Company. For clarity, the debt Claims related to Administration Expenses, including the loan provided by the Rescue Funders via NGI Systems, will be subject to the Adjudication Process. Any Claims of Restructuring Plan Expenses will also be subject to the Adjudication Process.

5.3 NGI Systems is a Debenture holder of GoodBox as agent and trustee of the Rescue Funders. NGI Systems and the Rescue Funders understand and accept the proposed compromise.

6. Effect on Convertible Loan Holders

6.1 The Convertible Loan Holders will receive a total of 14% of the post-restructure shareholding of the Company in exchange for their debts pro-rata to their debt amounts, provided that the counterclaim of the Company for the £5.2m gateway refund facing Q Invest Limited is rejected under the Adjudication Process.

6.2 If any part of the counterclaim is admitted, this will reduce the debt amount of Q Invest Limited and the shares attributable to Q Invest Limited debt reduction will be redistributed proportionally among all other shareholders of the Company.

6.3 The rationale for the above is that if the overall debt burden of the Company turns out to be lower than anticipated as part of the implementation of the Restructuring Plan, all post-restructuring shareholders should benefit from that.

6.4 In earlier iterations of the Restructuring Plan, a higher percentage of equity was allocated to the Convertible Loan Holders. As the costs of the Administration rose, the Rescue Funders were required to increase the amount investment they would commit to, and thus required a proportionally larger equity stake. At the same time the expected recovery of the unsecured creditors of GoodBox in the relevant alternative gradually deteriorated to nil.

7. Effect on Trade Creditors

7.1 All Claims of the Trade Creditors, once adjudicated according to the Adjudication Process defined in the Restructuring Plan will be paid in full, with a delay of up to 6 months. The one exception is the Baseline Amount of the NGI Systems Trading Debt which is accepted outright as part of the terms of the Restructuring Plan. This will be explained later in the Explanatory Statement.

7.2 It is noted that some directors of the Company have Trade Creditor Claims against the Company for, presumably, the time they spent dealing with the affairs of the Company. These Claims will be reviewed under the Adjudication Process like all other Claims.

7.3 The rationale for paying trade creditors in full is their required continued engagement with the Company going forward as suppliers to minimize disruptions to the operations of the business.

8. Effect on Historical Shareholders

8.1 The Historical Shareholders of the Company will be diluted to 1% of the post-restructuring shareholding of the Company, by the issuance of new shares according to the terms of the Restructuring Plan that will be allocated to other parties as explained previously.

8.2 It is noted that all current directors of the Company directly or indirectly hold shares in the Company. These shares are treated no differently to all other shares held by other shareholders of GoodBox.

9. Claims Adjudication

9.1 The Claims Adjudication is set out at clause 10 of the Restructuring Plan. Its drafting is guided by the procedures of the Insolvency (England and Wales) Rules 2006 for a company under liquidation which is expected to be the process in the relevant alternative.

9.2 A key provision is to apply insolvency set-off for claims where there is mutual dealing. This is relevant for the Q Invest Limited transaction where mutual dealing may apply between the debt funding provided and the payments gateway solution sold.

9.3 A further important provision is that should either side of the adjudication conducted by the Plan Administrators, who are independent licensed insolvency practitioners, be unhappy with the outcome, they have the option to issue a claim at court to resolve the matter. This provision was a specific request of Q Invest Limited which was incorporated into the terms of the Restructuring Plan.

9.4 Finally, there is an exclusion from the Adjudication Process for the Baseline Amount of the NGI Systems Trading Debt, representing accumulated direct charges arising from contractual provisions accumulated throughout 2021 as part of previous contract restructurings agreed with the Board of GoodBox, as well as regular monthly payments for services in the run-up to the Administration. This portion, representing roughly half the total Trade Creditor claim of NGI Systems is separated from the Residual Amount of the NGI Systems Trading Debt, representing sums payable for breaches of contractual obligations, including payment obligations over extended periods of time. As explained previously, it is a condition of further funding and entry into a contractual cost reduction agreement provided by NGI Systems to GoodBox, for creditors and shareholders to accept the Baseline Amount of the NGI Systems Trading Debt which will then be refinanced via the Debt Facility. For the purposes of voting on the Restructuring Plan, NGI Systems has undertaken to the Court not to vote in respect of the value of the Baseline Amount, given the proposed exclusion form the Adjudication Process of this amount.

10. New Board

10.1 The Administrators indicated that a credible re-launch of GoodBox would benefit from a strong independent Board. Working together with the Rescue Funders and GoodBox CEO, David White, the following proposal for the Board is put forward as part of the Restructuring Plan. David White is not and has not been a statutory director of the Company.

10.1.1 David White, CEO
delivered commercial strategy of profitable unit level economics for GoodBox, oversaw the streamlining and cost optimization of the business

10.1.2 Davoc Bradley, Technology Director
experienced CTO, built and operated FCA and PCI regulated payment solutions, experienced in building scalable architectures and platforms

10.1.3 Markus Hoevekamp, Growth Director
ex Verifone executive and current CEO of a European merchant services payments company, strong profile to drive the business expansion of GoodBox

11. New Articles of Association

11.1 The previous Articles of Association of GoodBox had several entrenched directors and multiple restrictions that contributed to the inability of Company to raise investment and avoid insolvency. New Articles of Association are proposed as part of the Restructuring Plan to address these limitations and strengthen other governance provisions as detailed below. The proposed Articles of Association were guided by the Model Articles. Stakeholders are strongly advised to read the proposed Articles of Association in full. At any time prior to the Restructuring Plan Meetings, stakeholders can raise questions or concerns as to individual provisions of the Articles of Association with NGI Systems, and NGI Systems will make best efforts to engage with them and explain the rationale behind those provision. The key provisions of the proposed Articles of Association are explained below.

11.2 The number of directors is limited to 5 and the number of observers is limited to 3 as per Clause 12. The maximum size of the current Board was 6. In the view of NGI Systems, the proposed limits are more appropriate for the size and complexity of GoodBox. Requirements are included in Clause 13.1 for there to be a Technology Director and a Regulatory and Compliance Director to ensure that the right skills are appropriately represented on the Board of GoodBox going forward.

11.3 Detailed provisions are included in Clause 9 to manage and govern any conflicts of interests of the directors.

11.4 As per Clause 13.3, NGI Systems is entitled to appoint an observer to the Board of GoodBox as long as NGI Systems maintains at least a 3% shareholding in the Company. This provision relates to a historical commitment of GoodBox to NGI Systems dating back to 2019 as part of a bail-in of liabilities by NGI Systems to prevent the insolvency of GoodBox. The 3% shareholding level is set based on the approximate pre-Administration shareholding of NGI Systems.

11.5 Provisions are included to account for the FCA approval status of directors, preventing such directors that are not yet approved to act in respect of FCA regulated matters as per Clause 13.5 and requiring the Company to seek and maintain such approvals for each director as per Clause 13.6.

11.6 Provisions are included at Clause 31.4 to account for the FCA control approval for shareholders, preventing such shareholders that are not yet approved from exercising their voting rights.

11.7 A detailed list of matters requiring shareholder consent is included in the Articles of Association at Clause 35. These are standard provisions, usually found in shareholders' agreements.

12. New Shareholders' Agreement

12.1 A new Shareholders' Agreement is proposed as part of the Restructuring Plan, with terms that treat all shareholders the same.

12.2 Additionally, it is stipulated as per Clause 4.1 that issuing shares will be at the discretion of the Board of GoodBox, with the appropriate pre-emption processes as per the Articles of Association. This is to account for the fact that GoodBox is a growth company requiring regular injections of capital to expand. Shareholders who are not able to maintain their shareholding in the Company by pre-emption when capital increases are required should not hold back the financing of the Company and should instead face dilution. This will prevent the scenario that occurred with GoodBox prior to Administration, where shareholders refused to invest and also refused to authorize dilution causing the Company to collapse into insolvency.

12.3 As per Clause 6.2, shareholders are prevented from exercising their voting rights on regulated activities until they have secured the necessary control approvals from the FCA and are required to seek and secure such approvals.

13. Supplier Cost Reduction Agreement

13.1 NGI Systems provides technology engineering and operations services to GoodBox and is responsible for having built most of the custom technology of GoodBox since the Company was founded.

13.2 The contractual arrangement between NGI Systems and GoodBox is complex for historical reasons. The contract evolved through several rounds of restructurings of commitments over the past 4 years. The core commitment structure of the agreement is a committed schedule of full-time-equivalent engineering capacity, or for simplicity, the equivalent of a number of engineers GoodBox wants to lease in a given month.

13.3 The schedule in this cost reduction agreement is flattened and set to a level of 50% lower than what it would have been on average for the remainder of the commitment. This reduces the minimum spend levels of GoodBox allowing it to reduce its cost base if needed but still permitting it to request more capacity if needed.

14. Debt Facility

14.1 The Debt Facility is a secured syndicated term loan. It was drafted using as a starting point a template of a multi-lender term loan agreement from the Loan Market Association.

14.2 The Debt Facility allows for any party, intended to initially be the Rescue Funders, to participate in the funding of the Company, via NGI Systems as their agent, during and immediately after the Compromise Period of the Restructuring Plan. The various loans are intended to fall under a common structured framework as provided by the Debt Facility. The initial lending commitments are made by NGI Systems as per the terms of the Restructuring Plan.

14.3 The Debt Facility will be secured by a fixed and floating charge over the assets of the Company, held by a security trustee. NGI Systems will take the role of security trustee initially, while also being the arranger and initial lender of the facility as per the terms of the Restructuring Plan.

14.4 The facility has a 3-year maturity from the moment it is entered, and advances can be drawn from it in the first 12 months. During this time no repayment is required. A minimum repayment of £15,000 per month is required thereafter. GoodBox has the ability to prepay any amounts under the facility provided that the minimum repayment is met and at the end of the 36-month period the full amount owed is repaid.

14.5 Whenever equity is raised, 15% of the amount raised must be allocated towards repayments.

14.6 Interest accrues on the amounts outstanding at the rate of the applicable Bank of England Base Rate plus six per cent per annum, compounded monthly. The interest capitalizes into Advances monthly, on the first day of each month.

14.7 The Debt Facility will provide initial funding of £1,100,000 for historical Claims. NGI Systems anticipates this to be sufficient to cover all outstanding Claims to be paid as per the Restructuring Plan based on the anticipated outcome of the Adjudication Process, in which the pre-Administration Claims of NGI Systems are likely to face a reduction from their nominal Claim value as well. Should this amount not be sufficient, NGI Systems is advised that the Rescue Funders can increase the amount of initial funding to £1,300,000. Additionally, another £500,000 of funding is made available under the Debt Facility for continued working capital and trading costs of the Company. Some of this working capital funding may also be applied to cover any shortfall of funding to cover the historical Claims.

15. Restructuring Plan Meetings

15.1 The separate Meeting of each of the stakeholder class will take place on the 10th of January 2023. Timings and other details of the Meetings will be notified on the Restructuring Plan Website by the 23rd of December 2022.

15.2 The claims of the Administration Creditors are proposed to be calculated based on value as of the 21st of December 2022, the date of the Convening Hearing. The claims of other classes are crystalized as of the date of the commencement of the Administration.

15.3 All meetings will be held in a hybrid manner with the option of virtual attendance or in-person attendance at the offices of Buchler Phillips, the proposed Plan Administrators. Absentee voting will be permitted via the Combined Proxy and Voting Form. Proxy and Voting Form submissions must be made by 23:00 London time on the 4th of January 2023 as per their respective instructions.

15.4 Voting will be determined by each stakeholders' proportionate interest in their respective class. In the case of creditors, the percentage of votes allocated to each stakeholder will be relative to their proportionate debt as between the members of that class. In the case of shareholders of the Company, voting will be relative to the proportionate number of shares held by each shareholder of the Company. A class of stakeholders is deemed to have voted in favor of the Restructuring Plan if members of that class representing 75% of the value of the debt/shares corresponding to the votes cast are votes in favour.

15.5 Each Meeting will be chaired by a Chairperson, who will be one of the nominated Plan Administrators for the Restructuring Plan, an independent licensed insolvency practitioner.

15.6 The amount of a claim admitted by the Chairperson for voting purposes does not in itself constitute an admission of the existence or amount of the claim and will not bind the Company or the creditors concerned for any other purpose.

15.7 The Chairperson of the relevant Meeting may reject a claim by a creditor, in whole or in part, if they consider that it does not constitute a fair and reasonable assessment of the relevant sums owed to the relevant creditor by the Company or if the relevant creditor or shareholder has not complied with the voting procedures described above.

15.8 The Chairperson's decision in exercising discretion, will follow the principles set out below:

15.8.1 if a claim is unascertained or disputed (in part), but the Chairperson is able to place a minimum value on that claim, the Chairperson will admit the claim for voting purposes for that minimum value; and

15.8.2 if a claim is disputed in its entirety, or the Chairperson is otherwise unable to place a minimum value on it (whether it is an actual or contingent claim), that claim will be valued at £1.

15.9 Where the Chairperson rejects a claim, in whole or in part, they will notify the relevant creditor or shareholder of their decision to reject that claim, in whole or in part, in writing, prior to the Meeting where possible, or otherwise at the Meeting. The Chairperson will report to the court, at the Sanction Hearing for the Restructuring Plan (which it is anticipated will take place on or about 16th of January 2023), their decision to reject claims (if any), with details of those claims and the reasons for rejection.

15.10 Stakeholders may challenge the decision of the Chairperson at the Sanction Hearing.

16. Action to be Taken by Creditors and Shareholders

16.1 Creditors and shareholders should follow the instructions of the Combined Proxy and Voting Form at Annex 3 of this Explanatory Statement. The forms should be completed and submitted as soon as possible.

16.2 Creditors and shareholders may also join the respective class meeting of which they are a member if they wish. The details of the meetings will be published on the Restructuring Plan Website soon after the Convening Hearing, via a notice to convene the respective meetings which will contain the appropriate instructions on how to join the relevant meeting.

17. Implementation of the Plan

17.1 Provided that at least one of the stakeholder classes votes in favor of the Restructuring Plan by a proportion of 75% of the votes cast within the respective class, and that dissenting classes are no worse off than in the relevant alternative, the court can exercise discretion to sanction the Restructuring Plan, potentially with certain amendments as the court may deem appropriate.

17.2 Upon the sanctioning of the Restructuring Plan the Plan Administrators will take office and execute the documents stipulated in the plan via power of attorney on behalf of creditors and shareholders to achieve the stipulated compromise terms of the Restructuring Plan.

17.3 The new Board will be appointed and will take office. They will begin the FCA approval processes for the new directors who are not already approved as well as progress through the FCA change of control process for the new shareholders. The new Board will also implement the Debt Facility and the cost reduction agreement with NGI Systems as stipulated in the Restructuring Plan.

17.4 The Plan Administrators will execute the claims adjudication as stipulated in the Restructuring Plan. Assuming a successful implementation of the Restructuring Plan, the Plan Administrators will vacate their office.

17.5 Should the Company face a situation of having no reasonable prospect of avoiding an insolvent administration or liquidation, the Company, after taking advice from the Plan Administrators, shall take all reasonable steps to procure that the Company is put into administration or liquidation.

18. Risk Factors

18.1 The risk factors described below are those that NGI Systems believes are potentially significant, but this should not be regarded as a comprehensive statement of all potential risks and uncertainties relating to the Company and the Restructuring Plan. Additional risks and uncertainties not presently known to NGI Systems, may also have an adverse effect on the Restructuring Plan and the Company and no assurance can be given that all material risks relating to the Company are set out below. Creditors and shareholders should carefully consider these risk factors and the other information set out in this Explanatory Statement.

18.2 This Explanatory Statement contains forward-looking statements that include risks and uncertainties. Actual results may differ from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Explanatory Statement. All risk factors listed in this section assume the Restructuring Plan is sanctioned by the court.

18.3 **Monek Services Discontinuation**: Monek is a payment processing service provider of GoodBox used by a subset of its devices. Monek indicated that it intends to discontinue services to GoodBox on the 5th of January 2023, or at such later date when no longer legally required to keep providing services. Technical evaluation was completed and the payments consultants of GoodBox confirmed that the devices can be reconfigured without major hurdles to use an alternative service provider or to send transaction to the banking partner of GoodBox directly. If a commercial compromise with Monek cannot be agreed by the new Board, and services are terminated before a technical reconfiguration can be completed, customers using these devices will face disruption by being temporarily unable to use them. As many as half of the active devices of the Company may be affected based on the estimation provided by the CEO of the Company. Depending on how long such disruption lasts, GoodBox may lose material amounts of revenue, suffer a permanent loss of a subset of customers, as well as brand and reputational impact with overall negative effect on the business of GoodBox. NGI Systems cannot determine the potential financial impact of this risk at this time. The impact may affect the Company over the short term, but the company is expected to recover on the long term.

18.4 **FCA Authorization Revocation:** The restructured GoodBox will have a new shareholding structure and new members of the Board, both of which require FCA approvals. There is a risk that if these approvals are not secured and no mitigation action is possible, the FCA may revoke the authorization of GoodBox. Should that happen, the business of GoodBox will need to be sold and the Company wound up. Safeguards were introduced into the Articles of Association and Shareholders Agreement to prevent any regulated activities being carries out by unauthorized persons and mitigation options exist that can be explored during the Compromise Period of the Restructuring Plan in an effort to obtain FCA approvals. From the outset CEO David White, who is proposed to be appointed as a director, is expected to be able to make decisions regarding the regulated activities of the Company by virtue of him already being approved by the FCA in his current role within the Company. Many of the proposed Rescue Funders who will become shareholders, are already approved shareholders of the Company and their new shareholding will not exceed the 10% control threshold that would require additional FCA approval of their control position. These approved shareholders will be able to appoint new directors if needed.

18.5 **Inability to Raise Adequate Strategic Equity Capital:** Considering the general downward trend of investment appetite for fin-tech companies in the capital markets, it may be the case that GoodBox will be unable to raise new capital and will need to be debt funded until the market sentiment changes. Considering that the new shareholders of GoodBox have more than adequate financial resources to sustain the Company if they so wish, this becomes a risk factor that can be entirely mitigated at the will of the new shareholders.

18.6 NGI Systems confirms that it has disclosed all potentially significant risk factors it is aware of and considers relevant and material for the consideration of the Restructuring Plan.

19. Estimated Outcomes

19.1 A comparative outcome table prepared by NGI Systems appears below, showing the expected outcomes for the respective stakeholder classes under the proposed Restructuring Plan and in the relevant alternative, a sale of the business and asserts of the Company for £375,000. The understanding of NGI Systems of the relevant alterative is based on the information provided the Administrators as part of the application for directions within proceedings CR-2022-LDS-000414. Counsel for the Administrators confirmed during the Convening Hearing that if the Restructuring Plan is not sanctioned then a sale of the business and assets of the Company for £375,000 remains the most likely outcome. At the time of writing, the amount of secured funding advanced by NGI Systems (as agent of the Rescue Funders) for the Administration is in excess of £450,000. Given that there will be a shortfall on the secured debt in the event of a sale, all of the sale proceeds will go to the Administration Creditors.

Stakeholder	Relevant Alternative Outcome	Restructuring Plan Outcome
Administration Creditors	~50p/£ (based on the disclosed sale price and estimation of costs)	100p/£ with a potential delay for up to 6 months
Trade Creditors	NIL	100p/£ with a potential delay for up to 6 months
Convertible Loan Holders	NIL	14% post-Plan shareholding ~1.4p/£ based on the valuation implied by granting 85% shareholding to the Rescue Funders for £800,000
Shareholders	NIL	1% post-Plan shareholding
HMRC	Excluded on the basis that under Crown set-off HMRC is not a creditor of the Company due to pending VAT refunds, as advised by the CEO of the Company, a chartered accountant.	
Employees	Excluded on the basis that under both alternatives they would be paid in full, as per indications from the Administrators.	

19.2 Should HMRC be regarded as a creditor, as per the definition of the Restructuring Plan it would fall into the class of Trade Creditors, with its claims being paid in full in accordance with the terms of the Restructuring Plan.

19.3 Some creditors have suggested they have better prospects of recoveries by the Company being placed into liquidation and the Company and/or its liquidator(s) pursuing claims against certain parties under the Insolvency Act 1986. NGI Systems is advised by the Administrators that the additional funding required to pursue such claims is not available. Additionally, any recovery would be first directed towards the already substantial shortfall on the costs of the Administration.

20. Questions and Further Information

20.1 GoodBox stakeholders are entitled to appear at the Sanction Hearing, which is expected to be held after the 10th of January 2023. The exact time and date of the Sanction Hearing will be notified on the Restructuring Plan Website as soon as it is confirmed by the court.

20.2 Stakeholders who wish to ask any questions in advance of the relevant Restructuring Plan Meeting or the Sanction Hearing are encouraged to contact NGI Systems via email at contact@ngi.systems with the subject "GoodBox Restructuring".

20.3 Additionally, stakeholders will have the opportunity at the relevant Restructuring Plan Meeting to raise any questions or issues they may have in relation to the Restructuring Plan.

21. Appendix Listing

21.1 Appendix 1 – Restructuring Plan and Schedules
21.2 Appendix 2 – GoodBox Investor Presentation
21.3 Appendix 3 – Combined Proxy and Voting Form with Instructions