TO ALL KNOWN CREDITORS

20 July 2023
Ref: TRS/SW/AH/Moda Furnishings
Contact name: Ayse Hassan
Email: mflcommunications@uk.ey.com

Dear Sirs

Moda Furnishings Limited (in Administration) (the “Company”)

Trading name: Moda

Principal trading address: Riverpark Trading Estate, Riverpark Road, Manchester, M40 2XP

On 14 July 2023 (the “Date of Appointment”) the Company entered administration and Tim G Vance and I were appointed as joint administrators (the “Joint Administrators”). The appointment was made by the directors of the Company (the “Directors”) under the provisions of paragraph 22 of Schedule B1 to the Insolvency Act 1986. I attach formal notice of our appointment for your information.

As licensed insolvency practitioners, we are bound by the Insolvency Code of Ethics when carrying out all professional work relating to the administration.

Sale of the business

On the Date of Appointment we completed a sale of the Company’s business and certain assets to Giomani Designs Limited (“Giomani”) for a total consideration of £1.65m.

In accordance with Statement of Insolvency Practice 16 (“SIP16”), a detailed explanation of the transaction is set out below.

Background, initial introduction to the Company and circumstances giving rise to the appointment of the Joint Administrators

The Company traded as a retailer of outdoor furniture, predominantly e-commerce led but also operating six showrooms located across the UK (Caterham, Chelmsford, Cheltenham, Leeds (temporary pop-up store), Manchester, Milton Keynes).

The group, consisting of Moda Furnishings Limited as the trading company and Project Archer Bidco Limited and Project Archer Topco Limited, as holding companies, is majority owned (c.75%) by Endless LLP (“Endless”) following a transaction concluded in September 2019. The remaining c.25% of shares are held by the Directors. Secure Trust Bank Plc (“STB”) is the Company’s senior lender. The group structure is on the following page.
The business is highly seasonal, with March to July typically being the peak trading months. Sales are notably lower during the remainder of the year and winter in particular.

The Company traded strongly during FY20 and FY21 (financial year ending 31 October), with high demand for its product range following the onset of Covid and the resultant increased time and money spent by consumers on their households. Revenue increased from £23.8m in FY20, to £33.6m in FY21. During this time the Company heavily invested in stock to ensure it could fulfil orders, but experienced increased shipping costs during Covid and delays in stock arriving from the Far East.

Trading heavily suffered during FY22, driven largely by macroeconomic factors materially dampening consumer demand. As a result, the Company was left with a high stock balance with high shipping costs attached.

The Company undertook a re-forecasting exercise during Summer 2022 once it became apparent that trading was below expectations. This identified a forecast funding requirement over Winter 22/23 and Winter 23/24.

FY22 revenue was £21.4m, considerably lower than FY21; however, the Company’s management (“Management”) considered that sales had stabilised and that the FY23 peak season would be broadly in line with FY22. An agreement was subsequently reached with both STB and Endless to support the business through Winter 22/23.

In November 2022, as a condition of the financial stakeholders support, EY were approached by Endless and STB to review the Company’s forecasts and consider potential insolvency strategies, including estimated outcome statements for FY23 should sales not meet forecast.

Since November 2022, the Company’s trading continued to be impacted by weak consumer confidence with sales reducing further in FY23. As such, the forecast Winter 2023 cash shortfall was accelerated.
In April 2023, the Company was informed that its current financial stakeholders were unable to offer long term support to the business. Management therefore resolved to appoint M&A specialists from EY to commence a sales process.

**Sale process**

**Marketing of the business and assets**

EY’s M&A team commenced an accelerated sale process in April 2023. During the process 91 parties were contacted with details of the opportunity on a no-names basis. This pool of 91 parties comprised a mix of worldwide trade buyers, financial buyers and specialist retail investors.

This list was compiled with the assistance of Management, shareholders and using EY’s extensive network.

Of these parties, 29 expressed an initial interest and entered into non-disclosure agreements and thereafter received an Information Memorandum and access to a virtual data room.

Calls were held with all parties who remained interested in the opportunity following receipt of the Information Memorandum. A process letter was provided to all 29 interested parties which stipulated a deadline for indicative non-binding offers of 7 June 2023.

We believe the marketing process to have been sufficiently thorough, over an appropriate period of time and that it was proportionate to the nature and size of the Company’s business.

The marketing has complied with the ‘Marketing Essentials’ set out in the SIP 16 in all aspects other than the use of ‘Connectivity’, with no online communication being used to market the business. It is our view that this medium would not have been appropriate, given that an extensive marketing process was able to be conducted via direct communication. Additionally, it was decided not to widely market the business online for the following reasons:

- there was significant commercial risk to obtainable value if it became apparent that the Company was conducting a sales process, which could include a business and asset (i.e. an insolvent) sale, thus the process needed to be confidential until parties signed an NDA;
- the sale process needed to be conducted quickly and was focussed on parties who were likely to be interested and be able to perform within short timescales; and
- we believe there would have been limited value in advertising the business to a general audience given the niche nature of the business and its precarious financial position.

**Offers Received**

The following initial offers were received:

- **Giomani** – £1.5m consideration for the business and assets of the Company, excluding debtors. All employees to TUPE and a licence to occupy requested for all sites (inc. showrooms). We subsequently negotiated the headline price up to £1.65m.

- **Confidential Party 1** – consideration of 20p/£ against stock at cost, for the business and assets of the Company, including all property, and contracts of employment to transfer to the purchaser. Plus:
additional consideration (amount to be determined however not expected to be significant) for Brand & Intellectual Property ("IP"). Vehicles, debtors, and fixtures and fittings were all excluded.

- **Confidential Party 2** – £500k for the stock and Brand & IP of the business, plus £35k for vehicles. Five showrooms were included and associated TUPE; however, all other staff would be made redundant. This offer came in late and was considered too low to be worthwhile progressing.

- **Confidential Party 3** – solvent offer of £1.0m consideration for the shares of the business; however, having held follow-up calls, it was swiftly determined that this party was not a credible buyer. As such, discussions were not pursued further.

In addition to the offers above, a number of other options have been considered and progressed, including:

- a potential merger with Confidential Party 4, which was ultimately not supported by the wider financial stakeholders;

- the business to be rightsized to facilitate further consideration of continued support from existing shareholders;

- a trading administration scenario, leveraging information provided by retail specialists; and

- an immediate wind down of the business with the support of specialist auctioneers.

**Consideration of offers and other options**

The Joint Administrators considered the outcomes from all scenarios outlined above, specifically comparison of the offers received, compared to realising value in a trading administration or wind down.

Of the offers received, Giomani was viewed to be the preferred bidder as this offer provided the greatest financial benefit to the creditors of the Company as a whole, as well as the preservation of all the jobs and showrooms. This offer was then also considered in comparison to a trading administration strategy and a wind down.

It was decided that it was not appropriate to trade the Company's business in administration due to:

- high trading, administration and potential ransom costs impacting the net outcome for creditors;

- inability to fund the costs of trading given the limited liquidity position of the Company; and

- it being highly likely to result in a lower return to creditors compared to other options (including wind down).

It was also concluded that realising the Company’s assets via a wind down strategy would likely result in a lower net outcome for the creditors than the proposed Giomani offer, with a higher execution risk associated. This was principally due to heavy discounting to the stock being required to realise value through an auction. A wind down of the Company’s business would also have led to redundancies and the crystallisation of certain employee claims.

Accordingly, shortly following our appointment on 14 July 2023, the Joint Administrators completed a sale of the business and certain assets of the Company to Giomani.
The primary cause of the insolvency was a fall in consumer confidence which has universally impacted the consumer market (in particular e-commerce and discretionary items), combined with the high freight rates that were incurred in FY21 and FY22. A combination of these factors impacted the performance of the business in both FY22 and FY23 resulting in significant trading losses.

Certain assets were excluded from the sale, including all debtors. These assets, and their realisations are discussed in more detail in the Joint Administrators’ proposals. The proposals will be available to creditors within the next ten days.

All scenarios considered were considered unlikely to realise sufficient property to generate any likely return to the wider creditor body outside of the secured creditor. In light of the relative certainty of outcome, the non-crystallisation of additional claims and the highest estimated return to the secured creditor, a sale via a pre-pack was considered to be the best outcome.

We are not aware of any directors, former directors or associates of the Company who are involved in the financing or management of the purchaser, Giomani.

Giomani is not considered a connected party and therefore no evaluator report or creditor approval has been sought prior to undertaking the transaction.

**Statutory purpose of administration**

The purpose of an administration is to achieve one of three objectives:

a) to rescue the company as a going concern;

b) to achieve a better result for the company’s creditors as a whole than would be likely if the company were wound up (without first being in administration); or

c) to realise property in order to make a distribution to one or more secured or preferential creditors.

The objective being pursued is (b). The pre-pack sale of the Company’s business enables this objective to be achieved as given the extensive marketing process undertaken and no viable solvent offers received, it is considered unlikely that objective (a) would be achieved. As a result, the outcome achieved through the pre-pack sale was the best available outcome for creditors as a whole in all the circumstances, hence achieving objective (b).

**Valuation of the business and assets**

Due to the extensive marketing process undertaken, and the lack of material value attributed to the Company’s Brand & IP, or other digital assets, by any party, it was considered that an independent valuation of these assets would not be needed, and incurring costs in this regard would not be best use of creditor funds. Furthermore, an independent valuation has not been performed on stock for similar reasons, also recognising that it is subject to a fixed charge.

STB registered a fixed charge over the stock at Companies House on 28 April 23 and implemented a third party to manage the Company’s warehouse to control the stock. We therefore have treated stock realisations as caught by the fixed charge, however we are currently in the process of seeking independent legal advice to confirm the validity of the charge.
Hilco Valuation Services ("Hilco"), who are RICS accredited, were instructed to value the Company’s fixed assets (excluding stock). Hilco confirmed its independence and that they carry adequate professional indemnity insurance.

Hilco conducted a SIP16 compliant desktop valuation of the Company’s fixed assets, predominately vehicles (certain of which are subject to HP), fixtures and fittings and office equipment. The outcome of this independent valuation is summarised below and apportionment of sales consideration has been allocated on this basis.

The assets were valued on an in-situ and ex-situ basis. As the alternative to a pre-pack sale would have been a wind down of the business, we have used an ex-situ basis to value the assets.

The assets to be sold comprise the following:

<table>
<thead>
<tr>
<th>Description of the asset</th>
<th>Book value as at 14 July 2023 (£’000s)</th>
<th>In-situ valuation (£’000s)</th>
<th>Ex-situ valuation (£’000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor vehicles (gross value exc. outstanding finance)</td>
<td>256.4</td>
<td>277.0</td>
<td>230.5</td>
</tr>
<tr>
<td>Furniture and fixtures (owned)</td>
<td>1,245.8</td>
<td>136.0</td>
<td>33.2</td>
</tr>
<tr>
<td>Office equipment (owned)</td>
<td>89.0</td>
<td>49.5</td>
<td>9.4</td>
</tr>
<tr>
<td>Plant and machinery (owned)</td>
<td>58.4</td>
<td>19.0</td>
<td>5.6</td>
</tr>
<tr>
<td>Software (owned)</td>
<td>665.3</td>
<td>290.0</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,314.8</strong></td>
<td><strong>771.5</strong></td>
<td><strong>278.7</strong></td>
</tr>
</tbody>
</table>

**Consultation with major creditors**

The secured creditors were consulted throughout the process and consented to the transaction / appointment.

No direct consultations took place with other creditors given all of the potential outcomes resulted in no return for preferential or unsecured creditors.

The Company has the following registered charges:

<table>
<thead>
<tr>
<th>Date of creation of charge</th>
<th>Date of registration of charge</th>
<th>Details of charge</th>
<th>Name of charge holder</th>
</tr>
</thead>
<tbody>
<tr>
<td>28 April 2023</td>
<td>28 April 2023</td>
<td>Contains fixed and floating charges</td>
<td>Secure Trust Bank PLC</td>
</tr>
<tr>
<td>18 September 2020</td>
<td>18 September 2020</td>
<td>Trademark Moda Furnishings, contains fixed and floating charges</td>
<td>Secure Trust Bank PLC</td>
</tr>
<tr>
<td>24 September 2020</td>
<td>24 September 2020</td>
<td>Trademark property, contains fixed and floating charges</td>
<td>Endless LLP</td>
</tr>
</tbody>
</table>
The transaction

As previously stated, the sale was completed on 14 July 2023. Further details of the transaction are given below:

The purchaser and related parties

The purchaser is Giomani Designs Limited and has no connection to the Company.

We are not aware of any directors, former directors or associates of the Company who are involved in the financing or management of Giomani. Giomani has advised that it will employ the Company’s directors.

We are not aware of any guarantees given by the directors of the Company for amounts due from the Company to a prior financer, or that a prior financer is financing the new business.

The assets sold

The assets sold are summarised below.

<table>
<thead>
<tr>
<th>Description of the asset</th>
<th>Ex-situ valuation (£)</th>
<th>Less finance outstanding (£)</th>
<th>Net value (£)</th>
<th>Purchase consideration (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business name</td>
<td>Not valued</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Business rights</td>
<td>Not valued</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Goodwill</td>
<td>Not valued</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Databases</td>
<td>Not valued</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Intellectual property</td>
<td>Not valued</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Transferred records</td>
<td>Not valued</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Stock</td>
<td>Not valued</td>
<td>-</td>
<td>-</td>
<td>1,555,379</td>
</tr>
<tr>
<td>Vehicles</td>
<td>230,500</td>
<td>(184,085)</td>
<td>46,415</td>
<td>46,415</td>
</tr>
<tr>
<td>Plant and other assets</td>
<td>48,200</td>
<td>-</td>
<td>48,200</td>
<td>48,200</td>
</tr>
<tr>
<td>Software (owned)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Sale consideration

The sale consideration was £1.65m, of which all has been paid. The consideration has been allocated between the fixed and floating charges in accordance with the existing registered charges. The sale proceeds are also apportioned as follows.
<table>
<thead>
<tr>
<th>Category of asset</th>
<th>Allocated to fixed charge realisations £’000</th>
<th>Allocated to floating charge realisations £’000</th>
<th>Total £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business name</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Business rights</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Goodwill</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Databases</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Intellectual property</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Transferred records</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Stock</td>
<td>1,555,379</td>
<td>-</td>
<td>1,555,379</td>
</tr>
<tr>
<td>Vehicles</td>
<td>-</td>
<td>46,415</td>
<td>46,415</td>
</tr>
<tr>
<td>Plant and other assets</td>
<td>-</td>
<td>48,200</td>
<td>48,200</td>
</tr>
<tr>
<td>Software (owned)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,555,385</strong></td>
<td><strong>94,615</strong></td>
<td><strong>1,650,000</strong></td>
</tr>
</tbody>
</table>

**Significant assets not included in the sale agreement**

All debtors were excluded from the sale. These assets, and their realisations are discussed in more detail in the Joint Administrators’ proposals.

**Administrators’ proposals and remuneration**

In accordance with paragraph 49(5) of schedule B1 to the Insolvency Act 1986, the Joint Administrators will prepare our proposals. The proposals are not being issued with this statement because the statement of affairs is still being prepared by Management. We expect the proposals will be made available to all creditors within the next 10 days.

We will also set out our proposals for remuneration and will seek approval for the basis. The statutory provisions relating to remuneration are set out in Chapter 4, Part 18 of the Insolvency (England and Wales) Rules 2016 (“the Rules”). Further information is given in the Association of Business Recovery Professionals’ publication ‘A Creditors’ Guide to Administrators’ Fees’, a copy of which may be accessed from the web site of the Institute of Chartered Accountants in England and Wales at [https://www.icaew.com/en/technical/insolvency/creditors-guides](https://www.icaew.com/en/technical/insolvency/creditors-guides), or is available in hard copy upon written request to the Joint Administrators.

**Creditors’ claims**

Please note that debts incurred by the Company before our appointment will rank as unsecured claims against the Company. Any sums due to the Company arising after our appointment must be paid in full and without set-off against any debts incurred by the Company prior to our appointment.

The directors are required to submit a statement of affairs to us and you will appreciate that the full financial position is not yet known. Please send me a detailed statement of any sums due to you from the Company.
Certain debts due from the Company may be preferential in accordance with section 386 of the Insolvency Act 1986. If you consider that you have a claim in this category, please advise me immediately. If you hold any security for your claim or you consider that you have title to any assets in the Company’s possession, please forward details to me as soon as possible.

You may be entitled to VAT bad debt relief on debts arising from supplies more than six months old. This procedure does not involve the Administrators and claims should be made directly to HM Revenue and Customs.

**Opting out**

Under the provisions of Rule 1.39, creditors have the right to elect to opt out of receiving further documents relating to the administration.

If you do elect to opt out you will still receive the following documents:

- any which the Insolvency Act requires to be delivered without expressly excluding opted-out creditors;
- notice relating to a change in the administrators, or their contact details;
- notice of dividend or proposed dividend; or
- a notice which the court orders to be sent to all creditors, or all creditors the particular category to which you belong.

Any election to opt-out will not affect your entitlement to receive dividends, if any are paid.

Unless the Rules provide to the contrary, opting-out will not affect your rights to vote in a decision procedure or participate in a deemed consent procedure, although you would not receive notice of such procedures.

Any opted-out creditors will be treated as opted out in respect of any consecutive insolvency procedure which might follow the administration.

You may opt-out by delivering an authenticated (e.g. signed) and dated notice to me stating that you are electing to be an opted-out creditor in relation to this administration. You may at any time revoke this election by delivering to me an authenticated and dated notice stating that you no longer wish to be an opted-out creditor.
Other matters

If there are any matters concerning the Company’s affairs which you consider may require investigation and consequently should be brought to our attention, please forward the details to me in writing as soon as possible.

If you require any further information or explanation, please do not hesitate to contact my team at MFLcommunications@uk.ey.com.

Yours faithfully
for the Company

Sam Woodward
Joint Administrator

Enc Notice of Administrator’s Appointment

Samuel James Woodward is licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales and Timothy G Vance is licensed in the United Kingdom to act as an insolvency practitioner by The Institute of Chartered Accountants of Scotland.

The affairs, business and property of the Company is being managed by the Joint Administrators, Samuel James Woodward and Timothy G Vance, who act as agents of the Company only and without personal liability.

The Joint Administrators may act as data controllers of personal data as defined by the UK General Data Protection Regulation (as incorporated in the Data Protection Act 2018), depending upon the specific processing activities undertaken. Ernst & Young LLP and/or the Company may act as a data processor on the instructions of the Joint Administrators. Personal data will be kept secure and processed only for matters relating to the Joint Administrator’s appointment. The Office Holder Data Privacy Notice can be found at www.ey.com/uk/officeholderprivacy.
**Notice of Administrators’ Appointment – paragraph 46(3) of Schedule B1 to the Insolvency Act 1986**

**Moda Furnishings LTD (“the Company”) - In Administration**

<table>
<thead>
<tr>
<th>Name of Court</th>
<th>In the High Court of Justice Business and Property Courts in Manchester Insolvency and Companies List (ChD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Court reference number</td>
<td>CR2023 MAN 000891</td>
</tr>
<tr>
<td>Company registered number:</td>
<td>08658516</td>
</tr>
<tr>
<td>Nature of business</td>
<td>Retail of furniture, lighting, and similar (not musical instruments or scores) in specialised store</td>
</tr>
<tr>
<td>Registered office of Company</td>
<td>Ernst &amp; Young LLP, 2 St. Peters Square, Manchester M2 3EY</td>
</tr>
<tr>
<td></td>
<td>Formerly: Riverpark Trading Estate, Riverpark Road, Manchester M40 2XP</td>
</tr>
<tr>
<td>Principal trading address (if different from above)</td>
<td>N/A</td>
</tr>
<tr>
<td>Any other name under which the Company was registered in the previous 12 months</td>
<td>None</td>
</tr>
<tr>
<td>Any other name(s) or style(s) under which the Company carried on business or incurred debts</td>
<td>N/A</td>
</tr>
<tr>
<td>Date of appointment of administrators</td>
<td>14 July 2023</td>
</tr>
<tr>
<td>Names and addresses of administrators</td>
<td>Samuel James Woodward, Ernst &amp; Young LLP, 2 St. Peters Square, Manchester M2 3EY</td>
</tr>
<tr>
<td></td>
<td>Timothy Vance, Ernst &amp; Young LLP, 1 Bridgewater Place, Water Lane, Leeds LS11 5QR</td>
</tr>
<tr>
<td>Joint administrators’ IP No’s</td>
<td>12030 / 26710</td>
</tr>
</tbody>
</table>
Notice to all creditors

On 14 July 2023 the Company entered administration and Samuel James Woodward and Timothy Vance were appointed as Joint Administrators. The appointment was made by the Company’s Directors under the provisions of paragraph 22(2) of Schedule B1 to the Insolvency Act 1986.

Signed

Date 20 July 2023

Samuel James Woodward is licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales and Timothy Vance is licensed in the United Kingdom to act as an insolvency practitioner by The Institute of Chartered Accountants of Scotland.

The affairs, business and property of the Company is being managed by the Joint Administrators, Samuel James Woodward and Timothy Vance, who act as agents of the Company only and without personal liability.

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