

TO ALL KNOWN CREDITORS

5 October 2023

Ref: TRS/SW/SM/JG/VP
Email: VPAdministration@uk.ey.com

Dear Sir or Madam

Victoria Plum Limited (In Administration) (“the Company”)

Former trading name: VictoriaPlum.com

Principal trading address: Unit 2, First Point Business Park, Water Vole Way, Doncaster, DN4 5LP

On 29 September 2023, the Company entered Administration and S J Woodward and T G Vance were appointed as Joint Administrators. The appointment was made at the request of the Company’s Directors by the Qualifying Floating Charge Holder under the provisions of Paragraph 14 of Schedule B1 to the Insolvency Act 1986. I enclose 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 29 September 2023, the Joint Administrators completed a sale of the business and certain assets of the Company to an unconnected party, AHK Designs Limited (‘AHK’) for a total consideration of £7.8m.

In accordance with Statement of Insolvency Practice 16 (‘SIP 16’), a detailed explanation of the transaction is set out below.

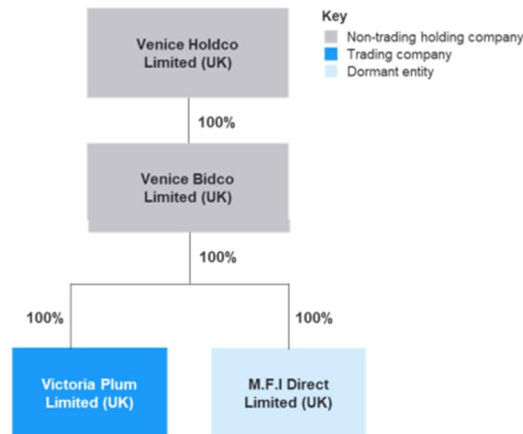
Background, initial introduction to the Company and pre-appointment considerations

The Company traded as one of the UK’s largest online retailers of bathroom products and services, operating from its national distribution centre in Doncaster, with a further four leased premises across the UK which acted as distribution hubs and a photography studio. The Company employed 345 employees.

The Company is majority owned by Endless LLP (‘Endless’) (via Venice Holdco Limited – see group structure below) following an acquisition concluded in 2019. Only Victoria Plum Limited entered Administration.

Secure Trust Bank Plc (‘STB’) is the Company’s senior lender with stock and cash flow facilities in place, and exposure at 29 September 2023 of c.£4.6m. Endless also have a c.£2.0m secured revolving credit facility which is fully drawn and subordinated to STB’s lending.

Group structure



Causes of insolvency and circumstances giving rise to the appointment of the Administrators

Following Endless' acquisition in 2019, the Company traded successfully throughout COVID-19 lockdowns resulting in strong profit and cash generation for the Company. Revenue increased to c.£113m in FY22 (year ended Feb 2022) from £99m in FY21.

The Company's owner explored a sale in late 2021, however, no suitable offers materialised with the sales process ceasing in March 2022.

In 2022, the Company experienced challenging trading conditions principally due to (i) reducing market demand; and (ii) inflationary cost pressures, particularly in relation to freight costs. This led to a £(1.9)m EBITDA in the year to February 2023.

In January 2023, a second sale process was commenced to seek a share sale, led by KPMG. The business was marketed on a solvent equity basis only. During this process, 45 trade buyers were approached over a period of approximately 8 months.

Whilst the sale process was being run by KPMG, trading conditions continued to remain challenging, and were further exacerbated by a system error which impacted the Company's marketing strategy and led to a material reduction in revenues during April and May 2023.

Interested parties in KPMG's process that had previously submitted non-binding offers were set a deadline of 31 August 2023 to provide a final offer. Whilst conversations continued with these parties past the deadline, none had the appetite to transact on the planned equity basis.

Due to the worsening liquidity position and lack of solvent offers, STB introduced the Company to us. On 14 September 2023 the Company and STB engaged EY to undertake (i) short-term cashflow monitoring; (ii) contingency planning; and (iii) an accelerated marketing processes for the Company on a business and assets basis. Further information on the sale process is provided below.

Sale Process

Marketing of the business and assets

As noted above, following an unsuccessful sale process conducted by KPMG between January 2023 and September 2023, in which no equity offers were received, the Company and STB engaged EY to undertake an accelerated marketing process which commenced on 14 September 2023.

During this accelerated process, 37 parties were approached, comprising certain of the trade buyers that were approached during the KPMG process, as well as additional trade buyers, financial buyers and specialist retailer investors which had not previously been involved in the KPMG process. This list was compiled with the assistance of Management, Endless, as well as utilising KPMG's previous sales process and EY's extensive network.

Of these parties, 21 expressed an initial interest and entered into non-disclosure agreements. They subsequently received an Information Memorandum and access to a virtual data room. A process letter was also provided to these interested parties which stipulated a deadline for best and final offers by 27 September 2023.

Calls, meetings with Management and site visits were held with a number of the parties who remained interested in the opportunity following their review of the Information Memorandum.

In our opinion the marketing process has been sufficiently thorough over an accelerated period owing to the Company's cash constraints, and given the previous marketing processes and wide range of parties approached. It was also proportionate to the nature and size of the Company's business.

The marketing process complied with the 'Marketing Essentials' set out in 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 assets (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

Six offers were received and are summarised as follows:

- ▶ **AHK Designs Limited ("AHK")**: £7.8m consideration for the Company's business and certain assets including the stock, plant and machinery, brand and IP. The offer also included all employees transferring pursuant to TUPE.

- ▶ **Confidential Party 1:** £7.0m consideration for the Company's stock, brand and IP, but did not include the business of the Company. The offer also included all employees transferring pursuant to TUPE.
- ▶ **Confidential Party 2:** 10p in the £ against all stock, including goods in transit. The offer did not include any other assets such as IP and did not include the employees.
- ▶ **Confidential Party 3:** 12p in the £ against 'tile' stock at cost and £0.2m consideration for the brand, customer list and website. This offer excluded the employees of the business.
- ▶ **Confidential Party 4:** £0.2m for the brand and IP of the business, as well as 30p in the £ against stock in the warehouse and 10p in the £ against certain stock in transit and the unencumbered plant and equipment. This offer excluded the employees of the business.
- ▶ **Confidential Party 5:** £3.9m consideration for the business and assets of the Company including the stock, plant and machinery, brand and IP, as well as the employees of the business.

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

- ▶ A trading Administration scenario; 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 comparing each of the offers received and comparing these against realisable value from a trading administration or wind down of the business.

Of the offers received, AHK 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 employment. This offer was then also considered in comparison to a trading Administration strategy and a wind down.

We formed the opinion that it was not appropriate to trade the Company's business and offer it for sale as a going concern during 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 lack of potential floating charge assets to sell or obtain a funding agreement; 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 in a wind down scenario would have resulted in lower net realisations for creditors compared to the AHK offer, with a higher execution risk associated, principally due to heavy discounting to the stock being required to realise value through an auction process. In addition, a wind down of the Company's business would also have led to redundancies and the crystallisation of certain employee claims.

Due to a forecast upcoming funding requirement and with no prospect of a solvent transaction and no further funding available from either the secured lender or shareholders, the Company's Directors concluded that the Company could not avoid an insolvency process.

The AHK offer provided the greatest financial benefit to the creditors of the Company compared to the other offers received and therefore the Directors subsequently requested the Qualifying Floating Charge Holder to appoint Administrators.

Accordingly, shortly following the Joint Administrators' appointment, the Joint Administrators completed a sale of the business and certain assets of the Company to AHK.

Certain assets were excluded from the sale, including debtors, cash, and cash in transit. These assets, and the strategy for realisation are discussed in more detail in the Joint Administrators' Statement of Proposals, which is being circulated to creditors at the same time as this letter.

All scenarios considered were unlikely to realise sufficient property to generate any likely return to the wider creditor body outside of the secured and preferential creditors. In light of the relative certainty of outcome, the non-crystallisation of additional claims and the highest estimated return to the secured and preferential creditors, 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, AHK.

AHK is not considered a connected party and therefore no evaluator report or creditor approval has been sought prior to undertaking the transaction, with the exception of secured creditors who were required to release security in order to facilitate the transaction.

Valuation of the business and assets

Hilco Valuation Services ('Hilco'), who are RICS accredited, were instructed to provide a recommendation regarding the offer received from AHK. Hilco confirmed its independence and that they carry adequate professional indemnity insurance.

Hilco advised that the offer value from AHK was significantly in excess of the realisations that could be achieved on an ex-situ or orderly liquidation value basis and therefore recommended that the offer should be accepted.

In considering their position, Hilco indicated the following:

- ▶ The offer received from AHK represented the highest of the six offers received and was the result of an extensive marketing process.
- ▶ Due to the necessary holding costs it is likely the net realisations from the Company's stock would be negligible or negative in a closure scenario.
- ▶ It was estimated that a value of £50,000 would be applicable to the Company's fixtures & fittings and equipment in an ex-situ basis, after the associated sale and occupancy costs applicable in such a scenario.

Hilco considered the value of the assets on an ex-situ basis given that the alternative to a pre-pack sale would have been a wind down of the business.

A valuation was not specifically obtained for the Company's brand and IP. Due to the extensive marketing processes undertaken, and that these processes had involved seeking offers from parties that would be best placed to attribute value to the Company's brand, IP or other digital assets, 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.

Given the marketing process that was undertaken prior to the transaction and third-party valuation advice, we are satisfied that the market has been tested and that market value has been obtained for the assets set out above.

Consultation with major creditors

The secured creditors of the Company are Secured Trust Bank Plc and Endless LLP.

The Company has the following registered charges:

Date of creation of charge	Date of registration of charge	Details of charge	Name of charge holder
6 May 2021	11 May 2021	Debenture (contains fixed and floating charges)	Secure Trust Bank Plc
20 April 2023	21 April 2023	Composite Guarantee and Debenture (contains fixed and floating charges)	Endless LLP

As noted above, the appointment was made at the request of the Company's Directors by the Qualifying Floating Charge Holder under the provisions of Paragraph 14 of Schedule B1 to the Insolvency Act 1986. Pursuant to its lending agreement with STB, the Company was in default of its banking covenants.

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

No direct consultations took place with other creditors given all potential outcomes resulted in no return for unsecured creditors and only a limited return for preferential creditors.

The transaction

As previously stated, the sale was completed on 29 September 2023, shortly following the Company entering Administration. Further details of the transaction are given below.

The purchaser and related parties

The purchaser is AHK Designs Limited and is not connected to the Company.

We are not aware of any directors, former directors or associates of the Company who are involved in the financing, ownership, or management of AHK. AHK has, however, advised that it will employ the Company's directors by virtue of TUPE.

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

The assets sold

The assets sold comprise the following:

Description of asset	Purchase consideration (£)
Business IPR including the trading name and web site domain name	6,300,000
Stock	1,449,996
Equipment	50,000
Work in Progress (WIP)	1
Contracts	1
Customer Lists	1
Seller's Records	1
Total	7,800,000

Sale consideration

As previously stated, the sale consideration was £7.8 million, with £6.5 million paid at completion and £1.3 million being deferred for a period of six months. The deferred consideration, as well as all other obligations of AHK under the sale agreement have been guaranteed by a related group entity, which is under the same common control as AHK.

The consideration has been apportioned as follows:

Category of asset	Allocated to fixed charge realisations (£)	Allocated to floating charge realisations (£)	Total (£)
Business IPR including the trading name and web site domain name	6,300,000	-	6,300,000
Stock	-	1,449,996	1,449,996
Equipment	-	50,000	50,000
Work in progress (WIP)	-	1	1
Contracts	-	1	1
Customer lists	-	1	1
Seller's records	-	1	1
Total	6,300,000	1,500,000	7,800,000

The consideration was allocated between the fixed and floating charges on the following basis:

- ▶ Equipment – based upon the advice received from Hilco (as detailed above);
- ▶ Stock – based upon (i) offers which specified the consideration applicable to the stock; (ii) the prospect of these offers being acceptable to the secured creditors; (iii) the execution risk associated with these offers and (iv) the estimated realisations under a wind-down scenario (estimates of realisations from a wind-down scenario, before Administrator costs ranged from negative £0.2m to £1.0m); and
- ▶ Business IPR including the trading name and web site domain name – the balance of the consideration.

Significant assets not included in the sale agreement

The Company's debtors, cash, and cash in transit were excluded from the sale. These assets and the strategy for realisation are discussed in more detail in the Joint Administrators Statement of Proposals.

The Role of the Administrators and the Statutory purpose of Administration

When the Company entered Administration on 29 September 2023, our role changed. In the period from 14 September, when EY was engaged by the Company and STB, up to the date of Administration, our role was to carry out the work which we have described earlier in this letter, leading up to a pre-pack sale of the business.

When the Company entered Administration, we became responsible for executing the sale and for managing the affairs, business, and property of the Company in accordance with the statutory objectives of Administration. We are also responsible for preparing proposals for achieving the 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).
- c) To realise property in order to make a distribution to one or more secured or preferential creditors.

It was not possible to pursue objective a) without a solvent offer for the business or alternative funding being made available. Neither were forthcoming.

Consequently, objective b) is being pursued. The pre-pack sale of the Company's business and certain assets provides 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).

Joint Administrators' Statement of Proposals and remuneration

In accordance with paragraph 49(5) of schedule B1 to the Insolvency Act 1986, the Joint Administrators have prepared their Statement of Proposals which are available for viewing at https://www.ey.com/en_uk/victoria-plum-limited.

We have also set out our proposals for remuneration and will seek approval for the basis of our remuneration. 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>, 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 until this is provided, the full financial position is not yet known.

Should you wish to submit a claim in the Administration, please complete the proof of debt form available from https://www.ey.com/en_uk/victoria-plum-limited and send by email to VPAdministration@uk.ey.com, with supporting documentation. Please note that, at this stage, we do not anticipate any distribution to unsecured creditors.

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 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 in 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 us at VPAdministration@uk.ey.com.

Yours faithfully
for the Company



S J Woodward
Joint Administrator

Enc Notice of Joint Administrators' Appointment

S J Woodward is licensed in the United Kingdom to act as an insolvency practitioner by the Institute of Chartered Accountants in England and Wales and T 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 are being managed by the Joint Administrators, S J Woodward and T 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

Victoria Plum Limited (In Administration) ('the Company')

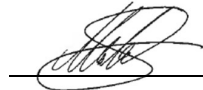
Name of Court	High Court of Justice, Business and Property Courts of England and Wales, Insolvency and Companies List (ChD)
Court reference number	CR-2023-005464
Company registered number:	04177694
Nature of business	Other retail sale of new goods in specialised stores (not commercial art galleries and opticians)
Registered office of Company	Ernst & Young LLP 1 Bridgewater Place Water Lane Leeds LS11 5QR Formerly: Unit 2 First Point Business Park Water Vole Way Doncaster DN4 5JP
Principal trading address (if different from above)	N/A
Any other name under which the Company was registered in the previous 12 months	None
Any other name(s) or style(s) under which the Company carried on business or incurred debts	VictoriaPlum.com
Date of appointment of Joint Administrators	29 September 2023
Names and addresses of Joint Administrators	Samuel James Woodward Ernst & Young LLP 2 St. Peter's Square Manchester M2 3EY Timothy Graham Vance Ernst & Young LLP 1 Bridgewater Place Water Lane Leeds LS11 5QR
Joint Administrators IP Nos	12030 / 26710

Contact: VAdministration@uk.ey.com
Name of alternative person to contact with enquiries about the case: Oliver Francis

Notice to all creditors

On 29 September 2023 the Company entered Administration and Samuel James Woodward and Timothy Graham Vance were appointed as Joint Administrators. The appointment was made at the request of the Company's Directors by the Qualifying Floating Charge Holder under the provisions of Paragraph 14 of Schedule B1 to the Insolvency Act 1986.

Signed



Date 2 October 2023

S J Woodward is licensed in the United Kingdom to act as an insolvency practitioner by the Institute of Chartered Accountants in England and Wales and T G Vance is licensed in the United Kingdom to act as an insolvency practitioner by The Institute of Chartered Accountants of Scotland.

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