



To all known creditors

11 April 2019

Our ref: RC/BV/BB/Dudson/SIP16/11042019

Dear Sirs

Dudson Limited (“DL”) and Dudson (Holdings) Limited (“DHL”) – both in administration (“the Companies”)

Why you’ve received this letter

The Companies’ records show that you may be owed money by one or both of the Companies. So, I’m writing to tell you that, as shown on the enclosed notice, Matthew Hammond and I were appointed joint administrators of the Companies on 4 April 2019. We will manage the Companies’ affairs, business and property as agents of the Companies and without personal liability.

I’m also writing to tell you about the strategic sale of specific parts of the Companies’ assets.

The purpose of administration

The statutory purpose of an administration is to achieve one of these objectives:

- (a) rescuing the Company as a going concern, or if that is not possible or if (b) would achieve a better result for the creditors than (a)
- (b) achieving 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 finally, if that isn’t possible
- (c) realising the Company’s assets to make a distribution to secured or preferential creditors.

In this case, we are pursuing objective (b) in the case of DL and (c) in the case of DHL. It wasn’t possible to rescue either Company as a going concern.

Sale of part of the business

On 4 April 2019, specific assets of DL and DHL were sold to Churchill China plc and Churchill China (UK) Limited (together, “Churchill China”). Details of the sale are in the appendix.

The sale enables the statutory purpose of the administrations to be achieved and was the best available outcome for creditors as a whole in all the circumstances. We ran an extensive market sales process on an accelerated basis over a 4 week period. At the end of the sales process, the only deliverable offer was for a strategic sale of certain plant and machinery and the brand to Churchill China.

In the immediate period we will be facilitating the removal of the purchased assets from the factory, at the cost of Churchill China. During this period, we will be continuing to trade the business in a very limited capacity, as we look to run down the existing stock. We will look to fulfil customer orders by retaining a scaled down workforce to help convert “biscuit” (unfinished product) into finished goods in order to realise maximum value.

PricewaterhouseCoopers LLP, Central Square, 29 Wellington Street, Leeds, LS1 4DL
T: +44 (0) 1132 894 000, F: +44 (0) 1132 894 460, www.pwc.co.uk

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.

What you're owed

Creditors of the Companies should complete the appropriate proof of debt form which can be found online at www.pwc.co.uk/dudson and return it to The Joint Administrators of Dudson (Holdings) Limited or Dudson Limited, as appropriate, at c/o PricewaterhouseCoopers LLP, Level 8 Central Square, 29 Wellington Street, Leeds, LS1 4DL.

If your claim includes VAT, you may be able to obtain VAT bad debt relief six months after your supply. Your local VAT office can help you with this.

How we report to creditors

Our proposals setting out how we intend to achieve the purpose of administration for both Companies are available online at www.pwc.co.uk/dudson.

Your rights as creditors

Our appointment means that you can't start or continue legal action, enforce security or repossess any goods held by either Company unless we agree or the court allows it.

You can find information on administrators' fees and your rights at:

<https://www.icaew.com/-/media/corporate/files/technical/insolvency/creditors-guides/2017/administration-creditor-fee-guide-6-april-2017.ashx?la=en>

Please contact dudson.enquiries@uk.pwc.com if you'd like a paper copy free of charge or have any questions.

Finally, you also have the right to opt out of receiving further documents relating to these proceedings. Please see the attached sheet "Information provided to creditors on opting out in accordance with Rule 1.39" for full details.

The right to opt out only applies to documents required by the Insolvency Act 1986 or the Insolvency (England and Wales) Rules 2016 to be delivered to creditors generally or to a particular class of creditors. It does not apply to documents or correspondence sent to people in a capacity other than as creditor (e.g. as an employee) or to correspondence sent to individual creditors.

Any formal opt out request should be sent to us at the address listed above or by e-mail to: creditorenquiries@uk.pwc.com.

Directors' conduct

One of our duties is to look at the actions of anybody who has been a director of either of the Companies in the three years before our appointment. We also have to decide whether any action should be taken against anyone to recover or contribute to either of the Companies' assets. If you think there is something we should know about, please complete the relevant section of the attached claim form or write to me at this address. This is part of our normal work and doesn't necessarily imply any criticism of the directors' actions.

PricewaterhouseCoopers LLP, Central Square, 29 Wellington Street, Leeds, LS1 4DL
T: +44 (0) 1132 894 000, F: +44 (0) 1132 894 460, www.pwc.co.uk

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.

Yours faithfully
For and on behalf of the Companies


Ross Connock
Joint administrator

Enclosure: Our report to creditors on the sale of assets

Ross Connock and Matthew Hammond have been appointed as joint administrators of Dudson Limited and Dudson (Holdings) Limited to manage their affairs, business and property as their agents and act without personal liability. They are licensed in the United Kingdom to act as an insolvency practitioner by the Institute of Chartered Accountants in England and Wales.

*The joint administrators are bound by the Insolvency Code of Ethics which can be found at:
<https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics>.*

The joint administrators may act as controllers of personal data as defined by UK data protection law depending upon the specific processing activities undertaken. PricewaterhouseCoopers LLP may act as a processor on the instructions of the joint administrators. Personal data will be kept secure and processed only for matters relating to the joint administrators' appointment. Further details are available in the privacy statement on the PwC.co.uk website or by contacting the joint administrators.

PricewaterhouseCoopers LLP, Central Square, 29 Wellington Street, Leeds, LS1 4DL
T: +44 (0) 1132 894 000, F: +44 (0) 1132 894 460, www.pwc.co.uk

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.

Our report to creditors on the sale of assets

Information regarding the sale of specific assets of Dudson Limited and Dudson (Holdings) Limited (“the Companies”) on 4 April 2019 as required by Statement of Insolvency Practice No.16.

The purpose of Statements of Insolvency Practice (SIPs) is to promote and maintain high standards by setting out required practice and harmonising the approach of Insolvency Practitioners to particular aspects of insolvency work.

SIP 16 relates to situations where the sale of all or part of a company’s business or assets is negotiated with a purchaser prior to the appointment of an administrator and the administrator effects the sale immediately on, or shortly after, appointment. This is sometimes referred to as a “pre-packaged sale”.

A copy of SIP 16 can be found at the link below:

<https://www.icaew.com/-/media/corporate/files/technical/insolvency/regulations-and-standards/sips/england/sip-16-e-and-w-pre-packaged-sales-in-administrations-2015.ashx>

<p>Background</p>	<p>Dudson Limited (“DL”) trading as Dudson, is the UK trading entity for the Dudson group (“the Group”). Dudson (Holdings) Limited (“DHL”) is the parent company of the Group, which also includes a trading subsidiary in the USA and non-trading subsidiaries in Canada, France and Spain. The Group began its operations in 1800 and over the years achieved a global reputation for providing the highest quality tableware to the hospitality industry with a distinctive design signature.</p> <p>The Group operated a fully integrated manufacturing process and supplied products to Europe, North America and Australian markets. It employed c.390 employees in Stoke-on-Trent area, with a branch in Australia.</p> <p>In the second half of 2018, the Group started experiencing significant cash flow pressures as a result of a deterioration in sales, increased costs in relation to a sales turnaround plan and contributions to a long standing pension scheme deficit. A combination of these issues led to concerns being raised by the board of directors around the future funding and viability of the business.</p> <p>As such a decision was made to pursue an orderly but accelerated sale to a third party, to ensure the best outcome to the Companies’ creditors.</p> <p>An overview of the sale process undertaken and outcome of is summarised as follows:</p> <ul style="list-style-type: none">- The potential sale of the business was discussed with a total of 13 parties, eight of which signed a non-disclosure agreement to receive further information.- three parties ultimately made an offer for all or part of the business.<ul style="list-style-type: none">o one offer was initially for the shares of the business as a ‘going concern’, however, after further due diligence this offer was subsequently changed to an offer for specific intellectual property and plant and machinery only.o two offers were on an insolvent basis, taking the business in the form of a pre-packaged sale. However, one was subsequently
-------------------	--

	<p>withdrawn, and the other wasn't considered to be deliverable due to the need to transact quickly.</p> <ul style="list-style-type: none"> - None of the offers were for values that delivered a solvent outcome. As such neither of the Companies would be able to repay its creditors in full and therefore avoid entering an insolvency process. <p>Due to concerns about the need to transact quickly due to the critical cashflow position of the business, together with the deliverability and ability to proceed with two of the offers within the constraints on the business, it was determined that the only deliverable offer that would provide the best outcome for the Companies' creditors as a whole would be to progress with a sale of specific assets to Churchill China combined with a realisation of the remaining assets by the administrators.</p>
<p>The administrators' initial introduction</p>	<p>The Joint Administrators were originally introduced to the Group by Derek Max Dudson to review its historic and projected financial performance and to provide commercial advice about potential options available to the Group.</p>
<p>The extent of the administrators' involvement before the appointment</p>	<p>The work referenced in the administrators' initial introduction section commenced on 31 December 2018.</p> <p>Following this work in March 2019 a team from PwC was engaged by DHL to support the directors with an accelerated sale of the business process, which included the identification of (and approach to) potential investors and/or buyers for the business.</p> <p>The work undertaken by PwC included:</p> <p>Phase 1 (from 31 December 2018): Review of the current position of the business and analysis of its future options.</p> <p>Phase 2 (from 12 February 2019): Building on the knowledge gained from Phase 1 to explore the Group's options in more detail and provide assistance to the Group in relation to the options considered in Phase 1. Review of the FY20 cashflow forecast and guidance around the creation of a financial due diligence pack.</p> <p>Phase 3 (from 5 March 2019): Commencement of the accelerated sale of the business.</p> <p>Prior to the administrators' appointment, advice was provided to the Companies. Advice was not provided to the directors personally, nor to the eventual purchaser.</p> <p>After careful consideration, we concluded that the above work provided no threats to the fundamental principles set out in the ICAEW's Code of Ethics for Insolvency Practitioners and therefore we weren't precluded from acting as administrators of the Companies. In particular, none of our work related to the causes of the Companies' financial issues.</p> <p>As we confirm later, the party with the primary financial interest in the progress and outcome of both administrations is the secured creditor of the Companies, which consented to our appointment.</p>

<p>Alternative options considered by the directors before formal insolvency and by the administrators on their appointment and during the administration and the possible outcome(s) of the alternative options</p>	<p>The alternative options which were considered were:</p> <p>Solvent sale: Whilst this was our preferred option the sales process confirmed that there were no interested parties willing to consider acquiring the business as a going concern outside of an insolvent sales process.</p> <p>Sale of the business and assets as a whole: As noted in the background section above, whilst we initially received two offers for an insolvent pre-packaged sale of the business, one was subsequently withdrawn and the other wasn't deemed deliverable due to the need to transact quickly as a result of the critical cashflow position of the business.</p> <p>Trading administration: We considered whether trading the business in administration would generate a better result for creditors than the partial pre-packaged sale. The possible benefits of continuing to trade the business in administration would have been to realise potential value from trading out stock through current customers and/or to achieve a sale of the business and assets at a higher value than was otherwise being offered. This was not considered appropriate because of:</p> <ul style="list-style-type: none"> - significant uncertainty around the potential to realise additional value for the creditors, given that the market had already been tested - there was no evidence from the marketing activities, explained below, that an additional period of time for marketing would have identified a better offer, or improved the outcome for creditors over what has been achieved; - the forecast potential significant trading loss would have impacted the return to creditors; - the additional professional costs involved in a trading administration; - the material health and safety risks associated with trading a business of this nature, in particular under funding constraints; and - a limitation of customer orders to fulfil. <p>Immediate closure of the business: An immediate closure of the business was considered likely to produce the worst outcome for creditors as:</p> <ul style="list-style-type: none"> - all assets would have been sold at ex-situ values, as opposed to the enhanced value from the assets already sold; and - in particular, an immediate closure was expected to result in lower debtor and stock realisations, compared to what could be achieved in any kind of trading period. <p>All of these factors pointed to a sale of specific assets combined with a realisation of the remaining assets by the administrators would provide a more beneficial outcome to the Companies' creditors as a whole.</p>
<p>Why it was not appropriate to trade the business and offer it for sale as a going concern during the administration</p>	<p>The reasons why trading was not considered possible are noted in the section immediately above.</p>

<p>Whether efforts were made to consult major or representative creditors</p>	<p>We consulted with the secured creditors who consented to the appointment of the administrators and agreed to the sale of the assets.</p> <p>Due to the expected economic interest falling with one of the secured creditors and the sensitive nature of the sale discussions and short term cash flow pressures, we were unable to hold further discussions with other classes of creditors in advance of the appointment, in the interest of securing the best overall outcome.</p> <p>We also consulted with Business Growth Fund (“BGF”) representative who sits on the board of directors, and who was involved with the entire process. In addition we have also been in communication with the Pension Protection Fund to make them aware of the situation.</p>
<p>Requests made to potential funders to fund working capital requirements</p>	<p>Prior to the accelerated sales process we had detailed conversations with twelve investment parties (the majority within the private equity sector and also high net worth individuals) to seek additional funding for the business, however, they were unable to provide sufficient funding on agreeable terms to satisfy the Group’s requirements. Additionally, we approached shareholders for further funding, however, this was not a viable option.</p> <p>We have also been in continued dialogue with Shawbrook Bank over further funding of the business. However, they were unable to commit to additional funding given the position of the business.</p> <p>These conversations were held throughout February – March 2019.</p>
<p>Details of registered charges with dates of creation</p>	<p>Charge holder: Shawbrook Bank Limited</p> <p>Type of charge: A fixed charge over Group’s assets and a floating charge debenture.</p> <p>Assets charged: Any Group land, property, machinery, stock and debtors.</p> <p>Date of creation: 3 May 2018</p> <p>Charge holder: Lloyds Bank plc</p> <p>Type of charge: A fixed charge over Group’s assets and a floating charge debenture.</p> <p>Assets charged: Any Group land, property, machinery, stock and debtors.</p> <p>Date of creation: 22 June 2011</p>
<p>Whether or not the business or business assets have been acquired from an insolvency practitioner within the previous two years</p>	<p>No</p>

<p>Marketing activities conducted by the Company and / or administrators</p>	<p>Marketing activities undertaken</p> <p>The directors and PwC contacted 12 parties to explore a sale of the business. These parties were identified through:</p> <ul style="list-style-type: none"> - The directors' knowledge of the industry; and - Internal PwC knowledge regarding potential buyers for the business. <p>The directors and PwC issued eight non-disclosure agreements (“NDAs”) to interested parties, enabling them to receive further information on the business and facilitate discussions around a potential transaction.</p> <p>The acquisition opportunity was not formally advertised because:</p> <ul style="list-style-type: none"> - a number of interested parties had been identified by other means; - the parties identified included those likely to have an interest in the Companies and able to transact quickly due to the critical cashflow position of the business; and - there was a risk that wider advertising would accelerate the erosion of value. <p>Outcome</p> <p>All eight NDAs were returned leading to the provision of further information to those parties. A total of three offers were received for different elements of the business.</p> <p>Whilst one offer was initially for the shares of the business as a ‘going concern,’ after further due diligence this offer was subsequently changed to an offer for specific intellectual property and plant and machinery only.</p> <p>The other two offers were on an insolvent basis, taking the business in the form of a pre-packaged sale.</p> <p>All three offers were compared to one another and ranked in accordance with the respective value propositions, a best case/worst case creditor outcome analysis and timing/transaction risks. However, only one offer from the three received was at an acceptable level and deliverable in the timeframe.</p>
<p>Valuer's details</p>	<p>Plant and Machinery</p> <p>Company: SIA Group Date: March 2018</p>
<p>Valuations of the business or the underlying assets</p>	<p>Churchill China's offer covers the brand and intellectual property (owned by DHL) and certain items of plant and machinery and intellectual property (owned by DL).</p> <p>The sales process has given us comfort that the offer provides the best price for the brand, which has not been subject to a valuation.</p> <p>DL had an existing valuation for plant and machinery, performed by SIA in March 2018. The assets were valued at £317,200 on an ex-situ basis, with assets sold as individual items within 120 days. The offer for the plant and machinery from Churchill China is at a premium comparing the offer to this valuation.</p> <p>Whilst the valuation was performed over a year ago, we made contact with SIA to confirm that there were no material changes to their valuation, which</p>

	<p>they confirmed. Accordingly, the valuation has been relied upon both due to SIA's confirmation, and also the nature of the ageing machinery that was valued. Also, considering the timeframe available and the cost of re-engaging SIA/an alternative agent, it was deemed not appropriate.</p> <p>The Administrators will deal with the realisation of the Companies' remaining plant and machinery, property and collection of its debtors excluded from the sale as part of the administration.</p>
The date of the transaction	4 April 2019
The identity of the purchaser(s)	Churchill China plc and Churchill China (UK) Limited
Any connection between the purchaser(s) and the directors, shareholders or secured creditors of the Company or their associates	The acquiring entities were not connected with any of the current directors and shareholders of the Companies or the secured creditors.
The names of any directors, or former directors (or their associates), of the company who are involved in the management, financing, or ownership of the purchasing entity, or of any other entity into which any of the assets are transferred	None
Whether the directors had given guarantees to a prior financier	No
Whether the transaction impacts on more than one related company	<p>Both DHL and DL hold assets that are subject to the transaction. The plant and machinery is owned by DL and the intellectual property is held by DHL and DL.</p> <p>The following Group companies not subject to an insolvency process were also included in the transaction:</p> <ul style="list-style-type: none"> • Dudson USA inc. : £1 for the 'dudson.com' website domain name • Dudson Armorlite Limited : £1 for intangible intellectual property • Dudson Duraline Limited : £1 for intangible intellectual property

<p>Details of the assets involved and the nature of the transaction</p>	<p>Assets included in the transaction:</p> <ul style="list-style-type: none"> - Specific plant and machinery (c. 30 items including a kiln and glazing/decorating modules) relating to the Evolution/Evo and Harvest Dudson product lines - Tangible IP relating to the above, including tooling models/cases/blocks/moulds used in the manufacturing process - All trademarks owned by DHL and DL which includes the Dudson brand - Trademarks owned by Dudson Duraline Limited and Dudson Armorlite Limited, which include Duraline, Armorlite and Ultraline, purchased from those entities that are not subject to an insolvency process at this time <p>All other assets are excluded.</p>
<p>The consideration for the transaction, terms of payment, and any condition of the contract that could materially affect the consideration</p>	<p>Amount of consideration</p> <p>The amount of consideration paid by Churchill China is £2.1m. Churchill China plc paid £1.5m to DHL for trademarks and intellectual property. Churchill China (UK) Limited paid £600k to DL for tangible and intangible intellectual property and plant and machinery aligned to the Harvest and Evolution product lines, as detailed above</p> <p>Date paid</p> <p>The consideration was paid into the client account of the administrators' solicitors, Harrison Clark Rickerbys, on 4 April 2019. Arrangements have been made to transfer these funds to the relevant Company's post administration bank account.</p>
<p>Any options, buy-back arrangements, deferred consideration or similar conditions attached to the transaction</p>	<p>None</p>
<p>If the sale is part of a wider transaction, a description of the other aspects of the transaction.</p>	<p>Not applicable</p>
<p>Connected party transactions</p>	<p>Not applicable</p>

The sale and the purpose of administration

Following their appointment, administrators must perform their functions with the objective of achieving the statutory purpose of the administrations.

The statutory purpose of administration is to achieve one of these objectives:

- (a) rescuing the Companies as a going concern, or if that is not possible or if (b) would achieve a better result for the creditors than (a)
- (b) achieving a better result for the Companies' creditors as a whole than would be likely if the Company were wound up (without first being in administration), or finally, if that is not possible
- (c) realising the Companies' assets to pay a dividend to secured or preferential creditors.

In general, administrators must perform their functions in the interests of the creditors of the company as a whole.

In this case, the joint administrators are pursuing objective (c) in respect of DHL and objective (b) in respect of DL as it was not possible to rescue either of the Companies as a going concern.

We confirm that the sale enables the statutory purpose for both Companies to be achieved, and that given the circumstances the outcome was the best available for creditors as a whole.