Conviviality Plc

Annual Report and Accounts | 2017

Company Registration number. 05592636

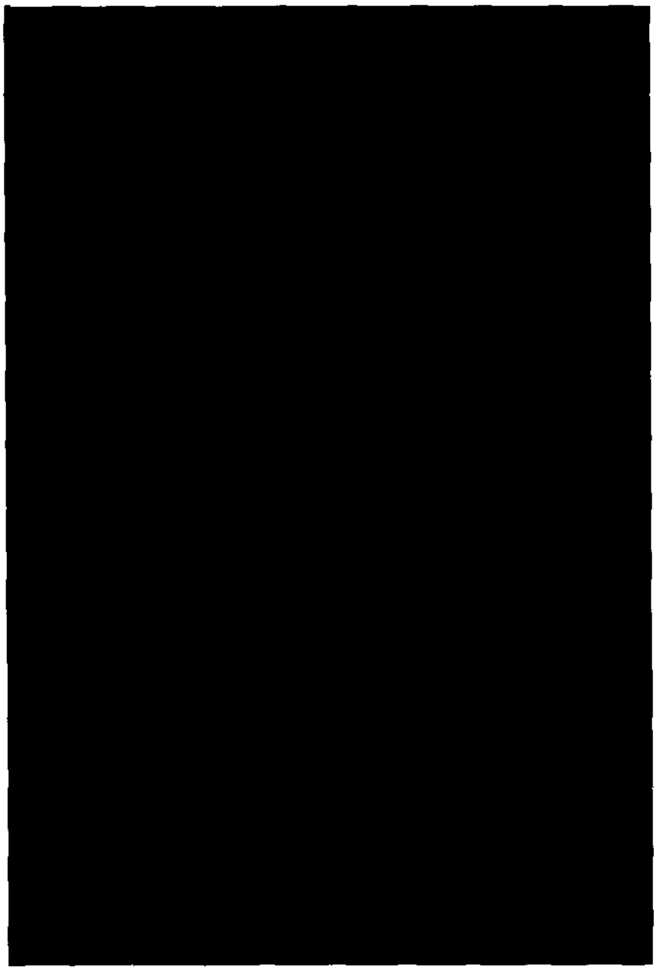
Conviviality is a company where the whole is greater than the sum of the parts and that has firm foundations in place from which to grow.

Conviviality has fundamentally restructured and reconfigured the Group building on our unique strength, expertise and reach in the UK drinks market to be the drinks and impulse products sector's leading specialist wholesaler and distributor to the On and Off Trade by being the most knowledgeable and inspiring partner for our customers.

Strategic Report

Corporate Governance

Financial Statements



Operational highlights

Revenues nearly doubled to £1,560m and profits doubled to £60.9m

Buying Synergies for FY17 achieved to plan

Acquired the Bibendum PLB Group on 20 May 2016, which is performing in line with our expectations

Combined Integration plan ahead of expectations for both Matthew Clark and Bibendum PLB Group

New team and organisational structure in place and working well

Conviviality Retail, Conviviality Direct and Conviviality Trading have all traded strongly with revenues of £378m, £1,040m and £146m respectively and are in line with expectations

Retail LFL's continue to improve to (1.0%)

23 Franchisees have grown their portfolios during the period

Financial highlights

Revenue[1]

£1,560m

Increase of 85% from 2016

Adjusted EBITDA[2]

£60.9m

Increase of 102% from 2016

Profit before tax

£22.5m

Increase of 147% from 2016

Diluted EPS

10.4p

Increase of 136% from 2016

Adjusted diluted EPS[3]

21.0p

Increase of 48% from 2016

Conviviality is unique in our sector. We provide for our customers, access to over 14,000 alcohol SKUs and 6,400 impulse, food and tobacco SKUs. We serve c.25,000 outlets in the On Trade, over 700 retail stores trading under the propositions of Bargain Booze, Select Convenience and Wine Rack, over 400 independent specialists and are a supplier to the supermarket multiples.

Alternative performance measures

Chairman's Statement

The culture we have created in the business and the structures that we operate give us huge confidence for our future

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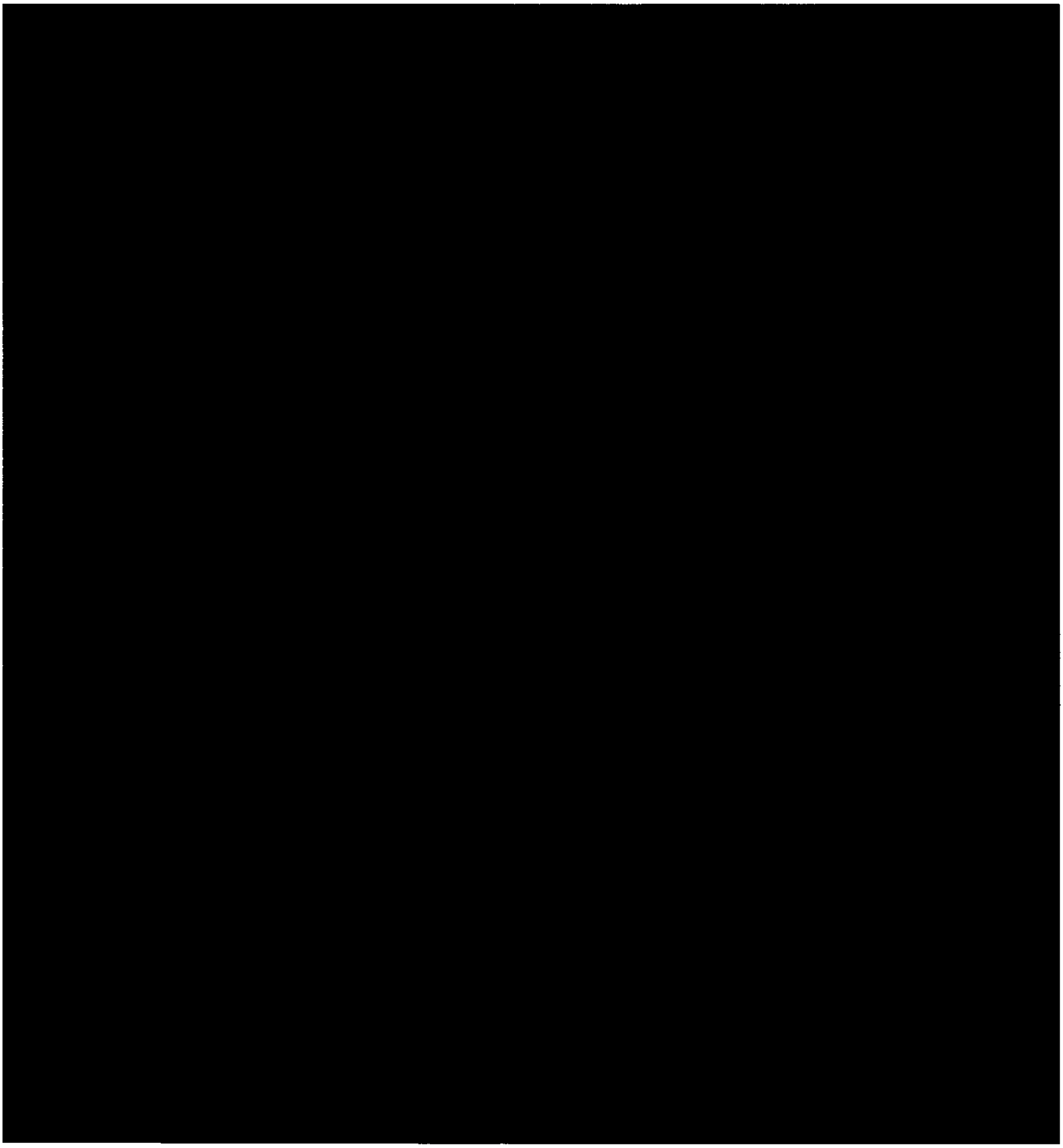
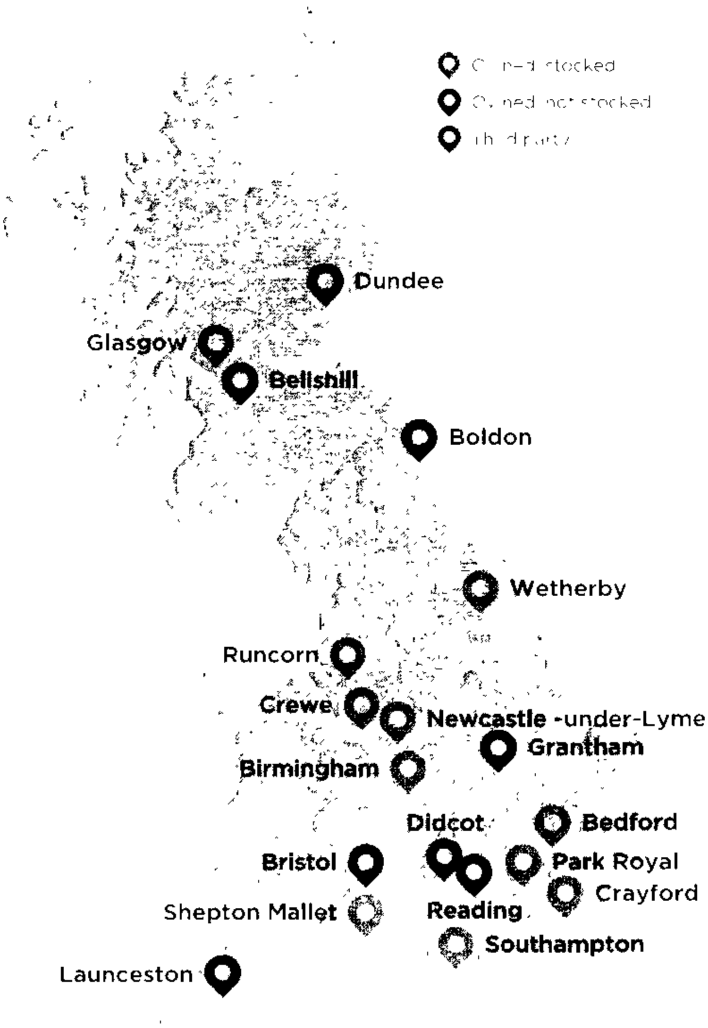
David Adams



Conviviality at a glance

Conviviality aims to support our customers to achieve profitable growth by providing expertise and insight into the UK Drinks market, helping customers to tailor ranges to meet local and national needs. In turn we provide our suppliers with the opportunity to marry their ranges with the right customers, thereby providing distribution and reach to build brands nationwide.



Conviviality Retail

The UK's largest franchised off-licence and convenience chain with 352 Franchisees and more than 700 retail stores trading primarily under the fascia of Bargain Booze, Select Convenience and Wine Rack.

Conviviality Direct

The UK's largest independent wholesaler to the On Trade, serving c.25,000 outlets from national prestige hotel chains to independent food led pubs and restaurants, trading through two businesses - Matthew Clark and Bibendum.

Conviviality Trading

A full service drinks brand and wine agency business with national sales and activation capability from traditional On and Off Trade retail to festivals and events. New products and brands can be developed both with our partner suppliers and also directly by our own teams as we see opportunities emerge across the market.

The UK alcohol market today is worth £40 billion and Conviviality is responsible for around £1 in every £12 of industry sales (8%), from a product portfolio ranging from a 35p bottle of soft drink to a £15,000 bottle of fine wine. Conviviality works with 980 suppliers and lists 4,902 wines, 5,400 spirits including 450 gins (we additionally have 389 gins in an extended range) and an unrivalled range of 250 premium ales, 4,500 impulse and grocery lines and 1,900 tobacco and vaping lines.

Trading Companies

Bargain Booze

Select Convenience

[redacted]

Matthew Clark

Bibendum

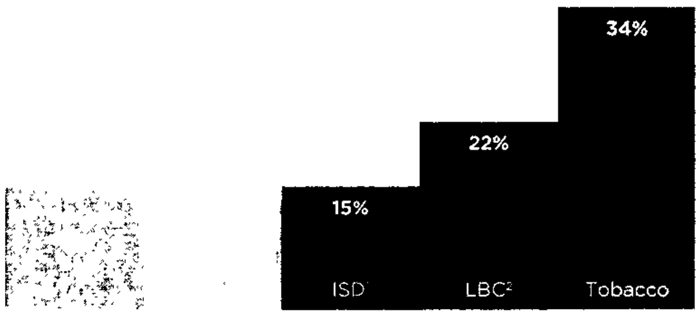
catalyst plb

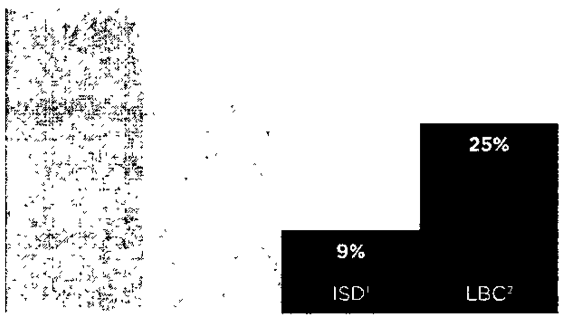
peppermint

W&W Walker & Wodehouse

Walker & Wodehouse is one of only a handful of wine merchants to hold a Royal Warrant

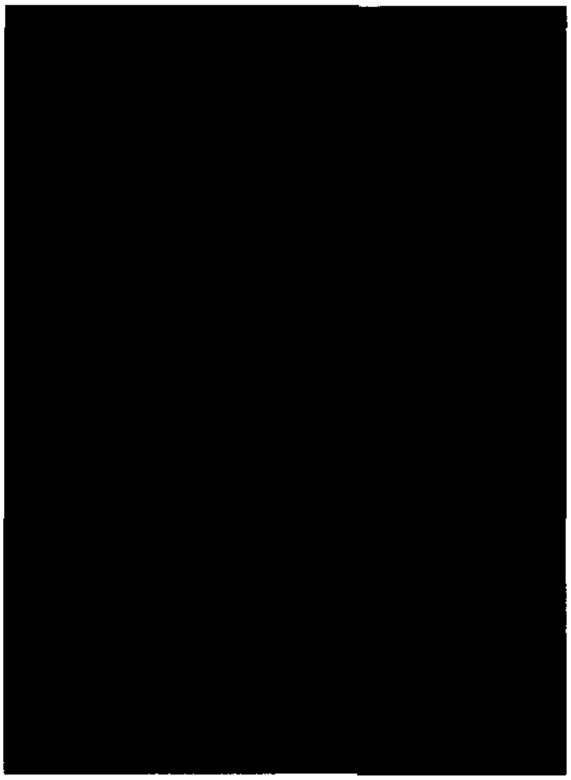
Sales Mix %





1 Impulse products and soft drinks
2 Lager beer and cider
3 Experiential & Events

Chief Executive Officer's statement



Diana Hunter

When Conviviality floated on AIM in July 2013 the business was an alcohol, impulse and tobacco wholesaler serving the UK's largest Franchise off-licence and convenience brand, Bargain Booze, with 616 stores and a turnover of £372m. During the past four years we have systematically pursued the strategy of taking the core competence of the business, the wholesaling of alcohol, and extending Conviviality's reach to more consumers across the UK drinks market whenever and wherever they wish to enjoy our products. We have fundamentally restructured and reconfigured the Group, building on our unique strength, expertise and reach in the UK drinks market. We now have the infrastructure and capability within the Group to drive further potential in both the On Trade and the Off Trade markets, working with our existing suppliers providing customers with more opportunities to drive profitable growth.

Conviviality is unique in our sector. We provide our customers with access to over 14,000 alcohol SKUs, and 6,400 impulse, food and tobacco SKUs. We serve c.25,000 outlets in the On Trade, over 700 retail stores trading under the retail propositions of Bargain Booze, Select Convenience and Wine Rack, over 400 independent specialists and we are supplier to the larger multiples. A key part of our strategy is to deliver a logistics capability that anticipates the future needs of our customers and creates significant differentiation in the market, thereby adding significant value to the organisation. As the retail environment becomes more complex, we can leverage Conviviality's expertise in the alcohol and impulse markets to provide our valued customers with the solutions they need from distribution, to buying, ranging and merchandising and marketing.

As a result of this scale and reach we have unparalleled market access, insight and capabilities to support our suppliers in the development of their brands and to help our customers differentiate from their competition by tailoring their offering to meet their target consumer needs by location, venue and format. Conviviality is independent of any major drinks brands and therefore is able to supply an unrestricted selection of products and provide expertise in key categories to customers who value breadth of range whilst offering a compelling route to market for suppliers to access both the On Trade and Off Trade retailers.

It is this scale and reach that has created even stronger ties with our supplier partners. Increasingly our suppliers are engaging with the full capability of Conviviality from building their brands with our brand agency Catalyst PLB, accessing consumers with Electric and Peppermint in events and experiential marketing, to more effective targeting in the On Trade utilising our data and insight, through to Off Trade execution in our Franchise retail business. A recent example was the exclusive On Trade launch of Bud Light for AB InBev across the Conviviality Group.

This past year has been a transformational year for the service we offer. We will continue to grow by keeping our people, our customers, Franchisees and suppliers at the heart of everything we do.

The successful integration of the three businesses, working as a cohesive unit and the management team's performance continues to deliver consistent results. The new internal structure grouped individual brands and businesses together under three distinct Business Units: Conviviality Direct (wholesaling/distributor to On Trade) led by Mark Aylwin, Conviviality Retail (for Off Trade consumer businesses Bargain Booze, Select Convenience and Wine Rack) led by David Robinson and Conviviality Trading (an innovative and dynamic approach to sourcing, ranging, brand building, merchandising, activation and events) led by James Lousada. Each of the business unit Managing Directors ensures their operation has the best people in the right place to deliver excellent service to customers, and drive collaborations and savings across the Group. The business units are supported by the expertise of the Group functions of Logistics, Finance, Legal, IT and Human Resources.

This past year has therefore, been a transformational year for the service we offer, creating a range of benefits for customers. It is the nature of the On Trade and Off Trade market that our customers are constantly looking for the same thing as their own consumers: great value, new and innovative products, breadth of choice and excellent service. Critically we continue to strive to ensure that our customers see our people regularly whether they are a one site restaurateur, hotelier or a large national account or a Franchisee so that our customers may enjoy the relationships and service support they value from us. All of our businesses were initiated and built on personal relationships. These relationships remain at the heart of how we will continue to do business. Bibendum's first ever On Trade customer was Michelin-starred Odette's in Primrose Hill and it continues to be a valued customer over 30 years on. Matthew Clark has been a partner to JD Wetherspoon's for over 20 years and a distributor of Martell for 198 years. In our Franchise business we have 133 Franchisees who have worked with the group for over 10 years. Our On Trade, Off Trade and franchised customers still expect – and still get – an outstanding portfolio of products, that they can tailor to their own customers' tastes and needs, as well as the support they value to help them develop their own business moving forward.

For each of them, business and growth opportunities can come from a number of sources. It can be from our expanding catalogue of products or markets, for example Matthew Clark's extended spirits range giving customers access to niche and small parcel spirits, or Bibendum's limited release wine collection offering something rare or interesting from suppliers they already value, and equally Franchisees benefit from new and exclusive launches from the Group as well as access to the extensive range of spirits now available to them. It can also be in how we serve them – and where their own vision sees potential. Our experts within Catalyst PLB help introduce customers to the newest and most exciting products in craft and premium spirits, beers and ciders, almost challenging end consumers to experiment, colleagues at Elastic (who reinvigorate brands) and in our events business Peppermint, have unparalleled expertise in bringing new and old products to life. We – and our suppliers – have seen excellent sales growth in a range of products that has been supported by our teams and their combined expertise from across Conviviality.

We will continue to grow by keeping our people, our customers, Franchisees and suppliers at the heart of everything we do. Everyone who works for Conviviality from Glasgow to Southampton and Bristol to Crewe, from shop to depot to office, knows it is critical that we keep finding new ways to improve our customer service and deliver excellence. As we focus our investment in the services customers value, so we will see our online services grow, in the past year the number of customers using our digital platform has increased by 20% year on year.

Chief Executive Officer's statement

Continued

to 4,645, ensuring more accuracy in customer ordering, better ordering history to assist with forecasting and in turn greater efficiency for both our customers and Conviviality. 48% of customers using our digital platform do so daily, indicating increasing engagement with the brand and assortment.

Our commitment to customers can be seen in the accolades they have awarded us. In 2016 Bibendum won the "Compass Supplier Award for Implementation" for the successful execution of a wine culture across the Compass Group and is currently listed as Mitchells & Butlers #1 wine supplier, and in 2017 Matthew Clark was Drinks Supplier of the Year in Restaurant Magazine Reader's Choice Awards for the third year running. More recently Conviviality Retail has been awarded Grocer Gold – Drinks Retailer of the Year for the second consecutive year. Conviviality Trading was recognised by Stonegate for Innovation of the Year with the launch of Gancia Leggero, a skinny Prosecco.

Results

An important aspect of our business model is its flexibility, protecting our earnings through periods of significant change in our organisation and a competitive external environment. We have continued to deliver against our objectives set out at flotation in July 2013 and are pleased to report profits ahead of expectations, during a year where we have significantly transformed our business. For the 52 weeks to 30 April 2017 revenue was up 85% to £1,560m reflecting the benefit of the Bibendum PLB Group acquisition on 20 May 2016; as such, Adjusted EBITDA[1] was up 102% to £60.9m and Adjusted profit before tax[1] up 111% to £45.8m, demonstrating the significant strength of the combined group. Adjusted fully diluted EPS[1] was up 48% to 21.0 pence. The recent acquisitions resulted in an increase of net debt; however, at year end this was £95.7m, which is below consensus expectations. The full year dividend is up 33% to 12.6 pence, in line with our progressive dividend policy and reflecting a strong return to our shareholders.

Outlook

The Company's focus for the near-term is on continuing to deliver against our stated strategy and meet the expectations of our stakeholders, customers, suppliers and our people. The greatest asset from all of our acquisitions has been our people and we continue to work hard to ensure that their skills and talent are utilised to the benefit of our customers and suppliers. Our presence in the market through our different specialist businesses, provides us with unique insight into both our market and consumers from the widest of perspectives. We are already successfully leveraging this insight to ensure that our customers have the right product range and support to help them grow. Furthermore, we are continuing to look at new ways of maintaining our unique position and broadening the ways in which our customers, our supplier partners and the Group can benefit. We are excited by the future potential for growth across the Group as we continue to explore these opportunities.

The new internal organisational structure groups individual brands and businesses together under three distinct business units: Conviviality Direct (wholesaler and distributor to the On Trade); Conviviality Retail (Off Trade consumer businesses Bargain Booze, Select Convenience and Wine Rack); and Conviviality Trading (an innovative and dynamic approach to sourcing, ranging, brand building, merchandising, activation and events). The business units are supported by the expertise of the Group functions of Logistics, Finance, Legal, IT and Human Resources.

Conviviality Plc

Conviviality Direct		Conviviality Retail	Conviviality Trading	
Full Service Drinks Distributor	Wine Focused Distributor	Franchised Retail	Agency Business	Events & Experiential
Matthew Clark	BIBENDUM	Bargain Booze Select Convenience [redacted]	W&W WALKER & WODEHOUSE catalyst plb	peppermint

Chief Executive Officer's statement

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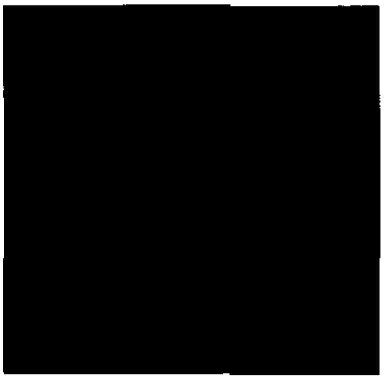


Mark Aylwin
Managing Director, [illegible]

Strategy

Communicating the unique Conviviality Direct proposition clearly to target customers and strategic partners in the on trade

Strengthening the position as a centre of expertise in wine and be at the forefront of range innovation, particularly in World Beers and spirits in the dynamic drinks sector

Leveraging scale and reach to become the most competitive wholesaler in the drinks market

Growing the number of food-led outlets served and the mix of products across each outlet

Growing share in major cities and inner urban areas through a superior service proposition

Developing the tools and capabilities to ensure we provide the most value-adding customer service in the market

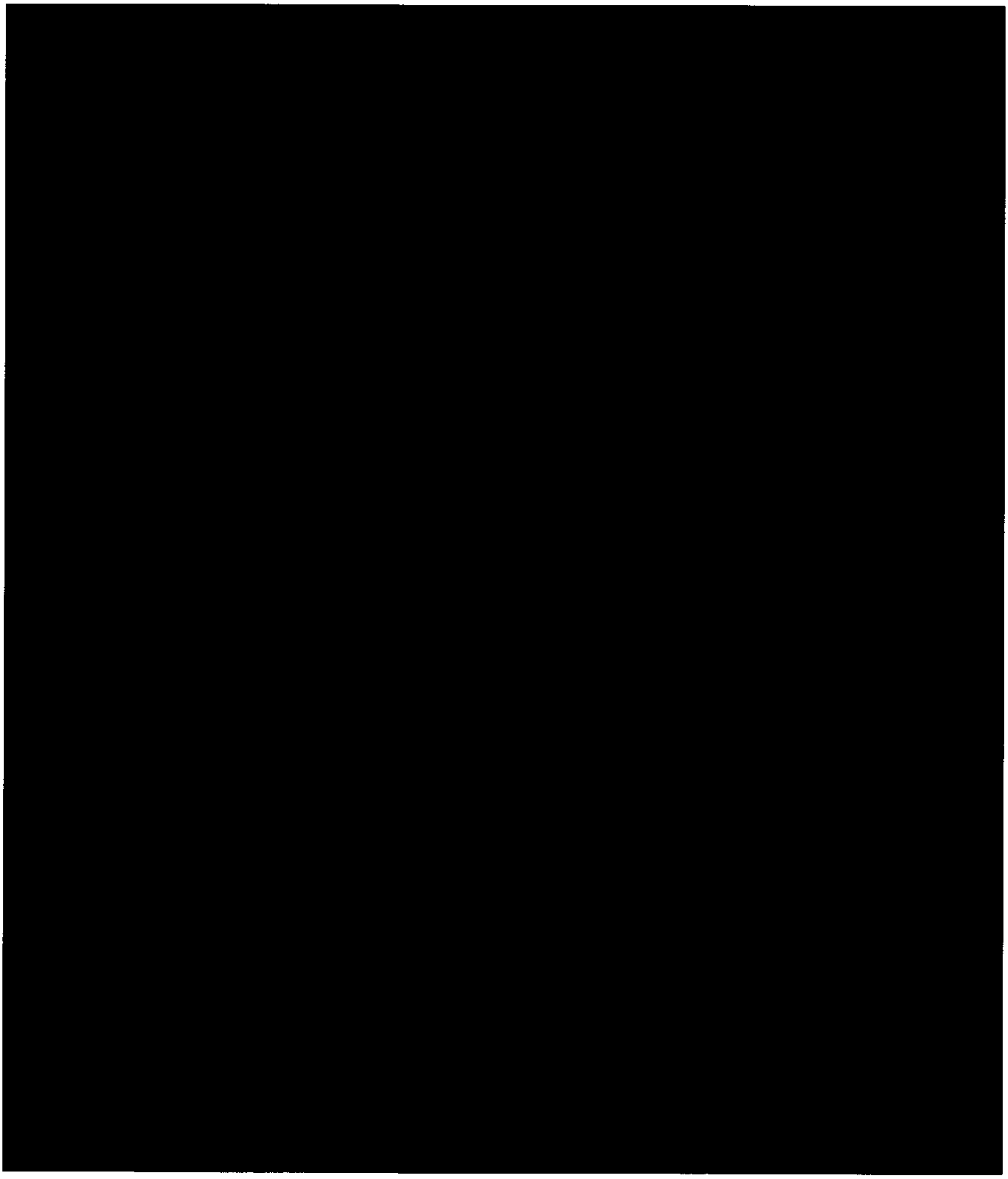
Conviviality Direct

The UK's largest independent wholesaler to the On Trade, serving c.25,000 outlets from national prestige hotel chains to independent food led pubs and restaurants trading through two businesses namely Matthew Clark and Bibendum. Since the acquisition of Bibendum, Conviviality Direct revenues have increased 6.4% to £1,040m (corresponding prior period £978m)¹. To date average sales per outlet have increased 4.8% to £43,700 and we welcomed 235 new customers in the year. The number of Bibendum Wine customers buying all categories has increased from 5% to 12%, a strong indication that our customers value the increased choice and service offering of our model. As an example, during the past year spirits have grown in the Bibendum regional business by 43.7%, and National business by 21% as customers appreciate the wider choice now on offer through Conviviality Direct.

Conviviality Direct affords a range of over 14,000 alcohol lines to over 11,000 customers offering a one-stop solution to hotels, restaurants, bars and venues for their alcohol needs delivering consistent service nationwide next day. Conviviality Direct has a national sales force through the Bibendum and Matthew Clark brands of over 300 employees based across Scotland, England and Wales and London and the South East ensuring excellent service to its Independent Free Trade customers and National Account customers. The sales team have up to date information on industry sales trends, new product information and pricing and are able to recommend the right mix of products to customers to help them optimise their offer to their consumers. Conviviality's nationwide distribution network of 16 depots means customers benefit from a nationwide next day delivery service and timed delivery slots.

A key part of the Conviviality Direct strategy is to focus on growth in key cities, specifically focused on existing customers identifying with the Bibendum and Matthew Clark propositions and their ability to utilise the brands to meet all of their drinks purchasing needs. The Caring Group of restaurants (the Ivy collection, Le Caprice for example), Prezzo and Searcys have all chosen to work with Conviviality Direct to enable them to access the extensive range, service and solutions the Group offers. At the same time as attracting new customers, our existing customers have continued to value a long standing relationship with us. Stonegate has worked with us for 9 years and we continue to enjoy supporting their business and JD Wetherspoons have worked with Matthew Clark from having 8 pubs in their portfolio to over 900 pubs to date.

We continue to work closely with our customers to understand their current and future needs ensuring that we are at the fore front of customer service. Furthermore 770 customers have recognised the opportunity to improve order accuracy and efficiency by moving onto our digital platform. 4,645 customers now engage with the digital platform and order value per customer is 13% higher than customers who place orders via the contact centre.



Chief Executive Officer's statement

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David Robinson
Managing Director, Conviviality Retail

Strategy

Strengthen the relationship with Franchisees and attract new Franchisees to the group

Strengthen the Bargain Booze, Select Convenience and Wine Rack brands

Deliver new core systems, improved capabilities and a efficient model that supports our growth ambition

Build the growth management engine that allows us to effectively and profitably scale the retail estate

Leverage our capabilities into new propositions

Conviviality Retail

The UK's largest franchised off-licence and convenience chain with 352 Franchisees and more than 700 retail stores trading primarily under the fascia of Bargain Booze, Select Convenience and Wine Rack. In line with our programme to focus on the underlying quality of retail stores, we continue to see low levels of store closures to 63 in total which include the closure of small CTN (confectionary tobacco newsagent) stores which no longer serve the Off licence or Convenience proposition. Whilst net store numbers are in line with the prior year the quality of the outlets opening is significantly improved with retail sales per new outlet opening up 29.8% versus last year. Sales of multisite Franchisees outperform the total estate by 2.1% like for like. We saw 39 Franchisees join the Group a strong indication of the benefits of our model to independent business people. Our core model is predicated by Franchisee loyalty and commitment to upholding the values of our brands. This, combined with the high standards that we set, are helping to deliver our differentiated "local customer experience". We have some of the highest levels of loyalty in the sector with the percentage of sales of goods by our Franchisees that are purchased from the Group at 91%. It is also pleasing that Wine Rack continues to perform well and during 2016 we opened one new Wine Rack in Epsom. Like for like performance in Wine Rack is 1.4% reflecting the importance of a specialist Wine and Spirits proposition on the high street.

Conviviality Retail continues to grow a national store estate with a differentiated consumer proposition that responds to consumer needs and market trends. The strategy aims to consolidate Conviviality Retail's position as the UK's leading drinks-led convenience retailer. The business has three fundamental sources of advantage.

Drinks Heritage and Expertise

Approximately 50% of sales are from beer, wine and spirits categories, producing a category mix that is unique in the sector. Conviviality's unrivalled category expertise in the drinks sector allows Franchisees to benefit from a differentiated proposition and from the footfall and margin benefits of a compelling range and assortment. It is this drinks heritage and expertise that underpins and differentiates our three key retail brands. In particular the business will continue to develop the Select Convenience proposition to ensure that it is at the heart of 'local convenience' in the communities in which it trades. Further development of the Vape proposition is being rolled out across the estate and is now in 249 stores. Vape products are margin-enhancing and protect against the decline in tobacco sales. We are already seeing average sales of £220 per store per week and margin benefit to Franchisees of approximately £5,000 per store per year.

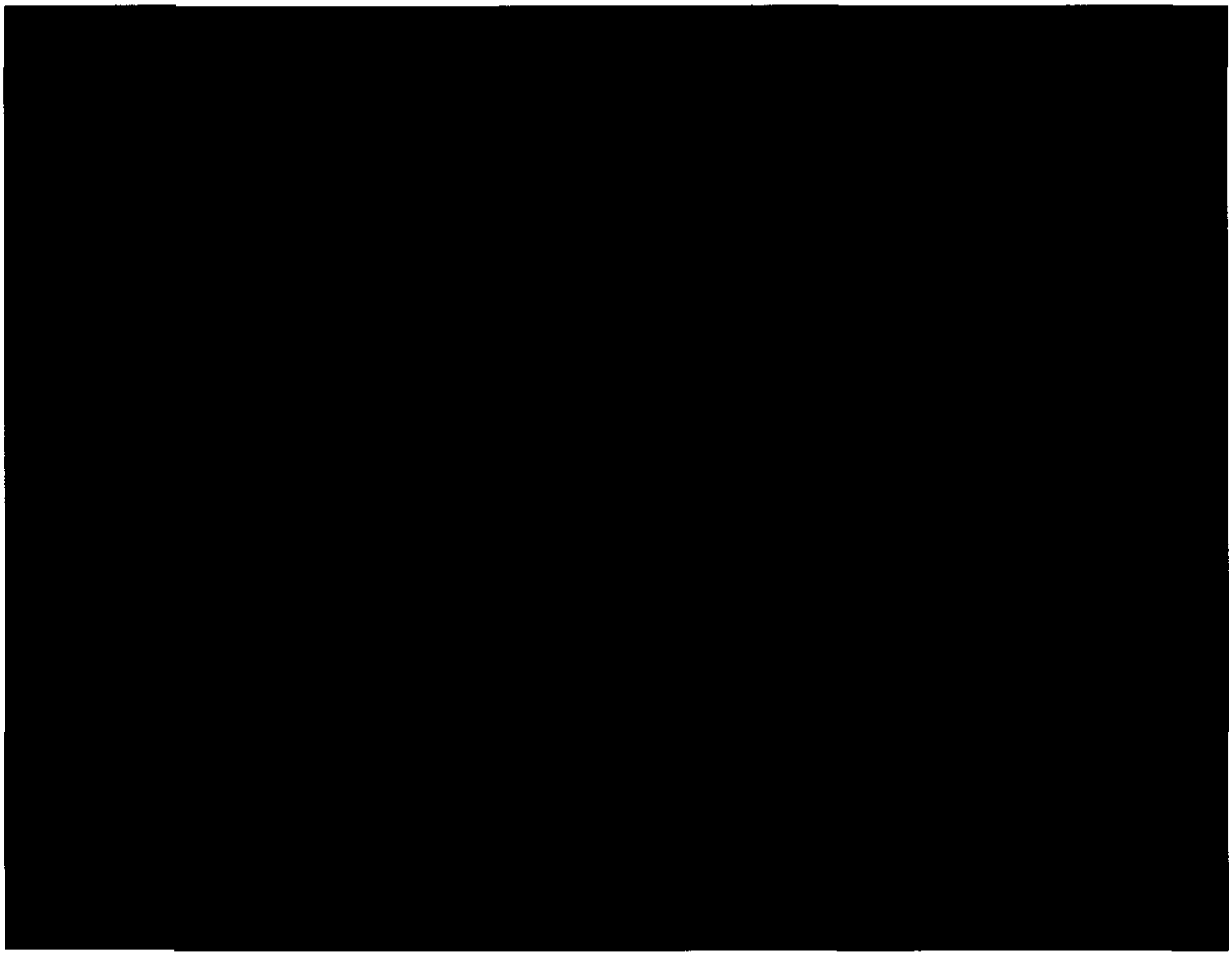
Sourcing and Distribution Scale

As part of the Conviviality Group, the business has significantly benefited from its scale advantages in buying and distribution, whilst remaining a largely standalone business operating out of its own offices with a dedicated and experienced management team. Distribution is managed in-house by the Conviviality Group logistics operation primarily on dedicated branded vehicles, with stores typically choosing to receive two, or sometimes three deliveries per week. Service levels are very high compared to our competitors in the sector with over 99% of deliveries received on time and with complete orders. The transformation of the Conviviality logistics network will allow Conviviality Retail to benefit from the Group's scale through lower delivery costs. Conviviality Retail can leverage its scale position to source advantageously and provide consistent value to Franchisees. Offering good value to consumers through reliable low-pricing and compelling promotions is core to the Bargain Booze model.

Locally Embedded Franchise Model

Conviviality Retail allows independent retailers to deliver superior returns via a simple turn-key solution that leverages strong business fundamentals and a scalable back office the Franchisee proposition is the core of Conviviality Retail's success Franchisees access a distinct drinks-led consumer offer supported by dedicated support managers, regular, and deep engagement at senior level and a reward package that is unique in the sector, including *accessing the Franchisee Incentive Plan under* which shares in Conviviality Plc are awarded based on compliance and performance 285 Franchisees own or hold options over 3m shares in Conviviality Plc The Company's 352 Franchisees are local people, employing local people, and are passionate about their customers and the communities in which they trade Our Franchisees make a real difference in their local communities through a relentless focus on meeting consumer needs and providing a unique customer experience

To reinforce the three fundamental sources of advantage Conviviality Retail has made an investment in upgrading its retail systems The new core operating system (ERP) will be introduced during the Autumn of 2017 and the rollout of new EPOS to all stores is already in progress The new solutions will enable business efficiencies, future-proof the Franchisee proposition, and accelerate the strategic direction to invest in a growing mix of multisite Franchisees



Chief Executive Officer's statement

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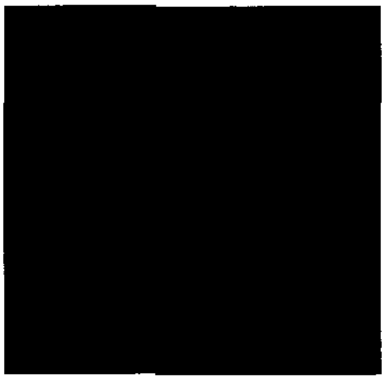

James Lousada
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Strategy

Become the market leader and centre of expertise in *Wine sourcing, ranging,* merchandising and activation providing its key customers with unrivalled service to meet their customer needs by format and location

Develop a one stop service for drinks brands leveraging distribution, sales, agency, marketing and event capabilities

To be at the forefront of range innovation in the dynamic drinks sector

To become recognised as the Suppliers' strategic partner of choice

Conviviality Trading

A full service drinks brand and wine agency business with national sales and activation capability from traditional On and Off Trade retail to festivals and events. New products and brands can be developed both with our partner suppliers and also directly by our own teams as we see trends and opportunities emerge across the market. Within Conviviality Trading, Catalyst PLB brings together PLB, Instil and Catalyst Brands, three specialist brand agency businesses each with significant expertise in their respective categories. The brand agency business enhances the marketing capability and sales reach of the business and gives partner suppliers and brand owners unparalleled market coverage.

In addition, Conviviality Trading is also responsible for the development and growth of new business areas including Peppermint, a specialist in outdoor events and festivals and Elastic, a brand activation agency that provides support and insight to many of Conviviality's branded supply base.

Within Catalyst PLB the team represent over 25 brands across drinks categories in the UK drinks market. This area of the business not only represents large suppliers and brands as a drinks agency but is also a consolidator of wine suppliers managing the supply of wine to the Off Trade including high street retailers, specialists and supermarkets. Conviviality Trading has skills and capabilities in consumer insight, sourcing, ranging and supply that can add significant value to its customers by offering a 'one-stop shop' reducing the complexity of the wine category in large multiple national chains.

We have already seen new strategic relationships established. In April 2016 the Catalyst business started working with global spirits business Beam Suntory. The team won the distribution rights for Larios Gin and Sauza Tequila. Larios is the leading gin in Spain and Catalyst were tasked with launching the brand in the UK. In the first year working together the Catalyst team built distribution for Larios in over 1700 accounts and grew the volume significantly. In January 2017 two of the largest Chilean wine producers transferred their Off Trade business to Conviviality: Santa Rita with brands including Santa Rita, Vina Carmen and Sur Andino, and Luis Felipe Edwards, a privately owned wine group founded in 1976 by Luis Felipe Edwards Senior with brands including Luis Felipe Edwards, Dona Bernada, Marea and Cien.

Conviviality also has the ability to develop its own brands opening up opportunities where gaps in the market exist to create and build brands that directly meet our customers' and their consumers' needs. In 2017 we launched two new brands: Rolling Calf spiced spirit, capitalising on the trend for dark spirits and cocktails, already distributed to customers in the On Trade and due to launch in the Off Trade during Winter 2017 and Whipstitch cider which has been launched specifically for festival customers and received positive response from customers when trialled at the Isle of Wight Festival in June 2017.

Building our partners' brands across the UK market means accessing the consumer wherever they are buying and consuming products, whether that be in pubs, bars and restaurants, in supermarkets, convenience stores, online and also in the emerging 'third space'. This includes non-traditional areas like outdoor events, pop ups and festivals. Through Peppermint, a specialist in outdoor events and festivals we deliver this promise. This year Peppermint will be operating at over 35 events. Sales increased by 46% over the corresponding prior period. For events owners Peppermint provides a complete service solution including full bar and food service management as well as ATM operation and Click and Collect.

Furthermore, Elastic, our brand activation agency which provides activation and brand building expertise to many of Conviviality's branded supply base, saw sales grow strongly. Elastic has completed work for eight new branded suppliers in addition to the continued strong partnerships with businesses such as ABInBev and Heineken, cementing our positioning as one of the UK's leading experiential drinks agencies.

Chief Executive Officer's statement

Continued

A Group Wide approach to efficiencies

With the greater scale of the Group there is the potential to realise lower costs through buying, distribution and improved organisational efficiency. The Integration plan set out at the acquisition of Matthew Clark and Bibendum PLB Group is ahead of plan with good progress being demonstrated against the stated synergy benefits in FY18 Buying (£8m), Bibendum PLB (£4m) and Logistics (between £1m and £1.5m). The key benefit areas of the integration are detailed as follows:

Buying

The Beer, Lager, Spirits and Soft Drinks buying teams across Conviviality Direct and Conviviality Retail work collaboratively to ensure that the opportunities for both the business and the suppliers are maximised. This approach has been key particularly for new product launches such as Bud Light. This approach by the Buying teams has also resulted in the stated buying synergies set out at the acquisition of Matthew Clark being achieved for this financial year, which is a demonstration of the quality of the buying team and the support of the enlarged group by our supply base.

Group Wine Buying

A Group Wine Buying team was established shortly after the purchase of Bibendum PLB Group. The team is led by Andrew Shaw, Group Wine Buying Director, and is responsible for the selection and purchasing of the full assortment of wines, sparkling wines and Champagne. Our Wine buying teams have long standing relationships with our producers and with our customers, giving them the unique ability to marry customers' needs with producers' wines. Across the Group we have 430 suppliers, 310 of which are exclusive to Conviviality. These exclusives cover over 3,000 of the 1,902 SKUs available for our customers. Already we have seen Conviviality Retail Franchisees benefit from the ability to sell over 54,000 bottles of wines that are exclusive to Conviviality. In addition, with the increased scale and buying volumes of the Group there is significant opportunity to address costs within the supply chain to release synergy benefits.

As a result we expect to generate additional buying benefits of £2 million during FY19.

Group Logistics

The logistics operation is a key strength and differentiator for Conviviality. Conviviality serves our customers through our network of 11 depots, 5 stockless outbases and 3 depots operated by our logistics partners. During May 2016 we transferred the leadership of these depots from regional management to the Group Logistics function, thereby enabling consistent standards and best practice to be applied across the Group. Since the transition Telematics has been introduced to all vehicles delivering a 3.9% MPG saving, and Paragon route planning software is in the process of being rolled out across all depots. There are over 1,000 of our people working in our depots and delivering to our customers, under the leadership of Nigel Basey, Group Logistics Director. We have strengtnened the capability of the team through training and development, and delivered changes to support the efficient growth of the Conviviality business.

During the year we closed both York and Shefford depots and opened new depots in Wetherby and Bedford, providing greater capacity to serve our customers and a better working environment for our people. We took the decision to close the Dundee depot to enable customers to order from the full assortment available at Glasgow delivered to customers via a stockless outbase. During this period the logistics team supported the service to over 100 festivals and the growth of the Conviviality Direct and Conviviality Retail businesses. Looking ahead, the team are confirming the plans for the Group logistics strategy whereby we continue to focus on delighting customers and growing the business and, in doing so, achieve a greater level of efficiency. Through the continued efficiency actions being undertaken we expect to deliver £1.2m of distribution synergies in FY18, rising to £1.5m in FY19.

IT, Systems and Organisation

During the year we have undertaken a programme to align the ERP systems across the Group. We are implementing the same ERP system as is used in Matthew Clark and applying it to both the Bibendum business and the Conviviality Retail business. Once the system implementations are complete at the end of Autumn 2017, we will have the opportunity to realise back office synergies, drive further improvements for customers and improve the ways of working across the Group. The enlarged Group employs 2,640 people across 16 depots and 4 support offices and regional sales teams, as such there is significant talent in the organisation. By bringing the respective teams in the businesses closer together we are seeing clear opportunities to drive greater efficiencies, develop talent across the business and drive operational savings. During 2016 10% of our people took the opportunity to develop their careers further across the Group. We expect additional organisational synergy benefits of £1.0m to be realised in FY19.

Trading for the 9 weeks ended 2 July 2017

The Company and its businesses are trading in line with expectations. Conviviality Direct continues to trade strongly with sales 9% above last year. It is particularly pleasing to see the continued improvement and confidence of Conviviality Retail with LFL sales 0.5% with Wine Rack up 4.0%. Finally Conviviality Trading is 7.6% above last year demonstrating its customers recognising the expertise and support of the agency business and additionally with the Events business increasing the number of events this year versus last year by 27% to 140.

Diana Hunter
Chief Executive Officer

Strategic report

Our customers

Success for our customers and our Franchisees is key to the Conviviality operating model. By standing in the shoes of our customers and understanding and anticipating their needs the team are able to deliver solutions to ensure their success.

JD Wetherspoons

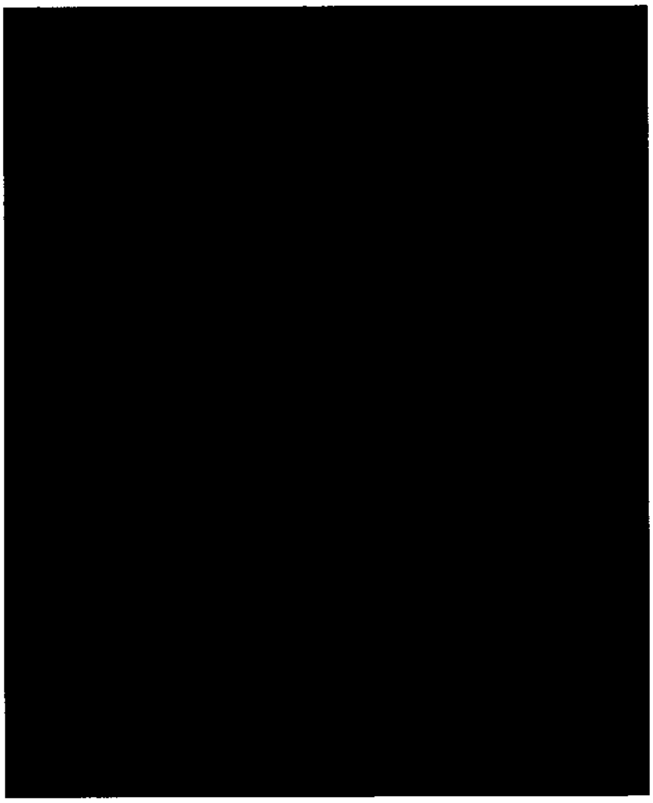
"Our two companies have had a working relationship for over 25 years. Be it business, marriage or friendship, in a relationship lasting this many years both parties evolve and constantly adapt. Sometimes you choose to compromise and at other times you stand your ground. The important thing is that both parties have a common understanding of each other's objectives and communication is fluid.

In our time working with Matthew Clark, our company has grown from less than 100 pubs to over 900. At each stage of our development, we have received a reliable and appropriate service in terms of product range, distribution and management support.

Whether it be through the complete supply chain management of our house wine Coldwater Creek, to the supply and distribution of the UK's most popular vodka brand Smirnoff, the end result for our Managers is the same. The lorry turns up when it should, the driver puts the delivery away and there are very few errors. Reducing the increasingly complex task of sourcing and delivering wines and spirits for Wetherspoons to such simplicity has been, in my view, a real accomplishment.

Which is why, 25 or so years into our relationship, despite the obvious quarrels and squabbles that one would naturally expect over so many years, we are still together."

John Hutson
Chief Executive Officer, JD Wetherspoon



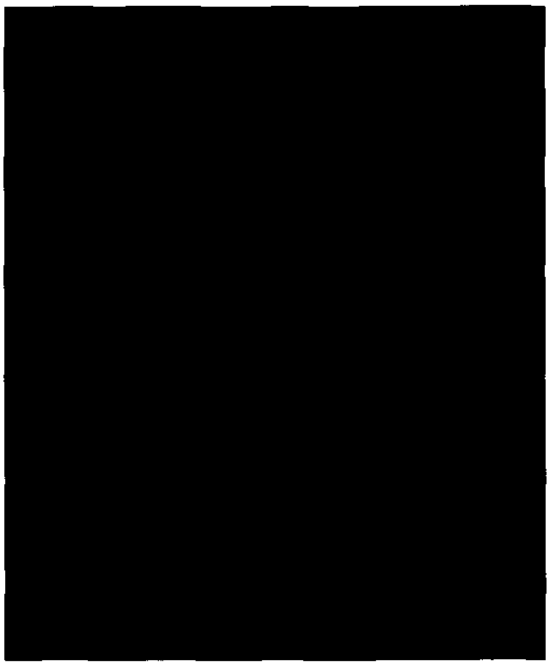
Private Landlord & Dark Star Brewery Operations

"Winning Wine Pub/Bar of the year last year at the Great British Pub awards was down to the great working partnership I have with Bibendum.

Wine value has a part to play, of course, but Bibendum's knowledge and understanding of the wine trade is second to none. We are able to sell great wines and sell them well. The premium level bottles that we offer by the glass are truly outstanding and loved by our customers.

I know a lot of operators are suspicious of wine reps and salespeople. More fool them. The Bibendum team has always had my best interest at heart. Hence why they are the sole supplier for The Red Lion and Sun, The Wenlock Arms and the growing Dark Star Brewery pub estate. The Red Lion and Sun is a National Finalist for Best Wine Pub again this year – testament to the quality of our range."

Heath Ball



Ginger Pig

"We started using Bibendum wine about 10 years ago as part of three wine suppliers. We have always found them very professional, innovative and hard working. They have a fantastic wine portfolio which always keeps pace with the latest trends and they employ energetic, knowledgeable people who really care about my business.

They offer excellent staff training as well as creative marketing and design ideas. They support us with wine dinners and also offer educational trips to vineyards which allow staff to really appreciate where wine comes from and how it is produced. In 2013 we decided to use Bibendum as our sole supplier for wine and spirits and have not looked back. I would recommend them to anyone looking for a top quality wine supplier."

Ben McKellar
[illegible]

Strategic report

Revolution Bars Group plc

"I have worked with Matthew Clark for over 25 years and over that time I have experienced first-hand an incredible transformative business that has evolved into a market-leading proposition and a true partner.

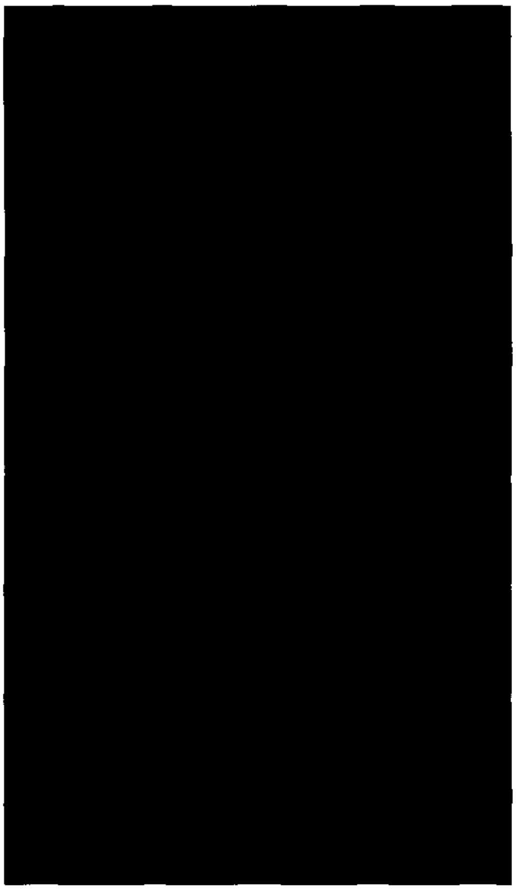
Relationships have always been the core strength of the business. This is matched by an unrivalled portfolio of premium products that I believe gives Matthew Clark the edge to deliver a unique offering on a national scale.

Matthew Clark delivers the best service of any of our key partnerships and continues to improve efficiencies year after year, making our operations run smoother with the least amount of distraction to our teams and consumers.

Matthew Clark is the gatekeeper and broker to many of our branded relationships, constantly working collaboratively with our internal teams to assist on constant range reviews across all primary drinks categories and helping in delivering our drinks retail strategy in both range and innovation.

Revolution Bars Group plc has worked in partnership with Matthew Clark for the past seven years and over that period both of our businesses have grown exponentially."

Myles Doran
[illegible]



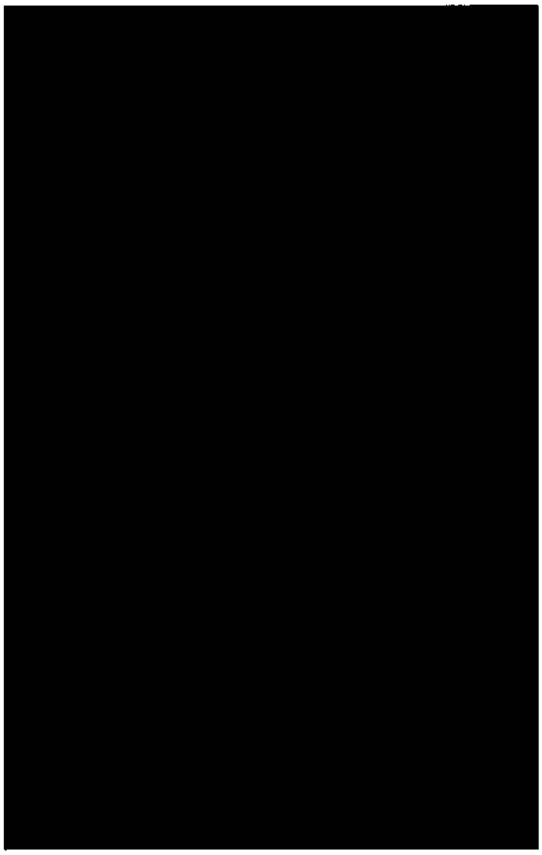
Our customers

Continued

"I started with Bargain Booze in 2006. Within three years, I'd taken on four Franchises. I now have 37 – many of which I've taken on in the past year. This is a fast paced business with fast paced opportunity.

I've seen particularly rapid change over the past year. Conviviality Retail has brought some excellent people on board who are making a big impact on the business. I've also seen the benefits come through of being in the enlarged Conviviality Group – from a sharper focus on consumer insights to in-store wine training. There's still much to do but the team knows exactly what's needed to drive the business forward. It's an exciting time to be part of it."

Phil Dickson



"I came on board with Bargain Booze in 2011, having seen the success my brother had made of his Bargain Booze Franchise. Before that I was an independent retailer which was a really hard slog. Making the move from independent retailing to Bargain Booze has revolutionised my operation. All the time I used to spend sourcing stock and working on the back office is now freed up so I can focus on great retailing, building relationships and growing profit. People know the Bargain Booze name and we're seen as part of the community – that makes all the difference.

I now have four stores with two more in the pipeline. With Bargain Booze, you can invest in the future. You can also share ideas with the Conviviality Retail team and other Bargain Booze Franchisees at regular Franchisee sessions – it's like being in an extended network of entrepreneurs."

Chandrakumar Veluppilla

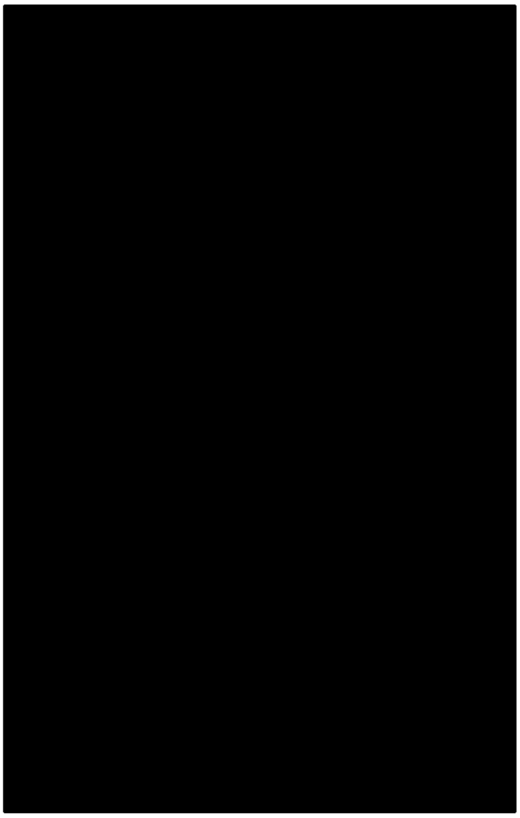
"I never intended to stay long with Bargain Booze. I was doing a make-up course at college and joined Bargain Booze as a shop assistant to save up some money to go travelling to Australia. That was 15 years ago and I'm still here.

I fell in love with the business. I rapidly progressed from shop assistant to store manager. Five years ago, when the Franchise owners were looking for a buyer, I jumped at the chance and I've never looked back.

That store continues to thrive and I've now acquired two more stores in the past year. The Bargain Booze model has been key to me realising my ambitions. In my newest store, I'm trialling more premium wines and gins, on the back of Bargain Booze insight into the catchment area. Anything I need to make my business successful, Bargain Booze is always at the end of the phone.

Two of my sites have rival stores just a stone's throw away. But customers come into my Bargain Booze stores because they know they'll get not just great prices but great customer service from staff who know what they're talking about – that's priceless."

Lia Rutter
Multiple Franchisee, Bargain Booze and Select Convenience



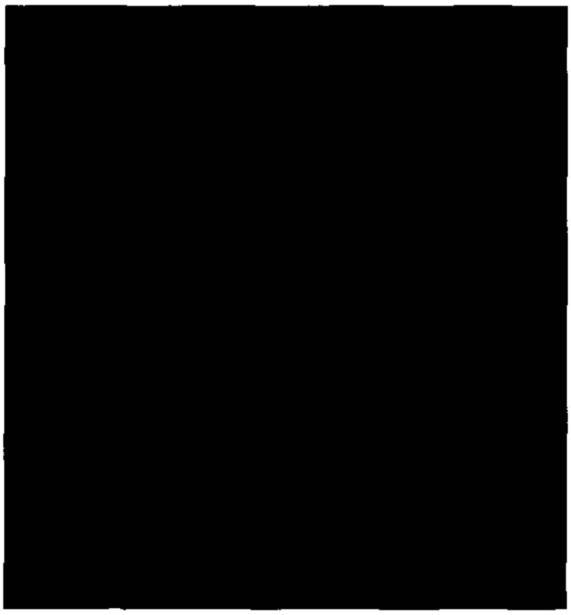
"I was a global finance business partner for Unilever for eight years, overseeing a budget of £500m and leading a big team. Despite having this high profile role I had a yearning to set up my own business. I'd always had a big interest in the off licence trade, ever since working for Victoria Wines back when I was managing five stores at the age of 21.

I've watched the development of Bargain Booze over the years – from one store in Crewe to over 700 under Conviviality and, with the acquisition of Matthew Clark and Bibendum, it was clear that this was a business that was really going places. I've recently taken on my first three stores in Buxton, Otley and Garforth. Joining a Franchise business takes away the risk of setting up on your own. Bargain Booze has provided everything I need to get started – and I've built up a strong relationship with the team. I'm keen to build my portfolio further. I feel like the future is full of promise."

Tony Townsend
[illegible]

Our suppliers

We provide our suppliers with data and insight into the UK drinks market, working alongside them as partners to identify the right routes to market for their brands and products and through our extensive customer base access to the UK drinks consumer



Spy Valley Wines

"As a new business in its infancy and understanding the enormous value and importance of a rock solid relationship with our market partners, we were delighted to engage with Bibendum in 2001. We have been market partners for coming up 16 years, and the relationship has endured and strengthened.

We have experienced a very positive transition to trading with Conviviality as it has become clear that under Diana Hunter and her excellent team, the spirit, drive and innovation grows even stronger.

As *General Manager of Spy Valley Wines* in Marlborough New Zealand I promote and strongly believe in a network of business relationships that are first and foremost a network of friends. When I visited the UK in March of this year the familiar and friendly characters made me feel at home. I was treated like family by the wonderful staff at Conviviality however they maintain their professionalism and commitment to our brand at all times. I respect this a lot in a market partner.

We are a family business committed to sustainability and the next generation. We are always looking for growth and opportunities and are very grateful we can do this in the UK alongside Bibendum/Conviviality.

Amanda Johnson

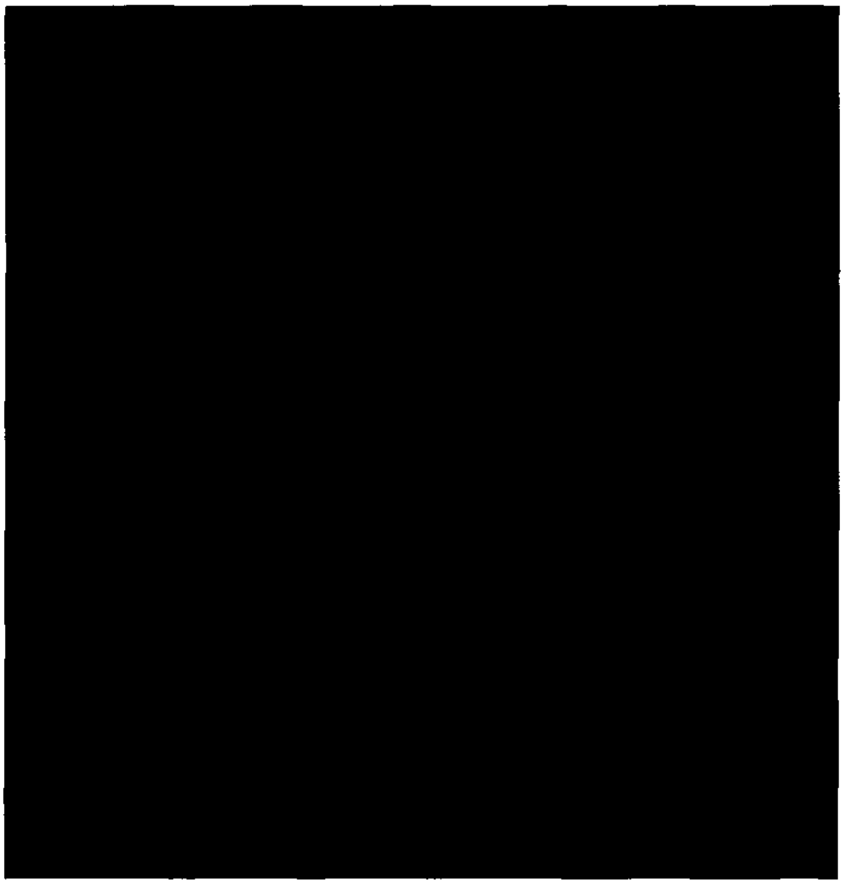
Eden Mill

"As a premium spirits brand we were looking for a distribution partner who could take our brand to the next level in its evolution. Conviviality has provided strategic insight, trade and market understanding and commercial capability, which were all important aspects for us at this time. These attributes have complemented the basics of market access in our first year of trading partnership resulting in listings in many iconic targets such as John Lewis retail chain, Harvey Nichols, Hilton Hotels and Macdonald Hotels and many top end premium On Trade stockists.

Conviviality's creative input into our marketing and sponsorship execution plans for the year ahead and support tools to deliver these at events such as Henley Regatta or Scottish Rugby is a huge benefit to our company at this stage of our growth curve.

Working with the Conviviality team we are confident that we have a robust deliverable shared plan which will help both businesses achieve their mutual goals.

Paul Miller



Dr. Laura Catena

"Although I am the fourth generation of my family making wine, I came to winemaking as *my second profession. My first was as a Doctor* of Medicine, because I dreamed of a life in *serving others and did not initially imagine that* I could do this while making wine. When I joined my father in the 1990's in his mission to elevate Argentine wine, I came to the realization that we were changing lives, one bottle at a time. When I was a child, rural Mendoza was a very poor area where life was extremely hard and many were moving to the cities in search of opportunity. Today, rural Mendoza is thriving, you can tell by the beautiful gardens, well painted adobe homes, and thriving small towns, where everything from healthcare to education have improved dramatically. And in addition, our noble Argentine Malbec brings daily joy to wine drinkers all over the world. Salud!

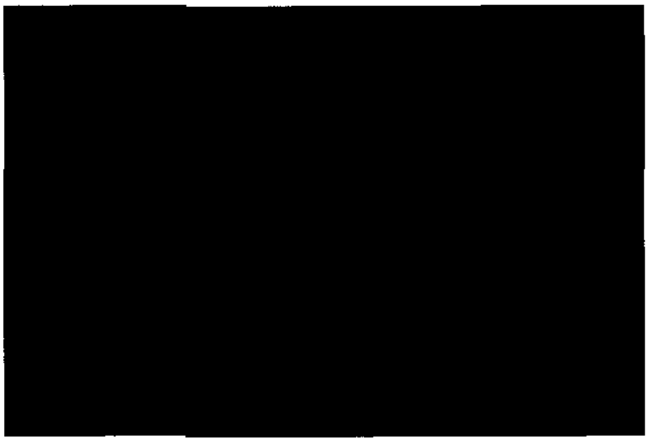
From the beginning when my father presented the wines of Catena to Bibendum in 1991, we have felt that Bibendum and now Conviviality are our partner in every new adventure. And most importantly that they believe in our dream to make Argentine wines that can stand with the best of the world. When we came to Bibendum with the Adrianna single parcel wines, before we had received two 100 point ratings, Bibendum gave us its full support *and today the UK is our number one market* for these wines in the world. More recently, *my father and I decided that we should try to* bring the miracle of Mendoza to other more *impoverished provinces in Argentina and* to their undiscovered high altitude terroirs. Our partners at Conviviality wholeheartedly embraced our vision and helped us to launch the project, from the storytelling, to the choice of varieties, to the packaging. And that is how UK became the first export market in the world for these extraordinary regional wines: Altaland and Pasarisa from Salta, La Rioja Argentina and Patagonia.

I must admit that at first we were a bit worried about working with a larger company, but the various divisions of Conviviality have been able to focus on our different brands and terroir-concepts in a way that has made each one of them stronger. Most importantly, the team at Conviviality shares our vision that we are preserving the farming traditions of Argentina and the world and I honestly believe that in the end they believe in our dream as much as we do."

Dr. Laura Catena

Our suppliers

Continued



Hatch Mansfield

'The last 12 months have flown by' It was last year at the London Wine Fair that the astonishing news of the acquisition of Bibendum by Conviviality was announced. Hot on the heels of the Matthew Clark acquisition I think much of the trade was shocked and also sceptical about the possibility of bringing all the cultures together to create a strong and enduring business

As a supplier of Matthew Clark for many years in fact in the case of Louis Jadot 61 years' We were both excited and concerned there were varied cultures varied purchasing philosophies and as with all acquisitions lots of potential upsides along with lots of chances to reduce stakeholder value The master stroke was that there was only 3% overlap between the Bibendum account base and the Matthew Clark one so in Conviviality Direct there was little chance of cannibalisation The other piece of genius was the very early segmentation in to three divisions with one wine purchasing team This gave a strong platform for each to work on and focus on its own channel specific objectives

The Hatch philosophy has always been one of working via a selective route to market to ensure that as little cross distributor disruption occurs as is possible On top of this we layer a large team who work with the sales team in generating sales either by utilising our strategic partnerships or by simply helping knock on doors' In retail we try to segment and tailor our product proposition to meet the demographics of the specific channel we are on shelf in No retailer wants dust on a wine bottle so it's all about relevance to target market Fortunately these philosophies found deep favour in the enlarged Conviviality business and as such the last 12 months have allowed us very good growth

Clearly an organisation with scale provides opportunities, if you can clearly align to the destination they are trying to get to Conviviality works well for us in this respect as we believe our portfolio that Conviviality represent should help them influence every drinking occasion

Currently Conviviality are set apart from others by a combination of factors namely scale, channel clarity and a collaborative approach If you align to this the ability to use insight to create a joint forensic approach to new business acquisition then it is hard to see why success will not come With scale comes data with data comes complexity However as I see it currently Conviviality are asking the data the right questions to help us all find the right answers

Success looks different in different people's eyes From the perspective of Hatch Mansfield success is continued growth in relevant distribution with a rate of sale that makes the distribution work for the on and off trade retailers Working as we do with shared objectives to Director level and clarity of what we are both good at allows us to outperform a declining market A recent example of this is the work we have piloted with email offers We identify who we want to target we then create the compelling offer and communication as well as the pull mechanic and we then go to market Interestingly the first time we did this we failed but because both Hatch and Conviviality are learning organisations, we then looked at what went right and what went wrong reworked the communication tried again and achieved superb results However, let's not forget the people, relationships in this industry are critical We work on a one to one basis with targeted outcomes and a shared prize but alongside that we actually have huge respect for the people and all those involved with Conviviality we like to do business with you

Mark Calver

AB InBev

[illegible]

Andre Amaral Finamore
Bud Light Brand Manager

Over 700 Bud Light installs across the On Trade within 16 weeks of launch

Bargain Booze first retailer to market with in-store takeovers across 700+retail stores

Bud Light set to achieve 10% share of the Standard Lager Market in the On Trade by 2018

Our business model

An important aspect of our business model is its flexibility, protecting our earnings through periods of significant change in our organisation and competitive environment

Wine producers & suppliers

Catena Zapata · Accolade Wines · Bisol · Hatch Mansfield · MoëtHennessy

Drink suppliers

Fever-Tree · Coca-Cola · Heineken · Diageo · ABInBev · Pernod Ricard

Tobacco & convenience suppliers

Imperial Tobacco · Walkers · JTI · Mondelēz International · Lucozade Ribena Suntory

Conviviality Plc

"Our strategic goal is to be the drinks and impulse sector's leading specialist wholesaler and distributor to the On & Off Trade by being the most knowledgeable and inspiring partner for our customers."

ConvivialityDirect

Matthew Clark · Bibendum

Conviviality Retail

Bargain Booze · Select Convenience

Conviviality Retail

Walker & Wodehouse · catalyst plc

"Our aim is to influence every consumer drinking occasion, providing knowledge and insight to our customers, enabling them to tailor range and assortment to meet consumer needs by format, venue and location."

Our customers

Starwood · Hilton · Morrisons · Bestival · Stonegate Pub Company · Bill's · The Restaurant Group plc · Cunard · Sodexo · Tesco · Wetherspoon · Marriott · British Airways · Compass Group · Sainsbury's · British Summer Time

Our markets

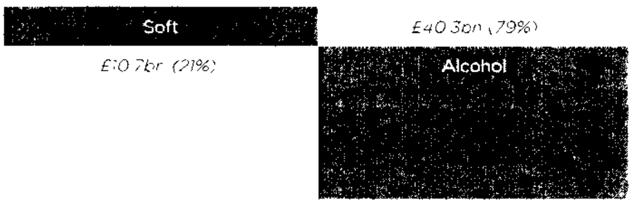
The Markets that Conviviality trades in continue to be exciting and full of opportunity

The UK retail drinks market is valued at £51bn, of which £40bn is alcoholic drinks. In general, consumers can either choose to purchase drinks in the On Trade (for consumption on the premises in restaurants, hotels, pubs, bars, nightclubs and event venues), which accounts for 56% of spend; or in the Off Trade (for consumption at home or elsewhere: supermarkets, off-licences, online retailers and other retail shops), which accounts for the remaining 44%[1]. There are 115,400 outlets[2] in the On Trade in total of which c.25,000 are served by Conviviality.

Retail Market Split by Channel and Category

Market by channel

Market by broad category



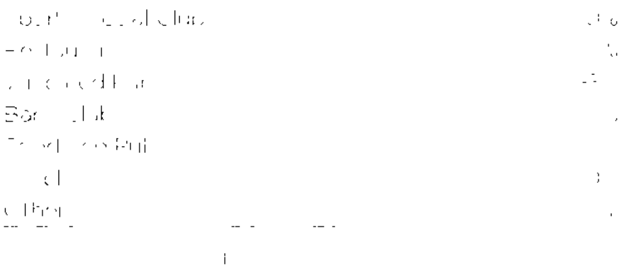
Alcohol Retail by Detailed Category:

On Trade

The overall On Trade market comprises 115,400 outlets and is worth £29bn at retail. Over the past year, there has been a continuation in the trend towards food-led missions, with a 3% increase in the number of food-led pubs (320 openings) and 5% fewer bars/clubs (880 closures)[3].

A growing feature of the market is a blurring of the traditional divisions between outlet types, with the growth of restaurant bars' (such as Turtle Bay), restaurants that change their theme or style between different mealtimes (such as The Breakfast Club), restaurant concepts that pop up in closed units (such as Farang), and outdoor or 'street food' offerings (such as Dumpling Shack). Market growth is concentrated in these non-traditional venues, which are more likely to be owned and operated independently.

Change in licensed premises 2016 - 2017



The On Trade drinks distribution market is estimated to be worth £7.4bn. Conviviality Direct share of value is estimated to be 14%[7].

Off Trade

The Off Trade market includes supermarkets, convenience stores, discounters, drinks specialists, online pure-plays and independent shops and in total is worth £23bn at retail[1]. The major channel trends are those towards convenience stores and e-commerce. As a consequence of consumers' increasing tendency to split missions and shop little and often, the growth of the convenience sector continues. Although the large supermarkets have slowed their rollouts, with only c.80 new convenience-format sites in 2016 compared with c.750 in the preceding 3 years, the total value of the market continues to grow and is expected to reach £47bn by 2022, a growth rate of 3.3% per annum, higher than that expected of the overall grocery market[7].

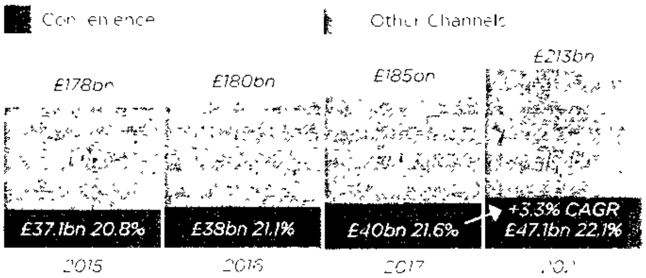
Among convenience stores, c.15k (30%) are part of symbol groups and c.19k (40%) are independent retailers: these are the retailers that Conviviality Retail aims to attract

Our markets

Continued

to join the Group as Franchisees. A trend driving the convenience sector is the resurgence of consumer interest in participating in community life and shopping locally and this is reflected in our Franchisees' embeddedness in their local communities. Conviviality Retail is the only national chain of drinks-led convenience stores, giving it a clear point of difference in the convenience market.

IGD convenience market size and forecast 2015 - 2022



Consumer and Category Trends

Two of the most important trends in the market are premiumisation and hyper-convenience.

Premiumisation:

Consumers have an increasing desire for more choice and quality, creating a mix shift towards more premium products. Over the last 12 months, consumers have continued to spend more on wine, with Conviviality Retail's store fascias, including both Bargain Booze and Wine Rack, performing ahead of this trend. Sales of wine priced over £9 increased 7% across the Off Trade, with an 18% increase for Conviviality Retail stores. The premiumisation trend is also apparent in the spirits category. UK volume imports of premium spirits grew by 10% between 2015 and 2016[1], with Conviviality Direct's premium spirit sales rising c.40% in FY17. This trend is reflected in the successes of premium products recently promoted in Conviviality Retail, for example Ciroc vodka, which retails for £29.99 at standard price and less on promotion, now represents a 5x greater proportion of our total vodka sales than last year.

Consumers' increasing willingness to try more premium products has driven the artisan and craft movements across the food and drink sector. These trends are evidenced with the significant growth in gin, which has now surpassed vodka as the UK's number one spirit. In the last twelve months, gin sales have increased 15% across the On- and Off Trades[1] with 1 in 5 consumers now picking gin as a favourite. Conviviality are leading the gin trend, having outgrown the market with group-wide gin sales growth of c.20% in FY17.

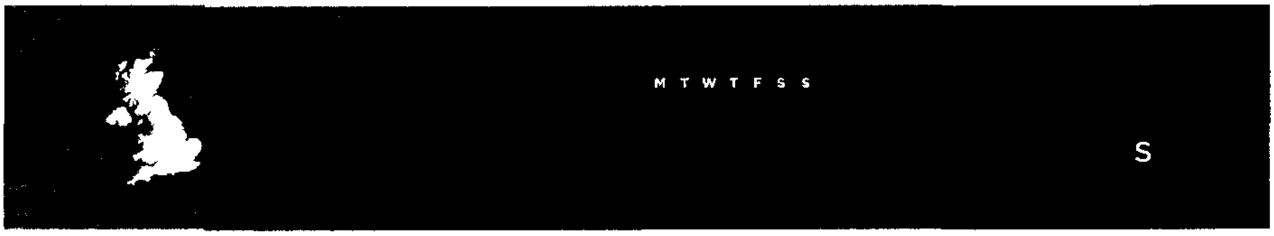
The trend for premiumisation has also translated into growth in cocktails, with an increase in the proportion of On Trade outlets serving these drinks to almost 30%[1]. Over the last year, the greatest rise in demand was for the Pornstar Martini which now has a market share of 8%[1]. As one of the key ingredients of this cocktail, the increased demand has partly driven the sales growth of flavoured vodka, with Conviviality Direct selling c.15% more flavoured vodka this year than last year.

As standard ales and lager volumes fall, premium lager and ale have seen value growth of +6% and +10% respectively. Over 1 in 4 beer drinkers pick craft beer as their favourite beer, and 1 in 5 of all consumers have tried a craft ale in the last 3 months[1]. Conviviality Retail's craft beer sales have increased by almost 40% over the past year with a range of over 40 SKUs now available to Franchisees.

Hyper-convenience:

Consumers are fuelling a second wave of convenience, expecting outcomes that are especially convenient to them. This continues to support Conviviality Retail's strategy to grow through drinks-led convenience. Furthermore, the trend for ultimate convenience is demonstrated in more overt 'mission splitting' (where consumers' choices of shops depend on the specific shopping missions they are undertaking) and the growth of apps into the On Trade as well as the Off Trade. The Bargain Booze App continues to see usage of c.65,000 and customers using the app spend almost twice as much as the average customer. Our customers and partners are also finding success through apps: weekly visits to the Bargain Booze Facebook page, website and App were up 216% to 79,000. Since its launch in March 2017, the JD Wetherspoons at-table ordering app has been downloaded over 22,000 times. Since its launch in March 2017, the JD Wetherspoons at-table ordering app has been downloaded over 22,000 times. Conviviality Retail is extending its investment in the digital space, working to increase engagement at a local level.


Beer
ON TRADE
31
14
9
5
5


M T W T F S S
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Wine
OFF TRADE
3.6
3.0
Source: Canadean, KAM Media, Internal survey

Our strategy

The Conviviality goal is to be the drinks and impulse products sector's leading specialist wholesaler and distributor to the On Trade and Off Trade by being the most knowledgeable and inspiring partner for our customers

Progress

We have restructured the business into three distinct business units with expertise in anticipating and understanding their specific customer needs. The business unit mission is to ensure that customers have the support they need to select the right products from our extensive ranges to directly fulfil their target customer needs. As Conviviality customers they have the assurance of our compelling delivery proposition through our nationwide logistics network. By working with over 980 suppliers and brand owners across an assortment of over 18,000 SKUs Conviviality can offer its customers and Franchisees the right assortment to meet their consumer needs by format, outlet and region. The enlarged Group is independent of major drinks brands, enabling it to supply an unrestricted selection of products to customers who value breadth of range offering a compelling route for suppliers to access both On and Off Trade retailers. By serving outlets spanning retail, outdoor events, pubs, clubs, premium restaurants, hotels and bars, this reach provides Conviviality with unique access to emerging trends in the UK market and significant insight into UK consumers' drinking habits.

Looking ahead

Conviviality is focused on ensuring that we anticipate the requirements of our customers and to support this we have invested in ERP systems, Digital platforms and EPOS systems to ensure that we not only deliver outstanding service everyday but we stay ahead of our customers' future needs, supporting their profitable growth. Already the greater scale of the enlarged Group provides the potential to realise lower costs through the implementation of a consistent ERP system across the Group that will unlock operational benefits through streamlined back office processes. In the year ahead we will start to set out plans to improve our processes maximising efficiency. In doing so we will remove the inevitable duplication that existed within the three businesses. We will further strengthen our capability growing our businesses organically in both the Franchise business and in the On Trade in addition to complementary strategic acquisitions where and when they provide value creation for the Group and our shareholders.

Each of Conviviality's business units has clear strategies that individually and collectively deliver against the strategic themes below and ensure the achievement of the Group's goal.

Maximising Returns

Maximising returns for our customers, Franchisees, suppliers and investors by consistently delivering against our targets and metrics, and balancing the delivery of excellence every day with long term sustainable growth.

Progress

We have built a business model that creates a natural hedge against the challenging economic environment, we span all the consumer segments of the UK drinks market. Through the diverse nature of our customer base we cover both drinking in the home and drinking out of the home missions. Conviviality has a unique service proposition for customers as solution provider and one stop shop for all drinks purchasing needs. This enables our customers to create efficiencies within their own businesses by increasingly accessing more of the Conviviality offer to simplify their operation and remove supply chain duplication.

Looking ahead

As we continue to stand in the shoes of our customers we recognise the need to help them drive greater efficiencies and meet their future customer needs and trends. The development of our digital platform is a key driver of efficiency for our customers, there has been a 20% growth year on year in the number of customers using our platform. In the year ahead we will make this available to Bibendum customers. Our customers benefit from more efficient and more accurate order processes and in turn Conviviality benefits from greater engagement in the product range and assortment. Nearly half of our existing customers view the site daily, with an average of 15 page views per session and we have seen a significant increase in average order size versus the traditional ordering methods.

Succeeding Together

Succeeding together, building a strong community and providing our people and our partners with great opportunities and rewards for their achievement.

Progress

As a result of the acquisition of Matthew Clark and Bibendum PLB Group, Conviviality now employs over 2,600 people. All key leadership roles have been recruited with the team in place, new and existing team members successfully working together. With process streamlining we continue to develop and promote our people into roles across the organisation. In the past year 249 employees have changed roles across the group. Conviviality offers career development opportunities for all employees across the Group, in the Franchise business, through to the On Trade wholesale business, as well as career opportunities across logistics, marketing, buying and finance. This benefits Conviviality by retaining a motivated and talented workforce that is flexible to new opportunities.

Looking ahead

Conviviality has put in place an organisational structure that leverages the benefit of the enlarged Group. Conviviality will continue to grow and develop talent from within, ensuring we create a motivating and sustainable future for our employees. We continue to invest in the skills and capabilities of our people and ensure that our customers and suppliers receive the expertise and support they have come to expect from Conviviality people.

Delighting Customers & Partners

Delighting our consumers in every drinking occasion, on and off-premises through choice, convenience and great value.

Progress

The enlarged Group now has access to 4,902 SKUs of wine, 3,800 lager, beer and cider, 5,400 spirits, 877 soft drinks, 4,500 impulse and grocery SKUs and 1,900 tobacco products. Increasingly Conviviality's suppliers value the access to route to market benefits, the data and insight and brand building capability across the Group engaging at a deeper level than they previously would have found possible pre acquisition. This extensive assortment enables each of the Group's customers to access household name brands as well as exclusive ranges and own labels to directly meet their target consumer needs by format and venue and addressing regional variances. The Group's customer support team, with the support of expert buyers and menu designers and merchandisers can help customers and Franchisees select the right range and assortment and in doing so manage their pricing and mix.

Looking ahead

Delivering daily consistent and excellent service to our customers is core to our business. The strong relationships with our suppliers and the expertise we have within the enlarged Group will result in our customers being able to access the widest assortment to meet their needs as well as expertise and market advice. Conviviality will continue to work with brand owners maximising distribution potential across all drinking occasions, in home and out of the home, across a deeper product portfolio. Our strategy is to deliver a logistics capability that anticipates the future needs of our customers and creates significant differentiation in the market thereby adding significant value to the organisation.

Risks & mitigation factors

Markets and competition

The alcohol wholesale market remains competitive with several companies seeking to grow organically and via acquisition to leverage the benefits of scale

The convenience retail market remains competitive with several larger companies seeking to expand The market is starting to consolidate as companies seek to leverage the benefits of scale and independents find it increasingly hard to compete. The discounters' reputation for price leadership is firmly established with consumers

The possible emergence of larger alcohol wholesale competitors and the continued growth of the discounters may impact on the development of future revenue streams

Conviviality Direct has a strong position in the alcohol wholesale market providing customers with a broad range of wines, spirits, beers and soft drinks available for next day delivery

Conviviality offers its suppliers unrivalled access to the UK alcohol market enabling the development of strategic supply relationships Conviviality's ability to connect suppliers and customers creates the opportunity to leverage scale providing even broader choice and better value for our customers

Conviviality Retail has a unique proposition as off-licence led convenience stores providing a compelling combination of a value and choice of our 14,000 alcohol *range with 60% on promotion at any one time* The extensive alcohol range and significantly improved impulse and grocery ranges provides consumers the choice they demand

Flat

Conviviality has a natural hedge to changes in consumer drinking habits by giving access to both the drink at home and drink out of home markets

The risk of consolidation in the convenience sector is increasing the risk that stronger competitors will emerge.

Franchisee retention and quality

Retaining Franchisees and improving the overall quality of Franchisees is fundamental to the Group's future growth Failure to retain Franchisees could result in a reduction in the number of stores through higher store closures and fewer store openings as the Group's ability to attract new Franchisees may diminish

The quality of the Group's Franchisees are a key driver of sales growth, brand reputation and reputation with end consumers Any failure to maintain or improve Franchisee quality could result in lower sales per store with a consequential effect on profitability of both the Franchisee and the Group

Franchisee engagement remains strong with the combination of the Franchisee Incentive Plan and cash incentives providing Franchisees the opportunity to earn up to an extra £17,800 per annum

The Group continues to provide high levels of training and support for Franchisees and is working in an increasingly collaborative way to launch new services such as the new EPOS Till system

The continued focus on improving store standards has resulted in significantly tougher standards and it is very pleasing that 262 achieved the "Gold Standard"

Decreasing

Franchisee engagement and quality continues to improve

Britain's exit from the EU

Britain's exit from the EU in March 2019 creates significant uncertainty *and could result in* changes to import tariffs and delays in importing goods from the EU.

The UK government's position is that suitable trade deals can be struck within the two year exit period, *however there are very few historical precedents of* trade deals agreed this quickly. The insertion of a border with the EU, however, could be disruptive with the possibility of delays as HMRC scale up processes and systems. Leading groups, such as the British Beer & Pub Association (BBPA) and the Association of Licensed Multiple Retailers (ALMR), are campaigning on behalf of our industry to ensure concerns are voiced and disruption caused by Brexit is minimised.

Increasing

The level of drinks imported to the UK is broadly similar to that exported and as such the impact on the drinks industry is likely to be *lower*

Minimum unit pricing

Minimum unit pricing could be introduced in England and Wales if it proves an effective way to reduce excessive drinking in Scotland

Minimum unit pricing continues to be debated within the UK government. In Scotland, where the legislation was passed in 2012, the implementation has now been approved after being held up by repeated legal challenges. In April 2017, in their review on the 2003 Licensing Act, the House of Lords Committee recommended that if the implementation in Scotland was found to be effective in reducing excessive drinking, then the policy should be rolled out in England and Wales

Increasing

The products likely to be impacted by *Minimum Unit* Pricing represent *only 4% of the* Group's sales.

Other legal and regulatory

There is a risk that new and existing legal and regulatory requirements could impact revenue and costs. The Alcohol Wholeslaer Registration Scheme came into force in June 2017. Failure to maintain registration would significantley disrupt the business

The Group is on the approved list of registered wholesalers

The Group continues to monitor regulatory and legal *developments to determine its strategic and competitive* response and ensure compliance with its obligations

The Group is a member of the Association of Convenience Stores and Wines and Spirits Trading Association through which gives the Group insight and access to current legislator thinking and debate

Flat

Alcohol legislation remains on the political agenda and we continue to monitor.

Risks & mitigation factors

Continued

Reliance on key suppliers

The Group relies upon certain key suppliers. A breakdown in its relationships could result in short term disruption to the Group's business.

Conviviality has a broad range of suppliers and following the acquisitions of Matthew Clark and Bibendum PLB Group has leveraged its reach into the UK alcohol market to further strengthen its supplier relationships.

Joint business plans have been agreed with many key suppliers with regular review meetings and biannual conferences taking place.

Robust contractual arrangements are maintained with key suppliers and the Group continually reassesses the strategic value of its supply relationship and the potential to utilise alternative sources.

Flat

The Group has a broad range of suppliers offering them unrivalled access to the UK alcohol market.

Reliance on key customers

The Group relies upon certain key customers. The loss of a key customer could result in lower sales with a consequential impact on profitability.

The Group works closely with its key customers to provide outstanding choice, value and service. The Group is utilising its enlarged scale to further improve the proposition for all customers.

Robust contractual arrangements are maintained with key customers and the Group continually reassesses its customer relationships.

Flat

The strength of the Group's Customer relationships and contractual profile is broadly in line with last year.

Reliance on key personnel

The Group has a relatively small leadership team and the loss of any key individual could impact on the Group's future performance.

High quality Managing Directors run each business unit and are supported by the expertise of Group functions led by the Chief Financial Officer, the Group People Director and the Group Logistics Director. A clear succession plan is in place for each executive.

A senior leadership team has been established comprising approximately 50 leaders from across all parts of Conviviality.

The Group has introduced a consistent remuneration policy and launched a Long Term Incentive Plan. The enlarged Group provides enhanced opportunities for advancement.

Decreasing

The senior leadership team is far stronger.

Loss of a key operating system or a major health and safety incident

The Group operates from offices in Crewe, Bristol and London and 16 distribution centres throughout the UK. The loss of a key operating site could seriously disrupt business activity.

A disaster recovery plan is in place to enable a proactive and effective response if a site should be severely impacted. A detailed review of the plan will be undertaken in the next 12 months. There are regular and robust risk assessments to identify and mitigate business interruption risks in the distribution centres. The Board considers health and safety at each meeting.

Flat

Health and safety is a key priority.

Business integration

The Group is in the process of integrating Matthew Clark and Bibendum PLB Group to delivery buying, distribution, revenue and organisational synergies. Failure to implement the integration plan effectively could result in lower synergies and result in short term disruption to the Group's business.

The Group is executing a robust and well-resourced plan to integrate Matthew Clark and Bibendum PLB Group and create three customer facing business units (Conviviality Direct, Conviviality Retail, and Conviviality Trading) supported by a number of group support functions. The integration is on track and the Group's Change Board continues to lead the change program and meets monthly to review progress, risks and to ensure adequate resources are available.

Decreasing

The integration is progressing well and each business unit continues to trade strongly.

Tobacco demand

The UK government and health industry continue to discourage smoking and on 20 May 2016 plain packaging was introduced.

Whilst tobacco sales do not make a significant contribution to the Group's profits, tobacco remains a key driver of footfall into Conviviality Retail's stores.

Conviviality's reliance on tobacco sales has substantially reduced with tobacco sales mix falling from 30% in the year ending April 2015 to 7% in the year ending 30 April 2017.

The Group's reputation for value has mitigated the impact of the introduction of plain packaging with like for like tobacco sales down only 1.2%.

Recent growth in the electronic cigarettes and Vape products provides a new revenue stream with stronger margins.

Flat

Tobacco sales are a low proportion of total sales and the impact of plain packaging is offset by the growth in electronic cigarettes and Vape products.

Data security and IT reliability

The Group relies on its IT infrastructure and in particular its EPOS, warehouse management and ERP systems to service its customers. Cyber security risk is increasing.

A major breach or malfunction of these systems would cause significant disruption to the Group and its performance.

The Group is nearing completion of significant IT projects to implement new systems into Conviviality Retail and expand Matthew Clark's systems to Bibendum Wine.

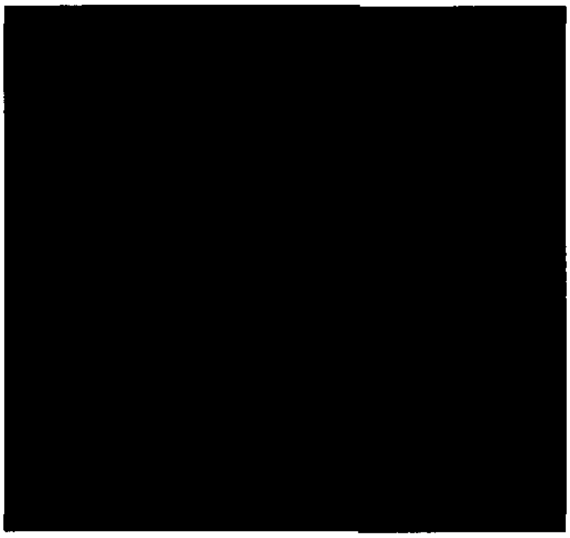
A Group IT Director has been appointed to oversee all systems development as Conviviality continues to implement its systems convergence strategy.

Flat

Improved internal capabilities and more resilient systems offsets the increased cyber security risk.

Financial review

A strong financial performance



Andrew Humphreys
Chief Financial Officer

*Alternative performance measures

Overview

Following the acquisitions of Matthew Clark on 7 October 2015 and Bibendum PLB Group on 20 May 2016, sales grew 85% to £1,560m (FY16 £841m) and adjusted EBITDA* increased 102% to £60.9m (FY16 £30.2m).

Adjusted profit before tax* increased by 111% to £45.8m (FY16 £21.7m) and adjusted fully diluted earnings per share* increased 48% to 21.0 pence (FY16 14.2 pence).

Profit before tax increased 147% to £22.5m[1] (FY16 £9.1m) and fully diluted earnings per share increased 136% to 10.4 pence (FY16 4.4 pence).

Net debt* at 30 April 2017 was £95.7m (1 May 2016 £86.1m) with leverage falling to 1.6 times adjusted EBITDA* (1 May 2016 2.2 times).

Revenue

Revenue increased by 85% to £1,560m[1] (FY16 £841m) due to the full year impact of acquiring Matthew Clark, the acquisition of Bibendum PLB Group and organic growth of 5.8%* with each business unit growing strongly.

Conviviality Direct generated sales of £1,040m in the 52 weeks ending 30 April 2017. This represents an increase of 6.4%* on the corresponding prior period with sales per outlet increasing by 4.8% and the number of outlets served increasing by 1.5%. The Matthew Clark and the Bibendum Wine sales teams are working well together and customers are recognising the benefits of sourcing from a single supplier that offers great choice, service and value.

Conviviality Retail's sales increased 6.1%* over the corresponding prior period primarily due to a 10.7% increase in the number of average stores trading during the year (FY17 703, FY16 635) due to a Franchisee acquiring a large parcel of stores in the final quarter of FY16. This resulted in lower sales per store in FY17 and, as the Franchisee closed or sold a number of the smaller underperforming stores, the number of closures increased to 63 (FY16 34). At 30 April 2017 the Group operated 713 stores (1 May 2016 716) with 43 stores opening and 17 acquisitions in the year.

Sales improved during the year with like for like sales* +0.5% in the second half compared to (1.7)% in the first half. In the financial year like for like* sales were (1.0)%.

Conviviality Trading sales increased 1.0%* over the corresponding prior period as strong growth in Events was partly offset by lower sales in the Agency business as the business evolves from high volume lower margin sales to higher margin lower volume sales.

Adjusted EBITDA

Adjusted EBITDA* increased 102% to £60.9m (FY16 £30.2m) as sales growth of 85% and a 1.3% point improvement in gross profit margin percentage increased gross profit by 105% to

£207.1m (FY16 £101.2m). This was partly offset by an increase in operating costs (excluding exceptional items, depreciation, amortisation, share based payment charges and fair value movement on foreign currency contracts) of 106% to £146.2m (FY16 £71.0m) due to the full year impact of the acquisition of Matthew Clark in October 2015 and the acquisition of Bibendum PLB Group in May 2016.

Gross margin percentage improved to 13.3% (FY16 12.0%) primarily due to buying synergies of £6.0m (0.4% point increase) and the acquisitions of Matthew Clark and Bibendum PLB Group (0.4% point increase).

Profit before tax

Group profit before tax increased by £13.4m to £22.5m (2016 £9.1m) primarily due to the £30.7m increase in Adjusted EBITDA offset by higher finance costs, depreciation and amortisation (including the amortisation of Matthew Clark and Bibendum PLB Group acquisition intangibles), an increase in share based charges and an adverse fair value adjustment on foreign exchange contracts of £3.3m.

Net finance costs increased by £2.7m primarily due to interest on term loans drawn down to fund the acquisitions of Matthew Clark and Bibendum PLB Group, amortisation of banking arrangement fees and increased utilisation of working capital facilities.

Depreciation and amortisation (excluding amortisation of acquisition intangibles) increased by £3.3m reflecting a full year charge from the acquisition of Matthew Clark, the acquisition of Bibendum PLB Group and our recent investment in IT systems and stores.

Matthew Clark and Bibendum PLB Group acquisition intangible assets include the Matthew Clark and Bibendum Wine brands and customer bases (total net book value £60.0m). The brands are being amortised over 10 years and the customer base over their expected life of between 5 and 6.5 years giving an amortisation charge in the year of £10.0m.

Share based charges increased by £0.7m due to the continued investment in the Franchise Incentive Plan and management share options to ensure both Franchisees and management are aligned with the Group's objectives and rewarded based on the performance of the Group.

Exceptional items of £10.0m primarily comprises professional fees relating to the acquisition of Bibendum PLB Group of £1.6m and costs to integrate and restructure the Group following the acquisitions of Matthew Clark and Bibendum PLB Group of £8.7m. The integration of Matthew Clark and Bibendum PLB Group with Conviviality Retail was completed as a single project to make the integration more efficient and reduce costs. A significant amount of work was undertaken in FY17 to create three customer facing business units (Conviviality Direct, Conviviality Retail and Conviviality Trading) plus group support functions (Logistics, Finance, IT, Legal and Human Resources). The Group is now operating within this structure which facilitates the delivery of buying, logistics and organisational synergies whilst ensuring the Group is well positioned to continue to drive organic sales growth.

Conviviality owns 61% of Peppermint Events and is committed to acquire the remaining 39% in the year ending April 2020 or April 2021 based on EBITDA in the year ending April 2019 or April 2020. The timing of the final earn-out will depend on whether Peppermint Events exceeds an EBITDA target that has been set for the year ending 2019. If the target is not met the earn-out moves to the year ending 2020. The EBITDA targets set at the date of acquisition resulted in a contingent consideration of £6.2m and a liability was established for this amount. Reflecting current market conditions the estimated contingent consideration has decreased by £3.4m. This has been recorded as exceptional income.

Adjusted profit before tax increased 111% to £45.8m (FY16 £21.7m) as Adjusted EBITDA of £60.9m was offset by net finance charges of £5.2m, depreciation and amortisation (excluding amortisation of acquisition intangibles) of £7.4m and share based charges of £2.4m.

Tax

The tax charge of £4.0m represents tax on Group profit before tax and exceptional items of £6.1m offset by a tax credit tax on exceptional items of £2.1m. The effective tax rate on Group profit before tax and exceptional items is 18.8% due to movements in deferred tax. The tax credit on exceptional items is 20.9% due to disallowable transaction costs on the acquisition of Bibendum PLB Group.

Earnings per share

Profit after tax increased 249% to £18.5m (FY16 £5.3m) and the basic weighted average number of shares increased 48% to 170.1m (FY16 115.3m) following the placing of 15.6m new shares with institutional investors to raise gross proceeds of c. £32.0m to part fund the acquisition of Bibendum PLB Group. This resulted in basic EPS increasing 135% to 10.8 pence (FY16 4.6 pence).

Fully diluted weighted average shares increased 48% to 177.0m (FY16 119.4m) resulting in fully diluted EPS increasing 136% to 10.4 pence (FY16 4.4 pence).

Adjusted profit after tax increased 119% to £37.2m (FY16 £17.0m) resulting in adjusted basic EPS increasing 49% to 21.9 pence (FY16 14.7 pence) and adjusted fully diluted EPS increasing 48% to 21.0 pence (FY16 14.2 pence).

Strategic report

Financial review

Continued

Cash flow and funding

The Group is strongly cash generative with free cash flow increasing by 349% to £51.2m (FY16 £11.4m) as adjusted EBITDA of £60.9m was augmented by a reduction in working capital of £17.3m and offset by net capital expenditure of £13.4m, interest payments of £5.3m and tax payments of £8.3m.

Capital expenditure includes a continued investment in stores of £6.0m and the development of IT systems including a new EPOS till system, the implementation of JD Edwards ERP system into Bibendum Wine and Conviviality Retail and the implementation of warehouse management systems and logistics planning tools of £9.8m. This is offset by the proceeds from the sale of assets of £6.3m, primarily the sale and leaseback of the Shefford depot.

Net debt increased by £9.6m as free cash flow of £51.2m was offset by a net cash outflow on the acquisition of Bibendum PLB Group of £28.6m, the acquisition of KMD Enterprises for cash consideration of £4.0m, restructuring and integration costs of £8.7m and dividend payments of £19.9m.

The consideration for Bibendum PLB Group was £39.7m which, together with £19.1m of debt acquired and acquisition costs of £1.6m, resulted in a total investment of £60.4m. This investment was funded by proceeds from the issue of new ordinary shares of £31.8m generating a net cash out flow of £28.6m.

At 30 April 2017 the Group's net debt totalled £95.7m (1 May 2016: £86.1m) and comprised £95.8m of term loans and £10.7m drawn down under the Group's working capital facilities, less cash of £10.4m and unamortised banking arrangement fees. The bank facilities include a leverage and an interest cover covenant. The leverage covenant requires debt (excluding any amounts drawn down on under the Group's invoice discounting facility) to be less than 2.5 times the last 12 months adjusted EBITDA. The interest cover covenant requires adjusted EBITDA to be at least four times net finance charges. At the measurement date of 30 April 2017 leverage was 1.6 and interest cover was 11.5.

Dividend

Conviviality has a progressive dividend policy and aims to increase dividend cover (based on fully diluted adjusted EPS) to two times by the year ending April 2020. In line with this policy, a final dividend of 8.4 pence per share is proposed. Subject to shareholder approval at the Annual General Meeting, the final dividend will be paid on 5 October 2017 to shareholders on the register on 8 September 2017. This increases the total dividend for the year by 33% to 12.6 pence per share (FY16: 9.5 pence per share) and increases dividend cover to 1.7 times (FY16: 1.5 times).

Andrew Humphreys
Chief Financial Officer

17 July 2017

Key performance indicators

Revenue[1]
£1,560m
Increase of 85% from 2016

Adjusted EBITDA[2]
£60.9m
Increase of 102% from 2016

Profit before tax
£22.5m
Increase of 147% from 2016

Diluted EPS
10.4p
Increase of 136% from 2016

Adjusted diluted EPS[3]
21.0p
Increase of 48% from 2016

Free cash flow[9]
£51.2m
Increase of 349% from 2016

Alternative performance measures

Corporate social responsibility report

A Values based approach to sustainability

We see it as our responsibility to offer our talented and committed people sustainable and worthwhile employment where they can grow and thrive in a safe and secure environment.

Our culture and values

Passion

Agility

Teamwork

Customer focus and excellence

The Group takes its responsibilities as a business in its community seriously, creating sustainable employment within the industry for local communities across the UK. Several members of our senior leadership team play important roles with trade organisations and charities so that as well as running our business they represent the interests of our customers and our industry to the trade bodies who influence Government. They will harness their access to these opinion formers and decision makers to lobby on behalf of our small business customers for fair and equitable treatment. *We will fundamentally remain committed to* sustainable growth for all our stakeholders customers, Franchisees, suppliers, our people.

Our culture and our values

It is through our people that our suppliers and customers see our business, its talent and its potential. Organisationally we have very purposefully lowered the centre of gravity to empower our people closest to the customer so they can focus on delighting our customers. We have put in place Employee Forums across all of our depots and support centres ensuring we listen to the views of our people and make any changes necessary to improve how we work.

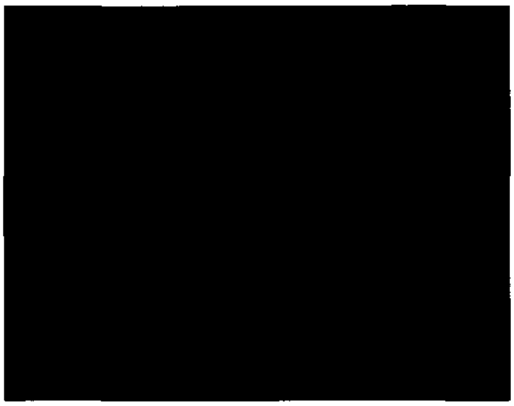
Our values are driven from our people across all of our business and they underpin how we work together to deliver our strategic goals. In the last year we have launched the values across the entire Group and we now see our values in action across every one of our ten depots and eight out-bases, our four support centres as well as our retail outlets and our teams operating out on location with customers – work that we will continue to embed. We have appointed Values Champions, a group of 33 employees who help us bring the values to life and champion the spirit of "One Conviviality". On 2 May 2017 the Values Champions created a celebratory event that took place in every one of our support centres and depots to launch the start of the financial year as One Conviviality.

The values champions continue to work at the heart of the business to help make Conviviality a great place to work for everyone.

Conviviality believes in treating all employees fairly and equitably and is a champion of equal opportunities. As such, having brought together three large businesses a key element of our integration activity has to be to ensure all roles across the organisation are paid fairly and equitably across the group and relative to the external market. This full benchmarking and alignment exercise on pay is complete and has been communicated to all employees as part of the pay review process.

A further benefit of the benchmarking exercise into roles and pay is that we now have a robust database that enables us to understand the diversity of our workforce. Our workforce balance is split 1805 male and 876 female, and whilst there is only a small pay differential between male and female employees of 2.5%, we remain committed to ensuring we have equal pay for equal roles with performance being the only differentiator on pay.

We recognise and reward positive behaviours and the performance of our people through our annual performance review process where every employee in the organisation has the opportunity to discuss their performance and their future career development with their line manager.



Strategic report

Corporate social responsibility report

Continued

Our culture and values

Passion

Agility

Teamwork

Customer focus and excellence

Apprenticeships

Apprenticeships provide an opportunity for us to develop and grow our talent locally. We have three apprentices across Group and we have two colleagues who have completed their two year apprentice programme and have secured roles within the business. Apprenticeship programmes are not just a way for us to find great people they also strengthen our links with the communities where we operate.

3

Apprentices across the Group

Training

Our commitment to training and developing our people is part of what makes Conviviality special. We encourage employees to take professional qualifications for example in Finance, HR, Logistics and Marketing. We have 17 team members completing AAT, ACCA, or CIMA qualifications. We also provide training and development in business and management skills as well as job skills at all levels. During the past year 84 employees took the WSET (Wine and Spirits Education Trust) courses as part of their career development. In addition more than 1,703 of our customers' employees also took WSET courses led by our expert and award winning trainers.

Community

Charitable Giving

We believe that our businesses and our people play an important role in the communities where we trade. All Conviviality businesses support charities as well as encourage and involve their people in charitable giving and in volunteering. During the last year more than 22 charities benefited from the support of Conviviality and over £37,373 was donated. Conviviality specifically supports Cheshire Community Foundation and the Rainbow Trust which benefited through the year from £14,019 between them. Through the charity matching scheme for volunteering in Matthew Clark over 80 employees undertook activities for charity and £6,000 was matched by the Company to the charity of their choice. For example eight employees from Direct and Trading took part in a sailing regatta which raised £1000 for Brain Cancer and Team Margot. Conviviality further support our people in volunteering by allowing a paid day off for every employee to fundraise for charity.

22

The number of charities that benefited from the support of Conviviality

Responsible Retailing and Drinking

Responsible retailing and drinking is an important part of how we do business. In line with this we contribute £23,288 annually to the Drinkaware Trust. We support the WSTA with two members of the team acting as Trustees as well as contributing £56,860 annually. We also support the Benevolent, the drinks industry charity, again with a member of the team acting as a trustee as well as contributing £33,500 above our fundraising activity.

Gas Emissions

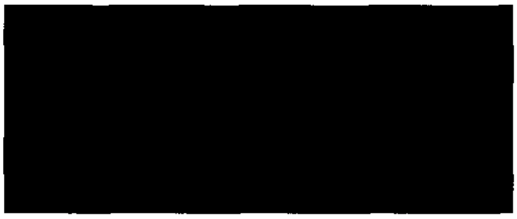
Conviviality Plc operates a core of 307 commercial vehicles ranging from 3.5 to 40 tonnes. The business continues to invest in fuel efficient vehicles with 200 vehicles fitted with the new Euro 6 engine. The residual vehicles are fitted with Euro 5 engines and are due to be replaced over the course of the next two years. In addition 289 of our delivery fleet have been fitted with a telematics systems that monitors the efficiency of drivers and to ensure our vehicles are being operated as optimally as possible.

Conviviality understands that technology is only one part of the drive towards reducing carbon emissions and to that end we are investing in driver behaviour training and are introducing the "Smith System's on-road training" that will provide our transport colleagues the tools to improve fuel efficiency as well as improving safety and awareness in changing environments. Conviviality has trained 20 instructors that are located across the distribution centres and to date has 140 qualified drivers in the new techniques.

Energy Efficiency

Conviviality is fully compliant with the ESOS regulations. Energy efficiency initiatives are in place across the business and have continued to reduce overall energy consumption by 5.4%. This is demonstrated with the commissioning of two new distribution centres both of which have high performance rigid thermoset insulation thermal conductivity as well as being BREAM "very good rating". Conviviality has PIR activated lighting systems in place helping to reduce energy usage versus the prior year. The business is registered with the Carbon Trust.

Waste and Recycling



Conviviality continues to work hard in reducing waste across the business. Our business has decreased waste sent to landfill by 13.66% with an increase of 8% of waste diverted from landfill. All our depots have recycling facilities for cardboard and plastic and all mixed waste is sent directly to a Materials Recycling Facility, so limiting the amount we send to landfill.

The eleven depots that are operated by Conviviality are accredited to the 18001 Occupational Health and Safety standard. Four of depots have achieved the ISO 14001 standard which relates to environmental management and one depot has been accredited with the British Retail Counsel food safety standard.

The Strategic Report, as set out on pages 1 to 41, has been approved by the Board.

By order of the Board

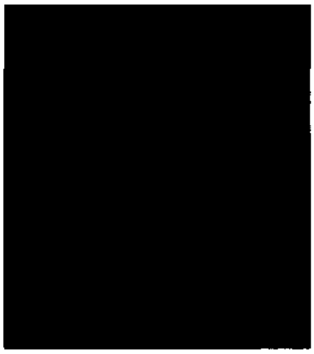
D Hunter

Diana Hunter
Chief Executive Officer

17 July 2017

Board of Directors

A Strong leadership team committed to driving growth



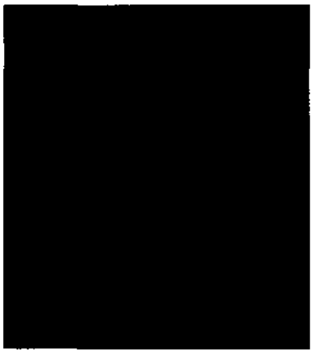
David Adams
Chairman

David joined the Board in July 2013

David is an experienced Plc director who has served in both executive and non-executive capacities in the retail industry. Past roles include Finance Director and Deputy CEO at House of Fraser, Chairman of Jessops Plc and Moss Bros Plc and Non-Executive Director of HMV.

Chairman of the Nomination Committee, Acting Chair of the Remuneration Committee and member of the Audit Committee

David is currently Chairman of Ecovision Ltd and Park Cameras Ltd. In addition he holds Plc Non-Executive Director roles at Halfords, Hornby, Fever-Tree Drinks, Elegant Hotels and Thinksmart, and is a trustee of Walk the Walk a breast cancer charity.



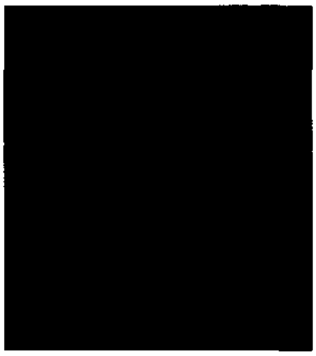
Diana Hunter
Chief Executive Officer

Diana joined the Board in February 2013

Diana has over 25 years retail experience. Prior to leading Conviviality Diana held senior roles at Waitrose including Director of Store Development and latterly Convenience Stores Director. Diana began her career at J Sainsbury plc where for over 13 years she held numerous senior roles.

Diana is not a member of any of the Board committees

Diana is on the board of the Downing Strategic Investment Trust and the WSTA (Wine and Spirit Trade Association). Diana is also a Trustee of The Benevolent (the drinks industry charity).



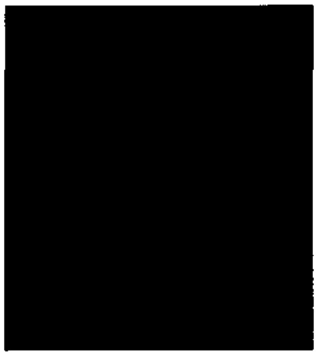
Andrew Humphreys
Chief Financial Officer

Andrew joined the Board in June 2014

Andrew joined from Direct Wines, where he held the position of Chief Financial Officer, having previously held senior finance roles in the retail sector at Shop Direct Group and Carphone Warehouse Group plc.

Andrew is not a member of any of the Board committees

Andrew has no external appointments.



Mark Aylwin
Managing Director
Conviviality Direct

Mark joined the Board in May 2016.

Mark joined from Booker Group PLC where he was Managing Director of Booker Direct. Mark has over 35 years' experience in the food and drinks industry and has served on the boards of Booker and Blueheath plc.

Mark is not a member of any Board committees

Mark has no external appointments.

Jennifer Laing joined the Board on 9 May 2016 and resigned 30 April 2017

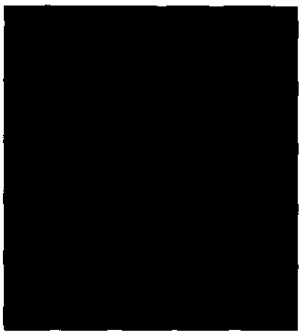
David Robinson
Managing Director
Conviviality Retail

David joined the Board in August 2016

David joined from Home Retail Group where he was Chief Operating Officer of Argos. David has over 20 years retail experience and has held operating board positions over the last 10 years at Homebase and Argos.

David is not a member of any Board committees.

David has no external appointments.



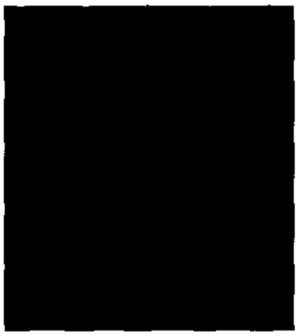
Martin Newman
Non-Executive Director

Martin joined the Board in February 2014

Martin's previous roles have included Head of E-commerce for Burberry Group plc and Ted Baker plc, Interim Director of E-commerce for Pentland Brands plc as well as Head of Marketing for Harrods' home shopping division.

Member of the Nomination and Remuneration Committees

Martin is currently CEO of strategic multichannel consultancy Practicology and is a Non-Executive of White Stuff Limited.



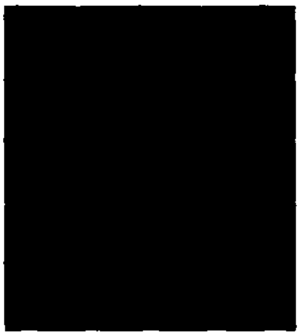
Steve Wilson
Non-Executive Director

Steve joined the Board in February 2014

Steve has significant public company experience, having been on the board of Headlam Group plc since 1991 where he has helped develop the business from its origin as a company with revenues of £2m to where it is today. He served on the board of Synergy Health Plc as Non-Executive Chairman for eight years between 2002 and 2010.

Chairman of the Audit Committee and member of the Nomination and Remuneration Committees

Steve Wilson is Chief Executive of Headlam Group plc. Headlam is Europe's largest floor coverings distributor and is listed on the London Stock Exchange's Main Market.



Ian Jones
Non-Executive Director

Ian joined the Board in May 2015

Ian was previously at Homebase Ltd where he was Retail Director for nine years. During this period, Ian was also Distribution and Supply Chain Director for five years. Ian took a central role in repositioning Homebase as a home enhancement retailer and was responsible for 340 stores and 18,000 retail personnel.

Ian is a member of the Remuneration Committee

Ian Jones is a member of the Retail Advisory Committee for Marie Curie.

Corporate governance report

Strong leadership team committed to driving growth

As an AIM-quoted company, the Group is not required to produce a corporate governance report nor comply with the requirements of the UK Corporate Governance Code. However, the Directors are committed to providing information on an open basis and present their Corporate Governance Report below:

The Board of Directors

The Board currently comprises one Non-Executive Chairman, one Non-Executive senior independent Director, two independent Non-Executive Directors and four Executive Directors who are the Chief Executive, the Chief Financial Officer, the Managing Director of Conviviality Direct and the Managing Director of Conviviality Retail.

The Non-Executive Directors demonstrate a range of experience and sufficient calibre to bring independent judgement on issues of strategy, financial performance, resources and standards of conduct, which are vital to the success of the Group.

The Board meets at regular intervals and is responsible for setting corporate strategy, approving the annual budget, reviewing financial performance, agreeing the renewal of and any new banking/treasury facilities, approving major items of capital expenditure and reviewing and approving acquisitions. The Board is provided with appropriate information in advance of Board meetings to enable it to discharge its duties effectively. The Chairman ensures that the Directors are able to take independent professional advice as required at the Company's expense.

The number of meetings of the Board and the attendance of Directors is set out to the right.

Number of meetings attended in FY17

[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]

Renumeration committee

The Remuneration Committee is comprised of David Adams as Chairman, Steve Wilson, Martin Newman and Ian Jones. The Committees policy and the details of each Director's remuneration are clearly explained in its report on pages 54 and in note 5 to the accounts.

Audit committee

The Audit Committee is comprised of Steve Wilson as Chairman and David Adams. The meetings are also attended, by invitation, by the other Directors. The Audit Committee has met on two occasions during the year and once since year end.

The Audit Committee has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reported on and for reviewing reports from the Group's auditors relating to the Group's accounting and financial reporting, in all cases having due regard to the interests of shareholders.

The Board has established a Risk Committee for which the Chairman is the Group Chief Financial Officer. The Risk Committee identifies, evaluates and manages risks faced by the Group. The Chairman of the Risk Committee reports the outcome of the Risk Committee meetings to the Plc Board.

The Audit Committee also oversees the relationship with the external auditors including approval of remuneration levels, approval of terms of engagement and assessment of their independence and objectivity. In so doing they take into account UK professional and regulatory requirements and the relationship with the auditors as a whole, including the provision of non-audit services. KPMG LLP have been auditors to the Group since November 2015.

Nomination committee

The Nomination Committee is comprised of David Adams as Chairman, Ian Jones, Steve Wilson and Martin Newman. The Committee identifies and nominates, for the approval of the Board, candidates to fill Board vacancies when they arise. The Committee meets at least once a year.

At each AGM of the Company the articles of the Company require one-third of the Directors (or the number nearest to but not exceeding one-third when the number of Directors is not a multiple of three) to retire from office. Each such Director may, if eligible, offer themselves for re-election. The Company has adopted best practice by having all its directors stand for re-appointment at each AGM.

If the Company, at the meeting at which a Director retires, does not fill the vacancy, the retiring Director shall, if willing, be deemed to have been reappointed unless it is expressly resolved not to fill the vacancy or a resolution for the reappointment of the Director is put to the meeting and lost.

Internal control

The Board is responsible for establishing and maintaining the Group's system of internal control and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failure to achieve the Group's strategic objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has overall responsibility for the Group and there is a formal schedule of matters specifically reserved for decision by the Board.

Each year the Board approves the annual budget. Key risk areas are identified, reviewed and monitored. Performance is monitored against budget, relevant action is taken throughout the year and quarterly rolling forecasts are prepared. The reports reviewed by the Board include reports on operational as well as financial issues.

Capital and development expenditure is regulated by a budgetary process and authorisation levels. For expenditure beyond specified levels, detailed written proposals have to be submitted to the Board for approval. Reviews are carried out after the purchase is complete. The Board requires management to explain any major deviations from authorised capital proposals and to seek further sanction from the Board. Due diligence work is carried out if a business is to be acquired.

Where the management of operational risk requires outside advice this is sought from expert consultants, and the Group receives this in the areas of employment law and health and safety management.

The Board has reviewed the effectiveness of the Group's system of internal controls and has considered the need for an internal audit function. At this stage the Board has decided that an internal audit function is not required as the Group's internal controls system in place is appropriate. The Board will keep this under review.

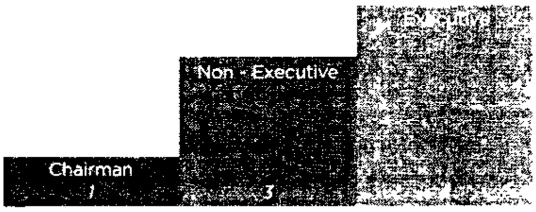
The Board also reviews the Group's arrangements for its employees raising concerns, in confidence, about possible

Corporate governance report

Continued

wrongdoing in financial reporting or other matters. The Board ensures that such arrangements allow for independent investigation and follow-up action.

Board composition



Relationship with shareholders

Communication with shareholders is given high priority. There is regular dialogue with major and/or institutional shareholders including presentations after the Company's announcements of the half-year and full-year results in February and July respectively. Presentations are also made to analysts at those times to present the Group's results and report on developments. This assists with the promotion of knowledge of the Group in the investment marketplace and with shareholders. The financial statements include a review of the business and future developments. These financial statements and other corporate news relating to the Group are also available on the Group's website.

Following the half-year and year-end presentations of results, the Executive Directors report to the Board on the feedback received from analysts and shareholders. In addition, the Company's Nominated Advisor produces a feedback report from those meetings which is made available to all Directors. The Executive Directors also report to the Board on any meetings with shareholders or institutional investors that may take place at other times of the year.

The Board encourages shareholder participation at its Annual General Meeting where shareholders can be updated on the Group's activities and plans.

Going concern

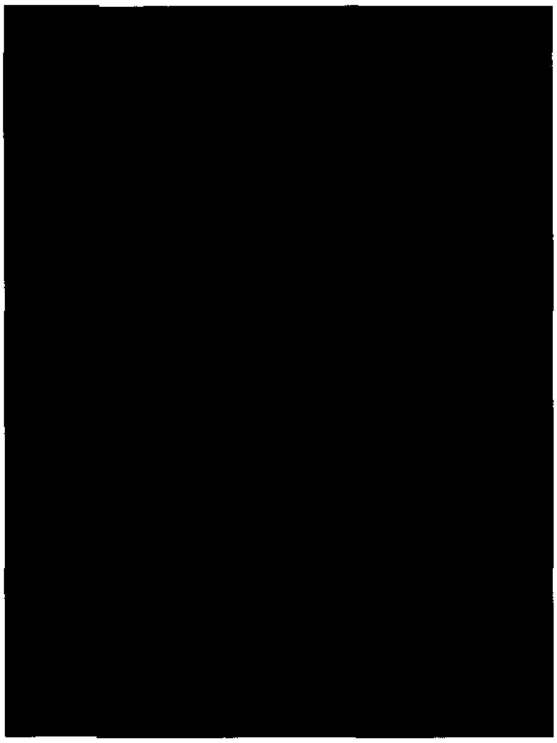
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described within the Financial Review section of the Strategic report also. In addition, note 18 to the financial statements includes the Group's objectives and policies of its financial risk management and details of its financial instruments and hedging activities and its exposure to credit risk and liquidity risk.

The Directors have prepared cash flow forecasts for the period until April 2019. Based on these, the Directors confirm that there are sufficient cash reserves to fund the business for the period under review, and believe that the Group is well placed to manage its business risk successfully. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Andrew Humphreys

17 July 2017

Remuneration Committee report



Remuneration Committee Chairman's Letter

Dear Shareholders,

In my role as acting Chair of the Remuneration Committee I am pleased to present, on behalf of the Board the Remuneration Committee's report for the year ended 30 April 2017. Following Jennifer Laing stepping down from the role and the Board, during the year we are undertaking a search for a replacement.

To continue to improve the transparency of our reporting this year we have set out our remuneration report in the style of a main market listed company, this includes a Remuneration Policy report describing the principles behind our approach to Directors' Remuneration, and an Annual Report setting out how the policy has been implemented in this past year, and outlining our approach to the year ahead. As an AIM listed company we are not required to submit either section of our report to a vote at the upcoming AGM. However, we are committed to consulting with our shareholders as evidenced by the consultations we have undertaken in this and in previous years.

As disclosed in last year's report, following the transformational acquisitions of Matthew Clark and Bibendum PLB Group, the Committee sought to establish a clear Remuneration framework for directors. During this year we have reviewed that framework and engaged in consultation with our major shareholders, holding around 60% of the share capital of the business, on two topics – executive bonus deferral, and the introduction of an extra level of potential LTIP, awarded in return for exceptional performance.

Feedback from the consultation exercise was taken into account in our approach going forward in these two areas of remuneration. The key changes in the annual bonus deferral arrangements are a mandatory deferral of 25% of any bonus earned, the opportunity to defer up to 100% at the executive's discretion, the introduction of an extra allocation of shares as an incentive to do so and the introduction of a three year holding period. For the Long Term Incentive Plan we have introduced a "super stretch" target with a 20% higher award potential, taking the CEO award to a potential 150% of base salary and other executive directors to 120%. A two year holding period has been introduced on top of the three year vesting period. Full details of Annual Bonus and Long Term Incentive Plans are outlined in the report.

No retrospective changes were made as part of these amendments. We believe the changes made will act as a strong incentive for our talented executive team, encourage greater retention, and give greater alignment to shareholder interests.

We hope you find this report both clear and informative.

David Adams

17 July 2017

Remuneration Committee report

Continued

Remuneration Committee Membership

The primary role of the Committee is to:

- Determine and agree with the Board the framework of remuneration for the group of executives within its remit.
- Ensure that effective performance management systems are in place to assess the performance of the executives and the company.
- Set the remuneration for the Plc directors, selected senior management and the company Chairman.
- Oversee the implementation and operation of short-term and long-term incentive arrangements for senior management.
- Monitor the overall cost of remuneration structures for the Plc directors, selected senior management and the company Chairman; and
- Agree the policy for authorising claims for expenses from the Chairman and Plc directors.

Remuneration Committee activities during the year were as follows:

- Benchmarked executive director's total remuneration vs. companies of a similar size and sector.
- Determined executive directors' salary increases for FY18.
- Reviewed and approved salary increases for other senior management for FY18.
- Reviewed and approved executive directors' performance against annual objectives for FY17 and determined bonuses payable.
- Determined executive directors' annual bonus objectives for FY18, including opportunities and performance measures, weightings and targets.
- Determined executive directors' long-term incentives for FY18 including opportunities and performance measures, weightings and targets.
- Conducted a detailed review of executive incentives and consulted with major shareholders on proposed refinements.
- Prepared the Directors' Remuneration Report.

The Committee's terms of reference are set out on the Company's website.

During the year, the Committee consisted of 5 Non-Executive Directors:

- Jennifer Laing, Remuneration Committee Chair, was appointed on 9 May 2016 and stepped down from the Board on 30 April 2017. She attended 4 out of 5 meetings during the year.
- David Adams, Company Chairman and acting Committee Chair, attended 5 out of 5 meetings during the year.
- Martin Newman attended 3 out of 5 meetings during the year.
- Steve Wilson attended 3 out of 5 meetings during the year.
- Ian Jones attended 4 out of 5 meetings during the year.

The Board undertakes an annual evaluation of the Committee's performance to ensure continued ability to independently and objectively review remuneration at the Group with support from its advisers.

Advisors

During the year the Committee appointed Kepler a brand of Mercer (Kepler), part of the MMC group of companies, to provide independent advice on executive remuneration matters. Kepler was appointed by the Committee following a competitive selection process, through which the Committee has satisfied itself that Kepler's advice is objective and independent. Kepler is a signatory to the Code of Conduct for Remuneration Consultants in the UK, details of which can be found on the Remuneration Consulting Group's website at www.remunerationconsultantsgroup.com. Services provided by Kepler included advice on remuneration packages for executives and assistance with a review of their incentive arrangements, drafting the Directors' Remuneration Report, as well as other ad-hoc advice related to remuneration. The Committee evaluates the support provided by Kepler annually and is comfortable that they do not have any connections with Conviviality that may impair their independence. Other than advice on remuneration, no other services were provided by Kepler (or any other part of the MMC group of companies) to the Group.

Directors' remuneration policy

In this section of the report we outline the policy for directors' remuneration at Conviviality Plc. The Committee has sought to establish a remuneration framework that is strongly aligned to the interests of shareholders and the needs, values and strategy of the Group. The framework recognises the Company's need to recruit, retain and appropriately incentivise high calibre colleagues to deliver the strategy set by the Board.

Annual Bonus

To focus management on delivery of annual business priorities which tie into the long-term strategic objectives of the Company.

Performance measures, targets and weightings are set at the start of the year. At the end of the year, the Remuneration Committee determines the extent to which targets have been achieved.

At least 25% of any bonus earned must be delivered in shares, deferred for three years. Participants may voluntarily defer up to the remaining 75% of the bonus in shares and earn an uplift of 25% on voluntarily deferred shares, subject to continued employment and satisfaction of a performance underpin over the deferral period, to promote take-up and long-term executive share ownership.

Dividends will accrue on shares over the deferral period.

Malus (on deferred shares) and clawback (on any bonus paid) provisions apply in the event of serious financial misstatement, miscalculation or gross misconduct, for a period of two years following bonus payment.

The maximum annual bonus opportunity for executive directors is up to 100% of salary in cash, or 118.75% if the bonus is deferred fully in shares for three years and the conditions for receiving the uplift are satisfied.

Detailed and weighted role specific measures are established annually for each Executive Director. Performance on a linear basis from Threshold to Stretch with reference to these measures will determine actual Annual Bonus awards. No Bonus is payable for performance below Threshold. With reference to the maximum Annual Bonus award opportunity for each Executive Director as a percentage of salary, 100% of maximum is payable for the achievement of Stretch performance, 60% of maximum for Target performance and 30% for Threshold performance.

Performance is measured annually against a combination of financial measures and personal and strategic objectives.

Financial measures may include but are not limited to earnings per share, free cash flow, revenue, EBITDA, net debt etc. Measures will be weighted appropriately each year according to business priorities.

Personal and strategic objectives are set annually to reinforce the Group's strategic plan.

Overall pay-out under the annual bonus may be subject to additional underpins determined by the Committee at the start of the financial year.

Vesting of the uplift shares on voluntarily deferral is subject to continued employment and satisfaction of a performance underpin determined by the Committee. For the first cycle the underpin is the LTIP Threshold EPS requirement for the relevant 3-year period.

The Committee has discretion in exceptional circumstances to adjust the formulaic bonus outcomes within the plan limits to ensure alignment of pay with performance and ensure fairness to both shareholders and participants. Any such adjustments would be fully explained in the Directors' Remuneration Report.

Remuneration Committee report

Continued

Base salary			
To recognise the individual's skills and experience and to provide a competitive base reward that helps us attract and retain a high calibre executive team to execute our strategy	Base salaries are reviewed annually, taking into account individual performance, experience, market competitiveness and average increases across the Group	It is anticipated that percentage salary increases will generally be in line with employees across the Group. Increases may be above this level if there is a material increase in the scale, scope, market rate or responsibilities of the role	Individual and business performance are considerations in setting base salary
Pension			
To provide an opportunity for executives to build up income on retirement	All Executives are either members of the pension scheme or receive a cash allowance in lieu of pension	Executive directors receive a pension contribution of up to 15% of salary or an equivalent cash allowance	None
Benefits			
To provide appropriately competitive market benefits	Benefits typically consist of car allowance or provision of drivers as appropriate, life assurance, and private medical insurance. Other benefits may be offered including, but not limited to, travel, relocation and employee shares schemes	Benefits vary by role and individual circumstances; eligibility and cost is reviewed periodically	None
Long Term Incentive Plan			
To drive sustained long-term performance that supports the creation of shareholder value	Under the long-term incentive plan (LTIP) annual awards of shares or nil-cost options may be made to participants. Award levels and performance conditions are reviewed before each award cycle to ensure they remain appropriate. Awards made under the LTIP will have a performance period of at least three years. Any vested shares will be subject to an additional holding period of up to two years. Dividends will accrue over the vesting period (and any holding period), but will only be paid on shares which vest. Nil-cost options may be exercised between the date of vesting and within 10 years of the date of grant. Malus and clawback provisions apply for a period of two years following LTIP vesting.	Awards under the LTIP may be up to 250% of salary in exceptional circumstances. Annual awards will normally be 150% of salary for the CEO and 120% of salary for other executive directors. No LTIP will vest for performance below Threshold; 25% of maximum will vest at Threshold, 50% at Target, 83.3% at Stretch and 100% at Super-Stretch, with straight-line vesting between each. Details of the EPS targets to be used in the FY19 - FY20 LTIP grant are included on page 57	Vesting of LTIP awards is subject to continued employment and performance against metrics defined by the Committee at the start of each award cycle. Overall vesting under the LTIP may be subject to additional underpins determined by the Committee prior to the grant of each award. For FY18, the LTIP will be based on EPS growth; vesting is also subject to the Committee being satisfied that the recorded EPS outcome reflects underlying business performance, taking into account factors including the Company's TSR performance. Details of the targets to be used in future LTIP grants are included in the Annual Report on Remuneration on page 55

Notes to the policy table

Shareholding guidelines

Executive directors are expected to build up a shareholding of 100% of salary (200% of salary for the CEO) within five years of appointment or the introduction of this guideline (whichever is later), to help align executive shareholders' interests. Details of executive directors' current shareholdings are provided in the Annual Report on Remuneration.

Legacy schemes

The Committee will honour the payment of any outstanding schemes to executive directors which were granted prior to the implementation of this policy or before the director joined the Board, including but not limited to the following legacy schemes for current executive directors:

Joint Share Ownership ("JSOP")

In respect of vested options granted by Conviviality Plc in respect of shares which are held by Bargain Booze EBT Trustees Limited ("EBT"), a wholly owned subsidiary of the Group, such shares were made subject of a Joint Share Ownership ("JSOP") arrangement whereby the applicable executive and the EBT jointly own the relevant shares, with certain rights accruing to the relevant executive, including the right to dividends declared on such shares. This arrangement applies to 896,809 shares held by the EBT of which 826,809 are jointly held by Diana Hunter and 70,000 are jointly held by Andrew Humphreys. No further joint share ownership arrangements are anticipated to be made to executive directors.

Employee Share Option Plan ("ESOP")

Prior to the introduction of the LTIP, awards were made under the ESOP to executive directors. Awards were subject to performance and continued employment. Andrew Humphreys has three ESOP awards that are outstanding, performance targets for which have been met in full, and which are due to vest in September 2017. Following the introduction of the LTIP no further awards are anticipated to be made to executive directors under the ESOP.

Performance measure selection and approach to target setting

The measures used under the annual bonus plan are selected annually to reflect business priorities. Financial targets are set with reference to market expectations and internal budgets.

The Committee selected Earnings Per Share (EPS) for the LTIP and the uplift on voluntary bonus deferral as it is well-aligned with shareholders' interests and can be translated into measures which provide good line-of-sight to all LTIP participants. The discretionary underpin on LTIP vesting which takes into account factors including the Company's TSR performance, further reinforces alignment with shareholders. EPS targets are reviewed in advance of grant and take account of a number of internal and external reference points, including Conviviality plc's strategic plan and broker forecasts.

Remuneration policy for other employees

Conviviality's approach to annual salary reviews is consistent across the Group, with consideration given to the level of accountability, experience, individual performance plus salary comparisons internally and externally.

Over 2,000 employees are eligible to participate in an annual bonus scheme with similar metrics to those used for the executive directors.

Approximately 40 Senior Managers are eligible to participate in the LTIP. Performance conditions are broadly consistent for all participants.

The Company has now extended the invitation to all employees with more than 6 months service to participate in a Share Incentive Plan (SIP). There are 3 elements to this plan:

- Partnership Shares whereby employees can use pre-tax salary to purchase shares.
- Matching Shares whereby Partnership Shares are matched for free by the Company.
- Performance Shares whereby employees can receive shares through an annual scheme based on Company performance.

Corporate governance

Remuneration Committee report

Continued

Service contracts and treatment for leavers and change of control

Executive Director service contracts, including arrangements for early termination, are carefully considered by the Committee. Each of the executive directors has a rolling service contract requiring 12 months' notice of termination on either side. Such contracts contain no specific provision for compensation for loss of office, other than an obligation to pay for any notice period waived by the Company, where pay is defined as salary only. Each of the executive directors has agreed to confidentiality undertakings, without limitation as to time, and have agreed to non-compete, non-solicitation and non-dealing restrictive covenants that apply for a period consistent with individual notice periods following termination of employment with the Group. The Company may reimburse reasonable legal costs in connection with a termination of employment, if the Committee considers it appropriate. Executive Director service contracts are available to view at the Company's registered office.

When considering exit payments, the Committee reviews incentive outcomes to ensure they are fair to both shareholders and participants. On leaving, current year annual bonus and unvested LTIP awards normally lapse, unless a participant is considered a 'good leaver', in which case bonuses and/or unvested LTIP awards will be paid only to the extent that performance conditions set at the beginning of the period have been met. Any resulting incentive payments will be pro-rated for time served during the year.

Deferred bonus shares paid in respect of a previous year would normally be released at the end of the normal deferral period. Any dividends and uplift shares on voluntary deferral would normally lapse unless the individual is a good leaver, in which case the dividends and uplift shares would vest at the usual time, subject to performance and time pro-rating, with Committee discretion to treat otherwise.

The Committee retains discretion to accelerate vesting in exceptional circumstances, e.g. in the event of death, based on a reasonable estimate of the extent to which any performance condition has been met at that time. In the event of a change of control, awards may alternatively be exchanged for new equivalent awards in the acquirer, if appropriate. The final treatment of any award remains subject to the Committee's discretion.

Executive	Date of appointment
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]

External Appointments

With the approval of the Board in each case and subject to the overriding requirements of the Group, executive directors may accept external appointments as non-executive directors of other companies and retain any fees received

Non-Executive Director remuneration

Subject to annual re-election by shareholders, Non-Executive Directors are appointed for an initial term of 3 years. Subsequent terms of 3 years may be granted. The appointment and re-appointment and the remuneration of Non-Executive Directors are matters reserved for the full Board. The appointments are terminable by either party with one month's written notice, with the exception of the Chairman for whom it is three months

The Non-Executive Directors are not eligible to participate in the Company's performance related bonus plan, long-term incentive plans or pension arrangements

Full terms and conditions for each of the Non-Executive Directors are available at the company's registered office during normal business hours and will be available at the AGM prior to the meeting and during the meeting.

Details of the policy on fees paid to our Non-Executive Directors are set out in the table at the bottom of Page 55

Non-Executive Director	Date of Appointment
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]

[illegible]	[illegible]	[illegible]	[illegible]
Fees			
To attract and retain Non-Executive Directors of the highest calibre with broad commercial and other experience relevant to the Company	Fee levels are reviewed annually with any adjustments typically effective 1 May in the year following review The fees paid to the Chairman are determined by the Committee whilst the fees of the Non-Executive Directors are determined by the Board (excluding the NED or group of NEDs whose fees are being determined) Additional fees may be paid for additional responsibilities such as acting as Senior Independent Director and as Chairman of any of the Board's Committees Fee levels are benchmarked against similar roles at comparable companies. Time commitment and responsibility are taken into account when reviewing fee levels	Non-Executive Director fee increases are applied in line with the outcome of the annual fee review	Non-Executive Directors do not participate in any incentive schemes

Corporate governance

Remuneration Committee report

Continued

Annual Report on Remuneration

Single total figure of remuneration for Executive Directors

The table below sets out a single figure for the total remuneration received by each Executive Director of the company for the financial year ended 30 April 2017 and the previous year, representing payments received in respect of the period for which each individual was a director of the company

	Diana Hunter		Andrew Humphreys		Mark Aylwin[1]		David Robinson[2]	
	FY17 £000	FY16 £000	**FY17 £000**	FY16 £000	**FY17 £000**	FY16 £000	**FY17 £000**	FY16 £000
Salary	**450**	407	**300**	288	**375**		**304**	
Taxable benefits[3]	**20**	29	**15**	13	**15**		**15**	
Annual bonus[4]	**428**	366	**194**	176	**231**		**241**	
Long term incentives[5]	**-**		**-**		**-**		**-**	
Pension benefit[6]	**68**	42	**45**		**56**		**46**	
Total	**966**	844	**554**	477	**677**		**606**	

1 After joining the Group in January 2016, Mark Aylwin was appointed as an Executive Director on [illegible] May 2016. The remuneration in the table above refers to Mark Aylwin's salary and benefits from [illegible] May 2016

2 David Robinson joined the Group in [illegible] 2016 and was appointed as an Executive Director on 1 August 2016. The remuneration in the table above refers to David Robinson's salary and benefits from [illegible] 2016

3 Taxable benefits for FY17 and FY16 consist primarily of car allowance of £[illegible] p.a. for all executive directors (pro-rated for time in office). Other benefits include access to a company driver (primarily for Diana Hunter), private health care and life assurance

4 Annual bonus payments for performance during FY17 were received by all Executive Directors. Details are included in Incentive outcomes for FY17 below. As bonuses were in excess of 50% of maximum opportunity, 50% of FY17 bonuses were deferred into shares for 1 year. Details for FY16 bonuses are provided in last year's Remuneration Committee report

5 No LTIP awards were due to vest in FY17

6 Pension contributions (or payments in lieu of pension contributions) in FY17 were 15% of salary for all executive directors ([illegible]% for Diana Hunter and [illegible] for Andrew Humphreys in FY16)

Incentive outcomes for FY17

Annual Bonus

Executive directors' annual bonuses for FY17 were based on a combination of financial performance, delivery of synergies and personal objectives Maximum annual bonus opportunities were 100% of salary for the CEO, 85% of salary for the CFO and 75% of salary for other executive directors

For the FY17 bonus no bonus is payable for achieving below Threshold, 30% is payable for achieving Threshold, increasing on a straight-line basis to 60% of bonus for achieving Target, and 100% for achieving Maximum Any bonus payment is contingent on achieving threshold EPS performance Executive directors' bonuses were based 50% on financial measures, 25% on tailored objectives linked to the delivery of synergies and 25% on personal objectives Financial measures included EPS and free cash flow, based on performance during FY17, the Committee determined that 95% of this element of the bonus would be paid Subsequently, executive directors' bonus payments as a percentage of maximum opportunity were 95% for Diana Hunter (95% of salary), 76% for Andrew Humphreys (65% of salary), 82% for Mark Aylwin (62% of salary) and 88% for David Robinson (66% of salary)

As described in last year's Remuneration Report, as FY17 bonuses exceeded 50% of maximum, executive directors are required to defer 50% of their bonus into shares for 1 year

Long-term incentive (LTIP)

As outlined in last year's remuneration report, awards were granted to executive directors and members of the senior management team. These awards were made in August 2016 and the performance period ends in May 2019.

Scheme interests awarded in FY17

Details of the awards made to executive directors are outlined in the table below.

Executive Director	Type of award	Date of award	# of shares[1]	Face value[2]	% vest at Threshold	End of performance period
D Hunter	Nil cost option	24 August 2016	502,232	£1,125,000	30%	1 May 2019
C A Humphreys	Nil cost option	24 August 2016	133,929	£300,000	30%	1 May 2019
M T Aylwin	Nil-cost option	24 August 2016	167,411	£375,000	30%	1 May 2019
D P Robinson	Nil cost option	24 August 2016	162,946	£365,000	30%	1 May 2019

1 Based on share price over three trading days immediately preceding date of grant of £2.24.
2 Face value based on equivalent award size of 250% of salary for Diana Hunter and 100% of salary for all other executive directors.

Exit payments made in the year

No exit payments were made during the year.

Payments to past directors

No payments were made to past directors during the year.

Single total figure of remuneration for Non Executive Directors

The table below sets out a single figure for the total remuneration received by each Non-Executive Director of the company for the financial year ended 30 April 2017 and the previous year, representing payments received in respect of the period for which each individual was a director of the company. The Non-Executive Directors' fees remain unchanged for the period from 1 May 2017.

	David Adams		Martin Newman		Steve Wilson		Ian Jones		Jennifer Laing[1]	
	FY17 £000	FY16 £000	**FY17 £000**	FY16 £000	**FY17 £000**	FY16 £000	**FY17 £000**	FY16 £000	**FY17 £000**	FY16 £000
Base fee	**120**	65	**45**	40	**45**	40	**45**	40	**45**	
Additional fees[2]	**-**		**-**		**10**		**-**		**5**	
Total	**120**	65	**45**	40	**55**	40	**45**	40	**50**	

1 Jennifer Laing joined the Board on 9 May 2016 and stepped down from the Board on 30 April 2017.
2 Additional fees of £5,000 are paid for undertaking each of the roles of Senior Independent Director and Chair of the Audit Committee (Steve Wilson) and Chair of the Remuneration Committee (Jennifer Laing).

Remuneration Committee report

Continued

Implementation of Executive Director's remuneration policy for FY18

Base salary

Base salaries are reviewed annually, with reference to salary levels for similar roles of comparable size and complexity in the market, taking into account the individual contribution of each executive director. On this basis, the Committee approved the following base salary increases for FY18.

Executive Director	FY17 base salary	FY18 base salary	Percentage increase
D Hunter	£450,000	£456,750	1.5%
C A Humphreys	£300,000	£304,500	1.5%
M T Aylwin	£375,000	£380,625	1.5%
D P Robinson	£365,000	£370,475	1.5%

Pension and Benefits

Executive Directors will continue to receive a pension contribution of 15% of salary or an equivalent cash allowance.

In addition, Executive Directors are eligible for a car or equivalent allowance, private medical insurance and life assurance.

Annual Bonus

For FY18 executive directors' annual bonus opportunities as a % of salary are unchanged. Performance will be measured 50% against financial measures, including sales, EBITDA, EPS, free cash flow and net debt. For Diana Hunter and Andrew Humphreys financial measures will be based on Group targets and for Mark Aylwin and David Robinson, they will be based on an equal combination of Group and relevant Business Unit targets. 25% of awards will be based on individual targets focused on ensuring the future performance and delivery of the change programme and the remaining 25% will be based on personal objectives. The overall payout of the bonus will continue to be subject to achieving Threshold EPS for the Group.

For FY18 a change is being made to bonus deferral arrangements. 25% of any bonuses paid in respect of FY18 will be mandatorily deferred in shares for three years. Executive directors may voluntarily choose to defer up to the remaining 75% in shares and earn a 25% uplift on voluntarily deferred shares, subject to continued employment and achievement of the LTIP Threshold EPS for the Group for the relevant 3-year period (see below for details).

Long Term Incentive Plan (LTIP)

A grant will be made by the Autumn of 2017 to approximately 40 Senior Managers in total, including the four executive directors.

As described earlier in this Report, the Committee reviewed the maximum long-term incentive opportunity available to executive directors in normal circumstances and determined to increase this by 20% to a typical award of 150% of salary for the CEO and 120% of salary for the other executive directors for additional performance. In order to receive the additional 20% uplift, executive directors will be required to achieve a 'super-stretch' EPS requirement, to ensure that the overall cost to the company is more than funded through the higher performance required for the award.

Awards will vest after three years in accordance with the performance conditions outlined in the table below and the Committee being satisfied that TSR performance has been satisfactory over the period. To ensure that the increase in award size is funded through higher performance, the Committee has introduced a new "super-stretch" performance level for maximum vesting of awards. No award will vest below Threshold performance and vesting will increase on a straight line basis between defined levels of performance. Any vested awards will be subject to an additional two-year holding period.

Vesting schedule	Earnings per share*	% of LTIP vesting (% of super-stretch)
Threshold	26.49p	25%
Target	28.01p	50%
Stretch	31.65p	83%
Super Stretch	35.76p	100%

* FY20

Directors' interests

A table setting out the beneficial interests of the Directors in the share capital of the Company as at 30 April 2017 is set out below

Since 30 April 2017 there have been no changes in the Directors' interests in shares

Director	Date of appointment (and resignation)	Number at 30 April 2017	Number at 1 May 2016
D Hunter	1 February 2013	2,829,294	826,809
D A R Adams	30 July 2013	58,163	33,163
M D Newman	1 February 2014	34,164	18,933
S G Wilson	1 February 2014	125,000	100,000
C A Humphreys[1]	16 June 2014	101,468	92,666
M W Jones	11 May 2015	17,317	
M T Aylwin[1]	9 May 2016	133,170	
J C E Laing	9 May 2016 (30 April 2017)	11,401	
D P Robinson	1 August 2016	20,393	
		3,330,370	1,071,571

[1] Directors' interests for Diana Hunter, Andrew Humphreys and Mark Aylwin include vested but unexercised options

The Directors' interests in share options are as follows:

Director	Date of Grant	Earliest exercise date	Expiry date	Exercise price p (per share)	Number at 1 May 2016	Number vested during the year	Number forfeited/ lapsed during the year	Number exercised during the year	Weighted average market price on exercise pence	Number at 30 April 2017
D Hunter	26/02/2013	31/07/2013	25/02/2023	[illegible]	826,809					**826,809**
	31/07/2013	31/07/2016	30/07/2023	[illegible]	2,001,000					**2,001,000**
C A Humphreys	18/09/2014	18/09/2017	17/09/2024	[illegible]	263,929					**263,929**
	18/09/2014	18/09/2015	17/09/2024	[illegible]	70,000					**70,000**
	08/09/2015	09/09/2018	07/09/2025	[illegible]	149,517					**149,517**
M T Aylwin	04/01/2016	04/01/2017	04/01/2026	[illegible]	60,000	60,000				**60,000**
D P Robinson	01/07/2016	01/07/2017	01/07/2026	[illegible]						**36,667**

The executive directors have also been granted awards under the LTIP as described on page 55

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Directors' report

The Directors present their report and consolidated financial statements for the 52 weeks ended 30 April 2017

Directors

The Directors present their Report and Consolidated Financial Statements for the 52 weeks ended 30 April 2017

Director	Date of appointment/ (resignation)	2013	2014	2015	2016	2017
D Hunter	1 February 2013					
C A Humphreys	16 June 2014					
D A R Adams	30 July 2013					
M Newman	1 February 2014					
S G Wilson	1 February 2014					
M W Jones	11 May 2015					
M T Aylwin	9 May 2016					
J C E Laing	9 May 2016 (30 April 2017)					
D P Robinson	1 July 2016					

Insurance cover is in force in respect of the personal liabilities which may be incurred by Directors of the Company in the course of their service with the Group, as permitted by the Companies Act 2006

Share listing

The Company's ordinary shares were admitted to and traded on AIM, a market operated by the London Stock Exchange, with effect from 31 July 2013 On 20 May 2016, the Company issued 15,609,757 new ordinary shares at £2 05 to raise £32m (gross) The proceeds from the issue of such shares was used to part-fund the acquisition of Bibendum PLB Group on 20 May 2016 As at 30 April 2017 the Company's share capital was 172,642,934 ordinary shares of £0 0002 each Further information regarding the Company's share capital is set out in note 21 to the consolidated financial statements

Capital structure

The acquisition of Bibendum PLB Group Limited on 20 May 2016 resulted in a significant change in the Group's capital structure As at the 30 April 2017 the Group had term loans of £95 8m and working capital facilities of £160 0m At 30 April 2017 the amount drawn down against the working capital facilities totaled £10 7m

The term loans and the working capital facilities are provided by a bank syndicate comprising RBS, HSBC and Barclays Additional details of these facilities are provided in note 17 of the consolidated financial statements

Governance

The Directors acknowledge the importance of the principles set out in the UK Corporate Governance Code 2012 The UK Corporate Governance Code 2012 is not compulsory for AIM-quoted companies and has not been complied with However, the Directors apply the principles as considered appropriate given the size and nature of the Company in accordance with the UK Corporate Governance Code 2012 and the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies 2013

On 9 May 2016 the Board was further strengthened by the appointment of Mark Aylwin, Jennifer Laing and, on 1 July 2016, by the appointment of David Robinson Jennifer Laing resigned during the period and ceased to be a director on 30 April 2017 and a replacement is currently being sought The Company intends to operate with nine Directors, of which four are Executive Directors and five will be Non-Executive Directors The Board reflects a blend of different experience and backgrounds (see Directors' profiles on pages 42 and 43) and meets every 6 weeks to consider strategy, performance and the effectiveness of internal controls amongst other things

At each AGM of the Company, the Company's articles of association require that one-third of the Directors (or the number nearest to but not exceeding one-third when the number of Directors is not a multiple of three) shall retire from office and stand for reappointment by shareholders, however, the Company has elected to adopt best practice and have all directors stand for reappointment at each annual general meeting

If the Company, at the meeting at which a Director retires, does not fill the vacancy, the retiring Director shall, if willing, be deemed to have been reappointed unless it is expressly resolved not to fill the vacancy or a resolution for the reappointment of the Director is put to the meeting and lost

The Audit Committee is chaired by Steve Wilson and has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reported on and reviewing reports from the Company's auditor relating to the Group's accounting and internal controls, in all cases having due regard to the interests of the shareholders The Committee meets at least twice a year, with David Adams being the other Audit Committee member The Audit Committee has established a Risk Committee chaired by the Group Chief Financial Officer to manage the Group's risks and report to the Plc Board

The Nomination Committee is chaired by David Adams and identifies and nominates, for the approval of the Board, candidates to fill Board vacancies as and when they arise The Committee meets at least once a year, with Ian Jones, Steve Wilson and Martin Newman being the other Committee members

The Remuneration Committee was chaired by Jennifer Laing from 12 September 2017 until her resignation on 30 April 2017 at which point David Adams became acting Chairman of the Remuneration Committee The Remuneration Committee reviews the performance of the Executive Directors and determines their terms and conditions of service, including their remuneration and the grant of options, having due regard to the interests of shareholders The Committee meets at least once a year, with Ian Jones, Martin Newman and Steve Wilson being the other Committee members

Executive Directors are invited to attend Committee meetings as required from time to time

The Directors understand the importance of complying with the AIM Rules relating to Directors' dealings and have established a share dealing code which is appropriate for an AIM-quoted company

Control environment

The Directors are responsible for the internal controls of the Group and have established a framework intended to provide reasonable but not absolute assurance against material financial misstatement or loss

An annual budget is prepared against which specific objectives and targets are set This budget is reviewed and approved by the Board on a regular basis, with trading activity monitored weekly and internal management accounts prepared and reviewed monthly, with comparisons against the latest plan and prior year The Group will continue to review and develop operating documentation and controls as the business develops

Directors' report

Continued

Health and safety

The Group is committed to high standards in health, safety and environmental performance It is the Group's policy to abide by all laws, directives and regulations relevant to its operations and to act in a manner so as to minimise the effects of its operations on the environment The Group seeks to provide safe places and systems of work, plant and machinery and handling of materials and ensures appropriate information, instruction and training is in place The Group has procedures relating to the appropriate reporting and monitoring of accidents, incidents and dangerous occurrences and employees are encouraged to identify and report on any potential policy breach to ensure preventative actions are taken to avoid any unsafe work practices Emphasis is placed on all employees having a responsibility to maintain a safe working environment

Financial risk management

Financial risk is managed through a formal quarterly update by the Board and informally on an ongoing basis The key risks relating to the Group are outlined in more detail in note 18 to the consolidated financial statements

Regulatory

The Group's Risk Committee is responsible for monitoring, controlling and ensuring all regulatory obligations are complied with on an ongoing basis

Responsible retai ing

The Group acknowledges that alcohol misuse and underage drinking are issues causing real concern The Group takes these matters very seriously and is committed to the responsible retailing of alcohol in order to mitigate their impact The Group is a supporter of Drinkaware, the government sponsored trust that promotes responsible drinking and, in addition, the Group operates the Challenge 25 scheme to ensure that minors are not able to purchase alcohol in our stores Responsible retailing is re-enforced through awareness training for both our employees and Franchisees We insist on high levels of training for Franchisees and regular store audits We believe that our independent Franchisee retailers take their responsibilities very seriously and, through their excellent local community links, are in a strong position to exercise responsible retailing effectively

Substantial shareholdings

At 30 June 2017, the Company had been notified of the following interests of over 3% of the issued unused share capital:

	Number of shares	Percentage of shareholding
O d Mutua	14,935,192	8 65
River & Mercanti e Asset Managment	12 423,213	7 19
Octopus nvestments Limited	11 549,287	6 69
Premier Asset Management	9 542,500	5 52
AXA SA	9,439,676	5 47
Hargreave Ha e Ltd Stockbrokers	8,186,615	4 74
Miton Group p c	7,507 144	4 35
C ose Brothers Group	7,421,068	4 30
Unicorn Asset Managment Limited	6,950,000	4 02
Jupiter nvestment Managment Ho dings	5,492,000	3 18
Janus Henderson Group p c	5,182 467	3 00

Future developments

Future developments are included in the Chief Executive Officers Statement on pages 6 to 17

The Directors' Report as set out on pages 58 to 61, has been approved by the Board

By order of the Board

DHunter

Diana Hunter
Chief Executive Officer

17 July 2017

Statement of Directors' responsibilities

In respect of the Annual Report, the Strategic Report, the Directors' Report and the financial statements

The Directors are responsible for preparing the Annual Report, the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare Group and parent company financial statements for each financial year As required by the AIM rules of the London Stock Exchange they are required to prepare Group financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and applicable law and have elected to prepare parent company financial statements on the same basis

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the parent company and of their profit or loss that period In preparing each of the Group and parent company financial statements, the Directors are required to:

Select suitable accounting policies and then apply them consistently;

Make judgments and accounting estimates that are reasonable and prudent,

State whether they have been prepared in accordance with IFRSs as adopted by the EU;

Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities

The Directors are responsible for the maintenance and integrity of the corporate and financial information including on the company's web site Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

By order of the Board

Diana Hunter
Chief Executive Officer

17 July 2017

Auditor and disclosure of information to auditor

Each Director in office at the date of approval of this report has confirmed that

So far as he/she is aware, there is no relevant audit information of which the Company's auditors are unaware; and

He/she has taken all reasonable steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

In accordance with Section 489 of the Companies Act 2006, a resolution will be proposed at the AGM that KPMG LLP will be re-appointed as auditors

By order of the Board

Diana Hunter
Chief Executive Officer

17 July 2017

Independent auditor's report

To the members of Conviviality Plc

We have audited the financial statements of Conviviality Plc for the year ended 30 April 2017 as set out on pages 64 to 113 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006 This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibi ities of Directors and auditor

As explained more fully in the Directors' responsibilities statement on page 62, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financia statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www frc org uk/ auditscopeukprivate

Opinion of the financia statements

In our opinion

The financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 April 2017 and of the Group's profit for the year then ended;

The Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;

The parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006, and

The financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

The parent company financial statements are not in agreement with the accounting records and returns; or

Certain disclosures of Directors' remuneration specified by law are not made, or

We have not received all the information and explanations we require for our audit

Nicola Quayle
Senior Statutory Auditor

for and on behalf of KPMG LLP
Statutory Auditor, Chartered Accountants
1 St Peter's Square
Manchester, M2 3AE

17 July 2017

Strategic report
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Consolidated statement of profit or loss and other comprehensive income

For the 52 weeks ended 30 April 2017 (2016: For the 53 weeks ended 1 May 2016)

	Note	Before exceptional items 2017 £000	Exceptional items (note 4b) 2017 £000	Total 2017 £000	Restated (note 2) Before exceptional items 2016 £000	Exceptional items (note 4b) 2016 £000	Restated Total 2016 £000
Continuing operations							
Revenue	2 & 3	1,560,081	-	1,560,081	84[illegible]21		8[illegible]1021
Cost of sales		(1,353,012)	-	(1,353,012)	([illegible]9,83[illegible])		(739,83[illegible])
Gross profit		207,069	-	207,069	[illegible]		101,190
Operating expenses	4	(169,369)	(9,788)	(179,157)	(79,7[illegible]3)	(9,855)	([illegible]9,608)
Operating profit	4	37,700	(9,788)	27,912	[illegible]14[illegible]	(9,855)	11,582
Finance income	6	62	-	62	24		24
Finance expense	6	(5,283)	(229)	(5,512)	(2,526)		(2,526)
Profit before income tax		32,479	(10,017)	22,462	[illegible]	(9,855)	9,080
Income tax	7	(6,105)	2,089	(4,016)	(4,15[illegible])	349	(3,810)
Profit for the financial period		***26,374***	***(7,928)***	***18,446***	14,[illegible]	(9,506)	5,27[illegible]
Other comprehensive income							
Items that may be reclassified subsequently to profit or loss							
Cash flow hedges							
Effective portion of changes in fair value		(522)		(522)	(86)		(86)
Tax on effective portion of changes in fair value		104		104			
Other comprehensive income net of tax		(418)		(418)	86		86
Total comprehensive income		25,956	(7,928)	18,028	14,[illegible]	(9,506)	5,[illegible]84
Earnings per ordinary share							
Basic	8			10.8p			[illegible]
Diluted	8			10.4p			4.4p

The results for the financial period are derived from continuing operations.

All of the profit for the financial period and total comprehensive income are attributable to the owners of the parent in both the current year and the prior year.

Consolidated statement of financial position

As at 30 April 2017

	Note	2017 £000	Restated (note 2) 2016 £000
Non-current assets			
Property, plant and equipment	10	**17,610**	15,249
Goodwill	11	**210,994**	177,491
Intangible assets	12	**73,861**	66,158
Deferred taxation asset	19	**6,051**	3,198
Trade and other receivables	14	**11,579**	6,424
Total non-current assets		**320,095**	268,520
Current assets			
Inventories	13	**93,840**	61,825
Trade and other receivables	14	**220,699**	151,928
Cash and cash equivalents	15	**10,424**	9,540
Derivatives		**356**	1,236
Total current assets		**325,319**	224,529
Total assets		**645,414**	493,049
Current liabilities			
Trade and other payables	16	**(299,210)**	(183,253)
Borrowings	17	**(24,651)**	(28,137)
Derivatives		**(1,915)**	
Current taxation payable		**(1,759)**	(2,815)
Provisions	20	**(1,015)**	(449)
Total current liabilities		**(328,550)**	(214,654)
Non-current liabilities			
Derivatives		**(608)**	
Borrowings	17	**(81,519)**	(67,510)
Deferred taxation liability	19	**(10,524)**	(11,165)
Trade and other payables	16	**(2,859)**	(6,159)
Provisions	20	**(5,517)**	(10,736)
Total non-current liabilities		**(101,027)**	(95,570)
Total liabilities		**(429,577)**	(310,224)
Net assets		**215,837**	182,825
Shareholders' equity			
Share capital	21	**78**	75
Share premium	22	**196,142**	164,342
Share based payment and other reserves	22	**5,311**	3,847
Retained earnings		**14,306**	14,561
Total equity		**215,837**	182,825

These financial statements were approved and authorised for issue by the Board of Directors on 17 July 2017

Diana Hunter
Chief Executive Officer

Conviviality Plc
Company registration number: 5592636

Consolidated statement of changes in equity

For the 52 weeks ended 30 April 2017

	Note	Share capital £000	Share premium £000	Share-based payment reserve £000	Other reserves £000	Retained earnings £000	Total equity £000
Balance as at 26 April 2015		57	34,020	2,028	(26)	16,611	52,690
Profit for the financial period						5,270	5,270
Cash flow hedge reserve for interest rate swap	22				(86)		(86)
Total comprehensive income for the period					(86)	5,270	5,184
Transactions with owners:							
Issue of new ordinary shares	21	18	130,322				130,340
Transfer of share based payment charge	22			(94)		94	
Dividends	9					(7,414)	(7,414)
Share based payment charge	21			1,661			1,661
Deferred tax on share based payment charge	19			364			364
Total transactions with owners		18	130,322	1,931		(7,320)	124,951
Balance as at 1 May 2016		75	164,342	3,959	(112)	14,561	182,825
Profit for the financial period						18,446	18,446
Cashflow hedge reserve for interest rate swap	22				(522)		(522)
Deferred tax on interest rate swap	19 & 22				104		104
Total comprehensive income for the period					(418)	18,446	18,028
Transactions with owners:							
Issue of new ordinary shares	21	3	31,800				31,803
Transfer of share based payment charge	22			(1,213)		1,213	
Dividends	9					(19,914)	(19,914)
Disposal of shares in Employee Benefit Trust					122		122
Share based payment charge	21			2,724			2,724
Deferred tax on share based payment charge	19			249			249
Total transactions with owners		3	31,800	1,760	122	(18,701)	14,984
Balance as at 30 April 2017		**78**	**196,142**	**5,719**	**(408)**	**14,306**	**215,837**

Consolidated statement of cash flows

For the 52 weeks ended 30 April 2017

	Note	2017 £000	Restated (note 2) 2016 £000
Cash flows from operating activities			
Cash generated from operations	23	**78,276**	27,250
Interest paid		**(5,348)**	(2,898)
Income tax paid		**(8,251)**	(2,524)
Net cash generated from operating activities		**64,677**	21,828
Cash flows from investing activities			
Purchases of property, plant and equipment	10	**(10,090)**	(7,7[illegible])
Purchases of intangible assets	12	**(9,668)**	(4,5[illegible])
Proceeds from sale of property, plant and equipment		**6,338**	24[illegible]
Interest received		**62**	13
Purchase of subsidiary undertakings (net of cash acquired)	28	**(43,526)**	(206,412)
Net debt and debt like items on purchase of subsidiary undertaking	28	**(19,147)**	(11,085)
Exceptional costs relating to acquisition and integration of subsidiary undertakings		**(9,788)**	(8,956)
Purchase of other business combinations	11 & 28	**(396)**	(796)
Proceeds from sale of other business combinations	28	**-**	195
Net cash used in investing activities		**(86,215)**	(232,669)
Cash flows from financing activities			
Dividends paid	9	**(19,914)**	(7,414)
Repayments of borrowings		**(19,589)**	16,230
Proceeds from sale of shares	2	**31,803**	130,3[illegible]
Proceeds from sale of shares held by Employee Benefit Trust	22	**122**	
Proceeds from term loans		**30,000**	80,000
Net cash proceeds from financing activities		**22,422**	219,156
Net increase in cash and cash equivalents		**884**	8,315
Cash and cash equivalents at the beginning of the period		**9,540**	1,203
Effect of movements in exchange rates on cash held		**-**	22
Cash and cash equivalents at the end of the period	5	**10,424**	9,540

Notes to the financial statements

1 General Information

The principal activity of Conviviality Plc (the "Company") and its subsidiaries (together the "Group" or "Conviviality") is that of wholesale of beers, wines, spirits, tobacco, grocery and confectionery to the UK On Trade and Off Trade markets.

The Company is incorporated and domiciled in the United Kingdom. The address of its registered office is Weston Road, Crewe, Cheshire CW1 6BP. The registered number of the Company is 5592636.

The financial information presented is for the 52 week period ended 30 April 2017 and the 53 week period ended 1 May 2016. The consolidated financial information is presented in sterling, which is also the functional currency of the parent company, and has been rounded to the nearest thousand (£000).

2 Accounting Policies

The principal accounting policies applied in the preparation of the consolidated financial information are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Basis of preparation

The Consolidated Financial Statements for the 52 week period ended 30 April 2017 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial information has been prepared on a going concern basis and under the historical cost convention.

The Directors have prepared cash flow forecasts for the period until April 2019. Based on these, the Directors confirm that there are sufficient cash reserves and available working capital facilities to fund the business for the period under review and believe that the Group is well placed to manage its business risk successfully. *The Group is forecasted to be cash generative going forward. For this reason they continue* to adopt the going concern basis in preparing the financial statements.

Restatements

On 7 October 2015 the Group acquired the entire issued share capital of Matthew Clark (Holdings) Limited. As of 1 May 2016 management had not finalised the fair value assessment of certain of Matthew Clark's assets and liabilities and as a result the 2016 results reflected the provisional assessment of the fair values as at the acquisition date. During the period ended 30 April 2017, management identified an additional fair value adjustment. A provision of £5,824,000 was identified with a corresponding deferred tax asset of £1,779,000. This generated additional goodwill of £4,045,000. The balance sheet and applicable notes have been restated to reflect the above changes. Further details are given in note 28 Business Combinations.

In addition, management have changed the classification of retrospective sales rebates, listing fees and franchise fees in the income statement. In the prior period retrospective sales rebates of £22,056,000 were treated as a cost of sale. Management now believe it is more appropriate to recognise these rebates as a reduction to revenue. In the prior period listing fees of £3,443,000 were recognised within cost of sales; management now believe it is more appropriate to recognise these fees within revenue. Franchise fees of £2,024,000 were previously recognised as other operating income; these have been reclassified as revenue. The prior year comparative income statement and applicable notes have also been restated to reflect the above changes.

The classification of cash and cash equivalents in the cash flow statement has been amended to exclude the receivables financing facility. The impact of the change is to increase the cash and cash equivalents reported in the prior period by £20,255,000 and to decrease the repayment of borrowings by £20,255,000. *The prior year comparative cash flow statement and applicable notes have been restated to* reflect these changes. There is no change in net debt as a result of the restatement.

Basis of consolidation

The financial information comprises a consolidation of the financial information of Conviviality Plc and all its subsidiaries. The financial period ends of all Group entities are coterminous.

Subsidiaries are all entities to which the Group is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2 Accounting Policies *continued*

Basis of consolidation *continued*

Inter company transactions balances and unrealised gains on transactions between Group companies are eliminated Unrealised losses are also eliminated except to the extent they provide evidence of impairment of the asset transferred

The Group operates an Employee Benefit Trust (EBT) and a Franchisee Incentive Trust (FIT) for the purposes of acquiring shares to fund share awards made to employees and Franchisees respectively The assets and liabilities of these trusts have been included in the consolidated financial information The cost of purchasing own shares held by the EBT and FIT are accounted for in other reserves

Business combinations

The acquisition of subsidiaries and businesses are accounted for using the acquisition method The cost of acquisition is measured at the aggregate of the fair values at the date of exchange of assets given liabilities incurred or assumed and equity instruments issued

Identifiable assets acquired and liabilities and contingent liabilities assumed are recognised at the fair values at the acquisition date The excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill

Acquisition costs are expensed to the income statement and are included within exceptional items

Any contingent consideration payable is recognised at fair value at the acquisition date Subsequent changes to the fair value of the contingent consideration are recognised in the income statement

Critical accounting estimates and assumptions

The preparation of financial information in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period Although these estimates are based on management's best knowledge of the amount event or actions actual events ultimately may differ from those estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances

The Group makes certain estimates and assumptions concerning the future The resulting accounting estimates will by definition seldom equal the related actual results The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial information are considered to relate to

a Carrying value of goodwill and other intangible assets

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units ('CGU') to which goodwill has been allocated The value in use calculation requires management to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value The estimation of the timing and value of underlying projected cash flows and selection of appropriate discount rates involves management judgement Subsequent changes to these estimates or judgements may impact the carrying value of the goodwill which as at 30 April 2017 was £210 994 000 (note 11) Other intangible assets, including brand names and customer bases have been valued at fair value using the relief from royalty valuation method for brand names and the multi period excess earnings (MEEM) valuation method for customer bases The estimation of royalty rates future cash flows and customer attrition rates required for these methods involves management judgement

b Impairment of trade receivables

The assessments undertaken in recognising provisions and contingencies have been made in accordance with IAS 39 A provision for the impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all outstanding amounts in full due to the receivables being classified as bad or there are indications that the collection is doubtful The amount of any loss is recognised in the income statement within cost of sales Subsequent recoveries of amounts previously written off are credited against cost of sales in the income statement The gross amount of trade receivables at 30 April 2017 was £186,962,000 and the associated provision was £2 779,000 (note 14)

Notes to the financial statements

Continued

2 Accounting Policies *continued*

Critical accounting estimates and assumptions *continued*

c Share options

The estimation of share based payment costs requires the selection of an appropriate valuation model (Black-Scholes pricing model), consideration as to the inputs necessary for the valuation model chosen, and the estimation of the number of awards that will ultimately vest. The key assumptions are on expected life of share options, volatility of share price, the risk free yield to maturity and expected dividend yield. The total charge for equity and cash settled share based payments for the financial period was £2,923,000 (note 27).

d Provisions and contingent consideration

The recognition and measurement of provisions and contingent consideration require management judgement to assess the likelihood and magnitude of the future outflow of resources and payments of consideration.

e Acquisition accounting and fair values

Acquisition accounting and fair value adjustments require management judgement to assess the identifiable assets acquired and liabilities and contingent liabilities assumed to ensure they are recognised at the fair values at the acquisition date.

f Classification of exceptional items

The classification of items as exceptional requires management judgement to assess whether the particular items which by virtue of their scale and nature are appropriate to be separately classified as exceptional items within the income statement.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of operating segments, has been identified as the Chief Executive Officer.

Foreign currency translation

a Functional and presentation currency

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial information is presented in Sterling, which is the Company's and its subsidiaries' functional and presentation currency.

b Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rate ruling at that date. Foreign exchange gains and losses arising on translation are recognised in the income statement for the period except for differences arising on qualifying cash flow hedges which are recognised directly in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

2 Accounting Policies *continued*

Revenue

Revenue relates to the wholesale supply of goods in the UK to the On Trade and Off Trade markets and is recognised when the significant risks and benefits of ownership of the product has been transferred to the buyer Revenue is the total amount receivable by the Group for goods supplied excluding VAT Revenue is recognised net of discounts and retrospective rebates to customers

Wholesale revenue is recognised on delivery of the product to the customer Retail revenue generated by company owned stores is recognised at the point of sale to the customer Events revenue is generated through the operation of temporary bars at events and is recognised as the event occurs

Fees for the provision of continuing services to Franchisees (e g IT support marketing training etc) are recognised as revenue in the consolidated income statement as the services are rendered Initial fees are recognised as revenue when performance of all the initial services and other obligations required of the franchisor have been substantially accomplished

Cost of sales

Cost of sales represent the cost to the Group of the product sold It consists of all external costs incurred in procuring goods for resale and delivering them to the distribution warehouses together with any adjustments to inventory and any bad debt expense

Supplier income

Supplier incentives rebates and discounts collectively known as supplier income are recognised on an accruals basis as they are earned for each relevant supplier contract within cost of sales The accrued value at the reporting date is included in accrued income

The most common types of supplier income which the Group receives are

- Retrospective discounts typically based on an agreed sum per item sold on promotion for a period
- Fixed amounts agreed with suppliers to support specific promotions
- Supplier rebates typically based on sales targets on an annual calendar year basis

Operating costs

Operating costs consist of distribution costs administrative expenses head office costs and the costs associated with running corporately owned stores

Financing income and expenses

Financing expenses comprise interest payable and finance leases recognised in the consolidated income statement account using the effective interest method Financing income comprises interest receivable on funds invested Interest income and interest payable is recognised in the consolidated income statement as it accrues using the effective interest method

Property, plant and equipment

Items of property plant and equipment are stated at historic purchase cost less accumulated depreciation and any provision for impairment Cost includes the original purchase price of the asset and the costs attributable to bringing the asset into working condition for its intended use

Land is deemed to have an infinite life and is not depreciated

Depreciation is recognised on a straight line basis to write down the cost less estimated residual value of buildings plant and equipment, and motor vehicles The following useful lives are applied

Leasehold buildings	Shorter of lease term and 50 years
Plant and equipment	2 to 15 years
Motor vehicles	3 years

The assets residual values and useful lives are reviewed and adjusted if appropriate at each reporting date

Notes to the financial statements

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2 Accounting Policies *continued*

Property, plant and equipment *continued*

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately *from that of the buildings. Leased assets acquired by way of finance lease* are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease less accumulated depreciation and less accumulated impairment losses.

Intangible assets

a Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or businesses at the date of acquisition. Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, and is carried at cost less accumulated impairment losses.

Goodwill is allocated to CGUs for the purpose of impairment testing. A CGU is identified at the lowest *aggregation of assets that generate largely independent cash inflows and that which is reviewed by* management for monitoring and managing the business. The Group's CGUs are Bargain Booze, Wine Rack, Matthew Clark (Holdings), Peppermint Events, Bibendum PLB Group and KMD Enterprises.

If the recoverable amount of the CGU is less than the carrying amount, an impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. The recoverable amount is the higher of an asset or CGU's fair value less costs of disposal and its value in use. Any impairment is recognised immediately in the income statement and is not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

b Other intangible assets

Brand names and customer base: Brand names and customer bases acquired in a business combination that qualify for separate recognition are recognised as intangible assets at their fair values. The fair values have been calculated using the relief from royalty method for brand names and the multi-period excess earnings method (MEEM) for customer bases.

Internally developed software: Expenditure on the research phase of projects to develop new customised software for IT and telecommunication systems is recognised as an expense as incurred. Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following criteria:

- the development cost can be measured reliably;
- the project is technically feasible and viable;
- the Group intends to and has sufficient resources to complete the project;
- the Group has the ability to use or sell the software; and
- the software is expected to generate probable future economic benefits.

Intangible assets are carried at cost less accumulated amortisation and any impairment losses. Intangible assets arising on acquisition of subsidiaries or businesses are recognised separately from goodwill if the fair value of these assets can be identified separately and measured reliably.

Amortisation is calculated on a straight line basis over the estimated useful life of the intangible asset. The useful life of the Group's intangible assets is 5 years to 20 years for brands and customer bases and 5 years for other intangibles which are predominately software.

Impairment reviews are carried out if events or changes in circumstances indicate that the carrying value of an asset may be impaired. An impairment loss is recognised in the income statement when the asset's carrying value exceeds its recoverable amount. Its recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Impairment losses are not reversed.

2 Accounting Policies *continued*

Inventory

Inventory comprises goods held for resale which are valued at the lower of cost and net realisable value. Cost is calculated using the first in first out method. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses. Provision is made for slow moving and obsolete stock if required.

Trade and other receivables

Trade receivables are recognised initially at fair value less any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all outstanding amounts in full due to the receivables being classified as 'bad' or there are indications that collection is doubtful.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within cost of sales. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against cost of sales in the income statement.

Other receivables are non interest bearing and are recognised initially at fair value and subsequently at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits together with other short term highly liquid investments maturing within three months or less from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other payables

Trade payables are obligations to pay for goods and services which have been acquired in the commercial operations of the Group. Trade payables are classified as current liabilities if payment is due within one year. If not, they are presented as non current liabilities.

Trade payables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects risks specific to the liability.

Dividends

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on ordinary shares are recognised when they have been approved by the shareholders at the Annual General Meeting.

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Operating leases

Assets leased under operating leases are not recorded in the statement of financial position. Rental payments are charged directly to the income statement on a straight line basis over the lease term. Any lease incentives, primarily up front cash payments or rent free periods, are capitalised and spread over the period of the lease term.

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2 Accounting Policies *continued*

Leases *continued*

Finance leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in short term and long term borrowings. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Employee Benefit Trust

The assets and liabilities of the Employee Benefit Trust (EBT) have been included in the Group accounts. The assets of the EBT are held separately from those of the company. Any assets held by the EBT cease to be recognised on the consolidated statement of financial position when the assets vest unconditionally in identified beneficiaries.

Finance cost and administrative expenses of the EBT are recorded in the company's income statement where material. gains and losses on the purchase, sales, issue or cancellation of the company's own shares are recorded as movements on reserves. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the Group consolidated statement of comprehensive income.

Investments in the company's own shares held by the EBT are presented as a deduction from reserves and any dividend income received by the EBT is deducted from the aggregate of dividends paid and proposed. The number of such shares held by the EBT is deducted from the number of shares in issue when calculating earnings per share.

Interest-bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost using the effective interest method less any impairment losses.

Taxation

The tax expense for the period comprises of current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income or in equity. In this case, the tax is recognised directly in other comprehensive income or in equity.

a Current taxation

Current tax is the expected tax payable on the taxable income for the period, using tax rates and laws enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

b Deferred taxation

Deferred tax is recognised using the statement of financial position liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amount in the historical financial information. Deferred tax is calculated at the tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date.

Deferred tax assets and liabilities are offset against each other when there is a legally enforceable right to set off current assets against current liabilities and it is the intention to settle these on a net basis.

Pension costs

The Group operates a stakeholder defined contribution pension scheme. The total expense recognised in the income statement represents contributions payable to the fund by the Group as specified in the rules of the scheme.

2 Accounting Policies *continued*

Exceptional items

The Group classifies certain items as exceptional where they possess a high degree of abnormality which arise from events or transactions that fall outside the ordinary activities of the Group and which are not expected to recur

The Directors apply judgement in assessing the particular items, which by virtue of their scale and nature should be classified as exceptional items The Directors consider that separate disclosure of these items is relevant to an understanding of the Group's financial performance

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value The gain or loss on remeasurement to fair value is recognised immediately in profit or loss However, where derivatives qualify for hedge accounting recognition of any resultant gain or loss depends on the nature of the item being hedged

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve Any ineffective portion of the hedge is recognised immediately in the income statement

Share-based payments

The Group issues equity and cash settled share based payments to certain employees and Franchisees Equity settled share based payments are measured at fair value excluding the effect of non market based vesting conditions at the date of grant The fair value determined at the grant date is expensed on a straight line basis over the vesting period based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market based vesting conditions

Fair value is measured using the Black Scholes pricing model The expected useful life used in the models *has been adjusted based on management's best estimate, for the effects of exercise restrictions and* behavioural considerations For cash settled share based payments a liability equal to the portion of *the goods or services received is recognised at the current fair value determined at each reporting date* National Insurance is accrued periodically in line with the share based payment charge

Equity

Equity comprises the following

Share capital represents the nominal value of equity shares

Share premium represents the excess over nominal value of the fair value of consideration received for equity shares net of expenses of the share issue.

Share based payment reserve represents the IFRS 2 Share based payment charge for the year

Other reserves incorporates movement in the Group's EBT and the hedging reserve created for the interest rate hedge.

Retained earnings represents cumulative retained earnings

Notes to the financial statements

Continued

2 Accounting Policies *continued*

New standards and interpretations

The following amendments to accounting standards and interpretations issued by the International Accounting Standards Board ('IASB') have been adopted for the first time by the Group in the period with no significant impact on its consolidated results or financial position:

- Disclosure Initiative – Amendments to IAS1
- Annual Improvements to IFRSs 2012 – 2014 Cycle
- Amendments to IAS16 and IAS28: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IFRS11: *Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to IFRS10, IFRS12 and IAS28: Investment Entities: Applying the Consolidation Exception

IFRS 9 Financial Instruments is expected to be applicable after 1 January 2018. If endorsed, this standard will simplify the classification of financial assets for measurement purposes, but it is not anticipated to have a significant impact on the financial statements.

IFRS 15 Revenue from Contracts with Customers is expected for periods that commence on or after 1 January 2018. The standard will replace IAS18 Revenue and IFRIC13 Customer Loyalty Programmes. The standard introduces a new revenue recognition model that recognises revenue either at a point in time or over a period of time. The model features a contract based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The Group is currently undertaking an impact assessment of the likely effect on the Group's consolidated results and financial position.

IFRS 16 Leases is effective for periods that commence on or after 1 January 2019 and will significantly affect the presentation of the Group financial statements with all leases apart from short term leases being recognised as on balance sheet finance leases with a corresponding liability being the present value of lease payments. IFRS 16 is also expected to have a material impact on key components within the Consolidated Income Statement as operating lease rental charges will be replaced with depreciation and finance costs. The Group is currently undertaking an impact assessment of the likely effect on the Group's consolidated results and financial position.

The Group continued to monitor the potential impact of other new standards and interpretations which may be endorsed and require adoption by the Group in future reporting periods. The Group does not consider that any other standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the financial statements.

3 Segment information

The Group's activities consist of the wholesale and retail distribution of beers, wines, spirits, tobacco, grocery and confectionery within the United Kingdom to both the On Trade and Off Trade markets. The Chief Executive Officer is considered to be the chief operating decision maker ("CODM").

Each trading division within Conviviality Plc wholesales to businesses that retail alcohol via stores, pubs, bars, restaurants and events. The performance of each division is therefore driven by the UK market for alcohol consumption which is a single market with a single set of economic characteristics and risks. In addition, 90% of the Group's sales are of the same products and the sales process is similar in each division and is serviced by a single supply chain. Consequently all activities are reported as one segment. To assist with the understanding of performance however, an analysis of sales is disclosed for each of the business units.

3 Segment information *continued*

	2017 £000	Restated (note 2) 2016 £000
Revenue		
Conviviality Direct	**1,040,515**	478,219
Conviviality Retail	**378,014**	359,363
Conviviality Trading	**145,982**	5,215
Inter segment revenue	**(4,430)**	(1,775)
Total revenue	**1,560,081**	841,022

Figures in the column headed 2017 relate to the 52 weeks ended 30 April 2017. Figures in the column headed 2016 relate to the 57 weeks ended 1 May 2016.

Note 2 Accounting Policies provides detail on the restatement of prior year revenue.

The CODM manages the business using adjusted EBITDA which is not a statutory profit measure. As required by *IFRS 8 Operating Segments*, the table below provides a reconciliation from this figure to the reported profit before tax in the consolidated income statement.

	2017 £000	2016 £000
Adjusted EBITDA	***60,870***	50,168
Depreciation	**(4,560)**	(2,877)
Amortisation of non acquisition intangible assets	**(2,871)**	(1,375)
Share based payment charge	**(2,427)**	(1,767)
Net finance expense	**(5,221)**	(2,502)
Adjusted profit before income tax	**45,791**	41,731
Exceptional items	**(10,017)**	(9,855)
Amortisation of acquisition intangible assets	**(10,028)**	(4,754)
Fair value of foreign exchange derivatives	**(3,284)**	1,958
Profit before income tax	**22,462**	30,08[illegible]

No individual customer accounted for 10% or more of the Group's revenue in either 2017 or 2016.

The share based payment charge above of £2,427,000 excludes share based payment charges classified as exceptional of £497,000 (2016: £Nil) (see note 4).

The net finance costs of £5,221,000 above excludes exceptional finance costs of £229,000 (2016: £Nil) (see note 4).

4 Operating Profit

a Operating profit is arrived at after charging/(crediting):

	Note	2017 £000	2016 £000
Distribution costs		**65,861**	33,76
Depreciation of property, plant and equipment	10	**4,560**	2,833
Amortisation of intangible assets	12	**12,899**	6,089
Profit on disposal of property, plant and equipment		**(621)**	(65)
Operating lease payments:			
Land and buildings		**4,414**	4,187
Plant and machinery		**4,571**	3,621
Share based payment expense (non exceptional)	27	**2,427**	1,767
Fair value of foreign exchange derivatives	18	**3,284**	(1,958)
Exceptional items	4(b)	**9,788**	9,855

Notes to the financial statements

Continued

4 Operating profit *continued*

b Exceptional items

The exceptional items are analysed below

	2017 £000	2016 £000
Within operating costs:		
Costs associated with the acquisition of Matthew Clark (Holdings) Limited	-	5,941
Costs associated with the acquisition of Bibendum PLB Group	1,644	5
Impairment of property, plant and equipment	390	
Business integration and restructuring costs	8,699	3,322
Share based payment costs	497	
Costs associated with other business combinations	-	159
Increase in contingent consideration - Elastic Productions Limited	1,365	
Release of contingent consideration - Peppermint Events Limited	(3,375)	
Other non recurring events and project	568	422
	9,788	[illegible]
Within finance costs:		
Unwind of discount on provisions and deferred consideration	229	
Total exceptional items	10,017	[illegible]

The costs associated with the acquisition of Matthew Clark (Holdings) Limited and Bibendum PLB Group include professional fees incurred during the acquisition

Business integration and restructuring costs include employee management and consultancy costs associated with the generation of buying, logistics and organisational synergies

Share based payment costs relate to employee share based benefits awarded to retain specific employees to facilitate the integration of businesses

Increase in contingent consideration relates to an increase in the deferred consideration payable in relation to the future acquisition of the remaining shares in Elastic Productions Limited

The release of contingent consideration is due to a reduction in the estimated deferred consideration payable in relation to the future acquisition of the remaining shares in Peppermint Events Limited

Costs associated with other business combinations in the prior period include £58,000 additional costs incurred in respect of the purchase of GT News (Holdings) Limited and £81,000 relating to the acquisition of Peppermint Events

Included within Other non recurring events and project costs of £568,000 (2016 £422,000) are costs relating to a one off cash bonus of £323,000 paid to Diana Hunter on 13 September 2016 and £245,000 relating to the unwind of a favourable lease creditor in Matthew Clark. The prior year costs relate to professional and consultancy charges arising from one off transactional activity of £208,000 and restructuring and reorganisation costs of £214,000 following an exercise to create efficiencies and streamline processes

4 Operating profit *continued*

c Auditor's remuneration

During the period the Group obtained the following services from the Company's auditor

	2017 £000	2016 £000
Fees payable to the Company's auditor for the audit of the consolidated financial statements	**46**	38
Fees payable to the Company's auditor for the audit of the subsidiary financial statements	**190**	132
Fees payable to the Company's auditor for other services		
Audit related assurance services	**15**	18
Other assurance services	**-**	6
Total fees payable to the Company's auditor	**251**	194

5 Employee costs

a Employee benefits expense

	2017 £000	2016 £000
Wages and salaries	**72,667**	37,40[illegible]
Social security costs	**7,736**	3,694
Pension contributions	**2,400**	858
Social security costs on share based payment charge (note 27)	**199**	106
Share based payment charge (note 27)	**2,724**	708
Compensation for loss of office	**1,628**	1,742
	87,354	44,[illegible]

The average monthly number of people (including Executive Directors) employed by the Group during the period was:

	2017 Number	2016 Number
Directors	**9**	7
Administration	**729**	553
Marketing, selling and distribution	**1,528**	1,328
Retail staff	**374**	3[illegible]
	2,640	2,[illegible]96

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5 Employee costs *continued*

b Directors' remuneration

The remuneration of the Directors comprise

	2017 £000	2016 £000
Salaries, fees and other short-term employee benefits	**3,126**	627
Payment in lieu of pension contribution	**68**	42
Total salaries and other short-term employment benefits	**3,194**	669
Share based payment charge (operating expenses)	**397**	306
	3,591	975
	Number	Number
Directors accruing a pension during the financial period	**4**	3

	2017 £000	2016 £000
The highest paid Director's compensation is as follows:		
Salaries, fees and other short-term employment benefit (including share based payment charge)	**1,024**	645
	1,024	647

6 Finance Income and Expense

	2017 £000	2016 £000
Finance income		
Bank interest receivable	**2**	24
Other interest receivable	**60**	
Total finance income	**62**	24
Finance expense		
Non-exceptional:		
Working capital financing facilities	**1,659**	376
Term loans	**2,759**	1436
Tobacco guarantees	**315**	229
Amortisation of arrangement fees	**416**	231
Non utilisation charges	**47**	235
Interest on finance leases	**18**	
Other bank interest	**69**	19
	5,283	2526
Exceptional:		
Discount unwind on onerous contract provision	**154**	
Discount unwind on deferred contingent consideration	**75**	
	229	
Total finance expense	**5,512**	2526

7 Income Tax

	2017 £000	2016 £000
Current tax:		
Current tax on profits for the period	**6,323**	4,579
Adjustment in respect of prior periods	**132**	(25)
Total current tax	**6,455**	4,554
Deferred tax:		
Origination and reversal of temporary differences	**(2,535)**	(884)
Changes in taxation rate	**96**	140
Total deferred tax *(note 19)*	**(2,439)**	(744)
Income tax expense	**4,016**	3,810

	2017 £000	2016 £000
Tax on profit before exceptional items	**6,105**	4,159
Tax on exceptional items	**(2,089)**	(349)
Income tax expense	**4,016**	3,810

	2017 £000	2016 £000
Amounts recognised in equity:		
Deferred tax on share based payment charge	**(249)**	(364)
Deferred tax on interest rate swap	**(104)**	
Total amounts recognised in equity	**(353)**	(364)

The tax charge differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows

	2017 £000	2016 £000
Profit before tax	**22,462**	9,08[illegible]
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 19.91% (2016: 20.00%)	**4,473**	1,816
Tax effects of		
Expenses not deductible for tax purposes	**278**	1,764
Changes in taxation rate	**(46)**	165
Share based payment	**(527)**	(16)
Adjustment in respect of prior periods	**(193)**	152
Non qualifying depreciation	**262**	
Movement in deferred tax not provided	**(329)**	(46)
Other differences	**98**	(25)
Tax charge	**4,016**	3,810

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 17% (effective from 1 April 2020) were substantively enacted on 26 October 2015 and 6 September 2016 respectively. The reductions in rate will reduce the company's future tax charge accordingly and the relevant deferred tax balances have been re measured with consideration to the reduction in rate to 17% in accordance with the rates enacted at the balance sheet date

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8 Earnings Per Ordinary Share

As at 1 May 2016 155 238 488 ordinary shares were in issue During the year an additional 17 404 446 ordinary shares were issued giving 172 642 934 shares in issue as at 30 April 2017 (note 21)

	2017	2016
Profit attributable to ordinary shareholders (£000)	**18,446**	5,270
Basic earnings per share (pence)	**10.8**	4.6
Diluted earnings per share (pence)	**10.4**	4.4

Basic and diluted earnings per share are calculated by dividing the profit for the period attributable to equity holders by the weighted average number of shares

	2017 Number	2016 Number
Basic weighted average	**170,142,975**	115,263,628
Diluted weighted average	**176,985,247**	119,423,616

The basic weighted average number of ordinary shares is calculated as follows

	2017 Number	2016 Number
Ordinary shares in issue at the start of the period	**155,238,488**	[illegible]
Effect of Employee Benefit Trust (EBT) shares held	**(897,755)**	[illegible]
Effect of shares issued for the Franchise Incentive Plan (FIP)	**556,697**	
Effect of shares issued for the Share Incentive Plan (SIP)	**413,387**	78,098
Effect of shares issued for the Matthew Clark acquisition	**-**	[illegible]
Effect of shares issued for the Bibendum PLB Group acquisition	**14,794,962**	
Effect of shares issued for the Zeus Capital warrant	**-**	744,707
Effect of share options granted	**37,196**	
Weighted average number of ordinary shares at the end of the period	**170,142,975**	115,263,628

The difference between the basic and diluted average number of shares represents the dilutive effect of share options and warrants in existence The weighted average number of shares can be reconciled to the weighted average number of shares including dilutive shares as follows

	2017 Number	2016 Number
Basic weighted average shares	**170,142,975**	115,263,628
Diluted effect of		
Exceptional employee share incentive plans resulting from IPO	**816,914**	814,749
Long term incentive plan	**786,029**	
Employee share incentive plans	**2,048,579**	280,019
Franchisee share incentive plan	**3,190,750**	[illegible]
Total dilutive effect of share incentive plans	**6,842,272**	4,159,988
Diluted weighted average number of shares	**176,985,247**	119,423,616

Adjusted earnings per share

Although not presented on the face of the Income Statement the adjusted earnings per share is based on adjusted profit before tax with the non exceptional effective tax rate applied Adjusted earnings per share is calculated in the table below A reconciliation of profit before tax to adjusted profit before tax is shown in note 3

	2017	2016
Adjusted profit before income tax (£000)	**45,791**	[illegible]
Total effective tax rate 18.5% (2016: 22.[illegible]%) (£000)	**(8,586)**	[illegible]
Adjusted profit attributable to ordinary shareholders (£000)	**37,205**	[illegible]
Adjusted basic earnings per share (pence)	**21.9**	[illegible]
Adjusted diluted earnings per share (pence)	**21.0**	[illegible]

8 Earnings Per Ordinary Share *continued*

Adjusted basic and diluted earnings per share are calculated by dividing the adjusted profit before income tax of £45 791 000 (note 3) less tax at the effective rate of 18.8% (£8 586 000) by the weighted average number of shares, which is the same as disclosed in the tables above.

9 Dividends

Amounts recognised as distributions to ordinary shareholders in the period comprise

	2017 £000	2016 £000
Final dividend for 2016 of 7.4 pence and 2015 of 6.3 pence per ordinary share	**12,785**	4,235
Interim dividend for 2017 of 4.2 pence and 2016 of 2.1 pence per ordinary share	**7,237**	3,26[illegible]
Less amounts received by the Employee Benefit Trust	**(108)**	(81)
	19,914	7,4[illegible]

The 2017 final proposed dividend of £14 502 000 (8.4 pence per share) has not been accrued as it had not been approved by the period end. Sufficient reserves are in place to pay the final proposed dividend.

10 Property, Plant and Equipment

	Leasehold land and buildings £000	Plant and equipment £000	Motor vehicles £000	Total £000
Cost				
As at 26 April 2015	560	4,77[illegible]	63	16,394
Acquisitions through business combinations	729	2,656		3,385
Additions	150	7,56[illegible]		7,7[illegible]
Disposals	(277)	(17[illegible])	(11)	(467)
As at 1 May 2016	2,162	24,808	52	27,022
Acquisitions through business combinations (note 28)	476	1,394	62	[illegible]932
Additions	903	9,092	95	10,090
Disposals	(1,053)	(5,958)	(63)	(7,074)
As at 30 April 2017	**3,488**	**29,336**	**146**	**32,970**
Depreciation				
As at 26 April 2015	550	8,61[illegible]	9	9,170
Charge for the period	276	2,541	16	2,833
Disposals	(73)	(152)	(5)	(230)
As at 1 May 2016	**753**	**11,000**	**20**	**11,773**
Charge for the period	497	4,0[illegible]9	44	4,56[illegible]
Impairments	28	362		390
Disposals	(416)	(91[illegible])	([illegible])	(1,363)
As at 30 April 2017	**862**	**14,465**	**33**	**15,360**
Net book value				
As at 30 April 2017	**2,626**	**14,871**	**113**	**17,610**
As at 1 May 2016	1,409	13,808	32	15,249

The net book value of assets held under finance leases as at 30 April 2017 is £205 000 (2016 £122 000). The obligations under finance leases are secured on the assets to which they relate.

The net book value of land not depreciated as at 30 April 2017 is £Nil (2016 £1 969 000).

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11 Goodwill

	Restated Total £000
Cost and net book value	
As at 26 April 2015	42,870
Acquisitions through business combinations	133,955
Other acquisitions	796
Other disposals	(130)
As at 1 May 2016	177,492
Acquisitions through business combinations (note 28)	33,10[illegible]
Other acquisitions (note 28)	396
Other disposals	
As at 30 April 2017	**210,994**

Other acquisitions in the period relate to a number of individual smaller store acquisitions for a total cash consideration of £396,000 (2016: £796,000) all of which has been recognised as goodwill. When purchasing individual stores the Group is purchasing both the trade and assets of the store.

Goodwill acquired in a business combination is allocated at acquisition to the CGUs that are expected to benefit from that business combination or are established as a result of the business combination. The carrying amount of goodwill has been allocated as follows:

	2017 £000	2016 £000
Bargain Booze	**43,228**	42,832
Wine Rack	**720**	721
Matthew Clark (Holdings)	**126,483**	126,483
Peppermint Events	**7,456**	7,456
Elbenbaum PLB Group	**30,488**	
KMD Enterprises	**2,619**	
	210,994	177,492

Goodwill as at 1 May 2016 has been restated due to an increase of £5,824,000 in an acquisition fair value provision in Matthew Clark (Holdings) Limited, offset by a decrease of £1,779,000 relating to the deferred tax asset relating to this fair value provision (note 2).

Goodwill has an indefinite useful life and is subject to annual impairment testing. The recoverable amounts of the CGUs are determined from value in use calculations. The value in use is the present value of the pre-tax cash flow projections. The key assumptions used in determining value in use are growth rates and the discount rate.

For each CGU, cash flow projections are based on the most recent financial budgets approved by management for one year. Subsequent cash flows are extrapolated using an estimated annual growth rate of 2% for a further four years and terminal growth rates of 1% are then applied to perpetuity. The rate used to discount the projected cash flows being a pre-tax risk adjusted discount rate is 7.55% (2016: 7.40%). This has been calculated using the Group's weighted average cost of capital taking account of market assessment of risks. Risk factors are similar in each of the Group's CGUs. All assumptions apply to all CGU's due to each CGU wholesaling to businesses that retail alcohol via stores, pubs, bars, restaurants and events and the performance of each CGU is therefore driven by the UK market for alcohol consumption which is a single market with a single set of economic characteristics and risks.

Management have reviewed the key assumptions in the forecast and have concluded that no impairment is required in respect of the carrying values of the goodwill. A sensitivity analysis on the impairment test of each CGU's carrying value including reducing sales levels and increasing the discount rate has also been carried out.

12 Intangible Assets

	Other £000	Brands & customer base £000	Total £000
Cost			
As at 26 April 2015	806	1180	1986
Acquisitions through business combinations	3313	62943	66256
Additions	4158		4158
As at 1 May 2016	8277	64123	72400
Acquisitions through business combinations (note 28)	100	10840	10940
Additions	9,668		9668
Disposals	(11)		(11)
As at 30 April 2017	18034	74963	92997
Amortisation			
As at 26 April 2015	79	74	153
Charge for the year	1252	4837	6089
As at 1 May 2016	1331	4911	6242
Charge for the year	2871	10028	12899
Disposals	(5)		(5)
As at 30 April 2017	4197	14939	19136
Net book value			
As at 30 April 2017	**13,837**	**60,024**	**73,861**
As at 1 May 2016	6946	59212	66158

Acquired brands and customer bases are initially recognised at their fair value on acquisition. Acquired brands are amortised over 10 years and customer bases are amortised over their expected life of between 5 and 6.5 years.

Other intangible assets are predominantly software costs which are initially recognised at their cost on acquisition and amortised over 5 years.

13 Inventories

	2017 £000	2016 £000
Goods for resale	**93,840**	61825

No security has been granted over inventories. The Group operates a bonded warehouse and as such the majority of the licensed stock held is under bond and valued excluding duty. The duty payable when sold will be £38,706,000 (2016: £22,330,000). Of this amount £Nil (2016: £270,000) has been provided as a guarantee to HRMC.

The cost of inventories recognised as an expense and included in cost of sales amounts to £1,353,012,000 (2016: £739,831,000).

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14 Trade and Other Receivables

Trade and other receivables due in greater than one year	2017 £000	2016 £000
Other debtors	**8,978**	3,757
Prepayments	**2,601**	2,667
	11,579	6,424

Trade and other receivables due in less than one year	2017 £000	2016 £000
Trade receivables	**186,962**	[illegible]
Less: provision for impairment of trade receivables	**(2,779)**	[illegible]
Net trade receivables	**184,183**	[illegible]
Other debtors	**9,635**	[illegible]
Accrued income	**7,104**	[illegible]
Prepayments	**19,777**	[illegible]
	220,699	[illegible]

The £130,000,000 receivables financing facility (note 17) is secured over the trade receivables of Matthew Clark (Holdings) Limited, Bibendum PLB Group and Bargain Booze Limited.

The difference between the carrying value and fair value of all receivables is not considered to be material. As of 30 April 2017 trade receivables of £42,263,000 (2016: £6,813,000) were past due but not impaired. These relate to customers and Franchisees for which there is no recent history of default.

Movements on the Group provision for impairment of trade receivables are as follows:

	2017 £000	2016 £000
Opening	**1,859**	[illegible]
Charge for receivables impairment	**892**	297
Provision acquired through business combinations	**2,610**	[illegible]
Receivables written off as uncollectable	**(2,582)**	[illegible]
Closing	**2,779**	[illegible]

Provisions are estimated based upon past default experience and management's assessment of the current economic environment. The creation and release of provision for impairment of trade receivables is charged/(credited) to cost of sales in the income statement. Trade receivables consist of a large number of Franchisees and customers for whom there is no significant history of default. The credit risk of the Franchisees and customers is assessed by taking account of their financial positions, past experiences and other relevant factors. Individual Franchisee and customer credit limits are imposed based on these factors. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. In the event of a default in payment by a Franchisee, the Group may recover unpaid inventory held in the Franchisee's store, further reducing the credit risk for this element of the Group.

15 Cash and Cash Equivalents

	2017 £000	2016 £000
Cash at bank and in hand	**10,424**	9,540

16 Trade and Other Payables

Trade and other payables due in more than one year	**2017 £000**	2016 £000
Other creditors	**2,859**	6,159

Trade and other payables due in less than one year	**2017 £000**	2016 £000
Trade payables	**235,819**	31,555
Social security and other taxes	**20,329**	9,624
Accruals	**43,062**	42,078
	299,210	83,257

Trade and other payables due in greater than one year relate to contingent consideration arising on the acquisition of Peppermint Events Limited (note 28).

Trade and other payables due in less than one year comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 55 days (2016: 55 days). The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

17 Borrowings

	2017 £000	2016 £000
Current		
Term loan A	**13,972**	8,000
Arrangement fees on term loans	**(193)**	(165)
Receivables financing facility	**10,741**	20,255
Obligations under finance leases (due in less than one year)	**131**	47
Total Current	**24,651**	28,137
Non-current		
Term loan A	**31,806**	28,000
Term loan B	**50,000**	40,000
Arrangement fees on term loans	**(622)**	(565)
Obligations under finance leases (due between two and five years)	**335**	75
Total Non-current	**81,519**	67,510
Total	**106,170**	95,647

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17 Borrowings *continued*

On 16 January 2017 the Group's receivable financing facilities were restructured to reduce costs and increase flexibility. Under the new agreement the Group can sell any debts owed to Matthew Clark Wholesale Limited, Bibendum PLB Group and Bargain Booze Limited by its customers who have purchased goods or services. The maximum facility available is 85% of the allowable trade receivables up to £130m. The discount margin for the funding of debts is 1.25%. There is a non utilisation fee of 0.5% of the available facility payable during the minimum period of the facility, being 24 months from the date of the agreement. The agreement terminates in October 2020. An arrangement fee of £150,000 was incurred and is being amortised over 3 years. The Group's existing senior term and revolving facilities agreement have been revised. Term Loan A has increased from £41m to £51m and Term Loan B has increased to £50m.

The Group has a revolving credit facility (RCF) totalling £30m which was undrawn at 30 April 2017. In addition the Group had an Accordion option of £15m which is unutilised at 30 April 2017.

The interest margin payable on the two terms loans and the RCF is 2.5% above Libor. A non utilisation fee of 1.0% is payable on the RCF up to the agreement termination date of 7 September 2020. An arrangement fee of £1,260,000 was incurred on this agreement. The element relating to the RCF (£437,000) is being amortised through prepayments over the life of the agreement. The element relating to the term loans (£823,000) is being amortised over the life of the agreement with the balance as at 30 April 2017 of £815,000 (2016: £750,000) being netted off against the term loans in short term and long term borrowings.

The senior term and revolving facilities agreement terminates on 7 September 2020 and the two term loans are repayable as follows:

	Term Loan A £60,000,000	Term Loan B £50,000,000
24 April 2016	**4,000**	-
23 October 2016	**5,111**	-
30 April 2017	**5,111**	-
31 May 2017	**1,250**	-
29 October 2017	**6,361**	-
29 April 2018	**6,361**	-
28 October 2018	**6,361**	-
28 April 2019	**6,361**	-
27 October 2019	**6,361**	-
26 April 2020	**6,361**	-
Termination date (7 September 2020)	**6,362**	**50,000**
Total	**60,000**	**50,000**

The RCF is repayable at the end of each interest period. The interest period can be selected by the Group at the point of drawdown and can be one, three or six months.

All amounts outstanding under the facilities are secured by debentures over certain assets of the Group.

18 Financial Risk Management and Financial Instruments

The Group's activities expose it to a variety of financial risks. The main financial risks faced by the Group relate to the risk of default by counter parties to financial transactions, the availability of funds to meet business needs, interest rate movements and foreign exchange movements. These risks are managed as described below.

The Group's risk management is coordinated at its headquarters in close cooperation with the Board of Directors and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial risks.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

a Credit risk

The Group's principal assets subject to credit risk are cash deposits, cash and trade receivables. The credit risk associated with cash is limited. The principal credit risk arises from non recovery of trade receivables. In order to manage credit risk Franchise agreements specify that collection is by direct debit and credit limits are set for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history. In addition, the Group has a receivables financing facility in place and any trade receivables owed by its customers up to a maximum of 85% of the allowable trade receivables balance can be sold up to the maximum facility level of £130,000,000.

b Market risk

The Group finances its operations through a mixture of retained profits, ordinary shares, a receivables financing facility of £130,000,000, term loans of £95,778,000 and a RCF of £30,000,000. The Group also has available a £15,000,000 Accordion option which allows the RCF to be increased at any time. At 30 April 2017 the drawdown on receivables financing facility was £10,741,000 (2016: £20,255,000) and the drawdown on the RCF was £Nil (2016: £12,500,000 relating to bank issued guarantees for the benefit of certain suppliers). The Accordion option has not been utilised. The term loans have been drawn in full to fund the acquisitions of Matthew Clark (Holdings) Limited and Bibendum PLB Group. The headroom on the facilities as at 30 April 2017 was £164,259,000 (£119,259,000 receivables financing facility, £30,000,000 RCF and £15,000,000 Accordian option).

c Interest rate risk

The Group has interest rate risk on the term loans of £95,778,000. Interest is payable at a discount margin plus Libor. The interest rate risk on 80% of the £50,000,000 Term loan B, which is not repayable until 7 September 2020, has been mitigated by entering into an interest rate swap dated 25 April 2016 until 7 September 2020. The interest rate swap fixes the Libor rate at 1%.

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18 Financial Risk Management and Financial Instruments *continued*

c Interest rate risk *continued*

The interest rate exposure of financial assets and liabilities of the Group is shown below

2017	Fixed £000	Floating £000	Zero £000	Total £000
Financial assets				
Cash and short term deposits	-	10,424	-	10,424
Trade receivables	-	-	184,183	184,183
Financial liabilities				
Trade payables	-	-	(235,819)	(235,819)
Obligations under finance leases	(466)	-	-	(466)
Term loan A	-	(45,778)	-	(45,778)
Term loan B	(50,000)	-	-	(50,000)
Receivables financing facility	-	(10,741)	-	(10,741)
Total	**(50,466)**	**(46,095)**	**(51,636)**	**(148,197)**

2016	Fixed £000	Floating £000	Zero £000	Total £000
Financial assets				
Cash and short term deposits		9,540		[illegible]
Trade receivables			129,647	129,647
Financial liabilities				
Trade payables			(131,551)	(131,551)
Obligations under finance leases	(122)			(122)
Term loan A		(36,000)		(36,000)
Term loan B	(40,000)			(40,000)
Receivables financing facility		(20,255)		(20,255)
Total	(40,122)	(46,715)	(1,904)	(88,741)

The Group had the following available undrawn facilities:	2017 £000	2016 £000
Against trade receivable	119,259	24,745
Revolving credit facility	30,000	30,000
Accordion option	15,000	10,000
Total	164,259	64,745

The interest rate swap has been valued at fair value by using the Mark to Market rate and has been hedge accounted as a cashflow hedge through other comprehensive income. As at 30 April 2017 the Mark to Market valuation of the interest rate swap was £610,000 (2016: £88,000).

	2017 £000	2016 £000
Opening fair value	(88)	
Amounts recognised through equity	(522)	(88)
Closing fair value	(610)	(88)

Any change to the fair value is taken through equity except for any part of the hedge which is deemed to be ineffective. At 30 April 2017 the hedge was deemed to be 100% effective and therefore all of the hedge has been recognised through equity.

The interest rate swap has been used to hedge the three month Libor interest rate exposure on the initial £40,000,000 tranche of term loan B which is repayable in full on 7 September 2020. Under the hedge, interest payments are payable every quarter at month end January, April, July and October at the discount margin of 2.5% plus the hedged Libor rate of 1.0% until the final repayment on 7 September 2020.

18 Financial Risk Management and Financial Instruments *continued*

c Interest rate risk *continued*

The table below summarises the maturity profile of the interest rate swap based on contractual undiscounted payments

	2017 £000	2016 £000
Within 1 year	**(254)**	(147)
Between 1 and 2 years	**(325)**	(68)
Between 2 and 5 years	**(31)**	127
Total	**(610)**	(88)

Sensitivity analysis A 0 25% increase in the interest rate curve would result in a fair value asset of £310,000 (2016 £303,000 asset) A 0 25% decrease in the interest rate curve would result in a fair value liability of £313 000 (2016 £502 000 liability)

d Foreign exchange risk

The Group is exposed to an element of foreign exchange risk with a number of suppliers from abroad All sales are made from the UK The Group manages this risk by entering into forward exchange contracts The forward exchange contracts taken out are based on forecasts of purchases for the next 12 months The forward exchange contracts are valued at fair value by using the Mark to Market rate As at the 30 April 2017 the Group had 41 forward exchange contracts outstanding with a negative Mark to Market valuation of £1 557 000

	2017 £000	2016 £000
Opening fair value	**1,324**	
Derivatives acquired through business combinations (note 28)	**403**	(634)
Amount recognised in the income statement during the year	**(3,284)**	1,958
Closing fair value	**(1,557)**	1,324

Any change to the fair value is taken through the income statement for each period The forward exchange contracts mature between 15 May 2017 and 19 February 2018 and the total amount payable on maturity is £44 398 000

The carrying amount of trade payables are translated from the following currencies

	2017 £000	2016 £000
Sterling	**203,213**	125,844
Euro	**21,217**	5,198
US Dollar	**3,441**	442
Australian Dollar	**1,954**	67
New Zealand Dollar	**990**	
South African Rand	**1,446**	
Japanese Yen	**3,558**	
Closing fair value	**235,819**	131,551

Notes to the financial statements

Continued

18 Financial Risk Management and Financial Instruments *continued*

e Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably. The Group monitors its cash resources through short, medium and long term cash forecasting against available facilities. Short term flexibility is achieved by the use of a receivables financing facility and an RCF, the details of which are set out in the table above. The maturity of borrowings is set out in note 17.

Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through optimising the debt and equity balance. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the Company comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's capital is not restricted. Management may seek additional external borrowings to fund the future investment and growth of the Group.

In addition, the Group has entered into a receivables finance facility agreement under which the maximum facility available is 85% of the allowable trade receivables up to £130,000,000 and an RCF agreement under which the maximum facility is £30,000,000. The Group draws down on these facilities from time to time as required to support short term working capital movements. The amount drawn down on the receivables finance facility as at 30 April 2017 is £10,741,000 (2016: £20,255,000) and £Nil on the RCF (2016: £12,500,000 relating to bank issued guarantees for the benefit of certain suppliers). The Group has an Accordion option on the RCF that allows the Group to increase the RCF by a further £15,000,000 if required.

The Group has a progressive dividend policy which aims to increase the value of ordinary dividends over time, taking into account the results of the past year and the outlook.

Borrowings and cash

The carrying values of cash and short term borrowings approximate to their fair values because of the short term maturity of these instruments.

The carrying value of long term borrowings is held at amortised cost which is considered to equate to fair value.

Fair values of financial assets and financial liabilities

The carrying values of all the Group's financial assets and financial liabilities approximate to their fair values because of the short term maturity of these instruments.

The fair value of trade receivables and payables is considered to be equal to the carrying values of these items due to their short term nature. All other financial assets and liabilities are carried at amortised cost. Cash is held with counterparties with a credit rating of A1, A2 and BBB+.

19 Deferred Taxation Asset and Liability

	£000
As at 26 April 2015	647
Charged to the income statement (note 7)	[illegible]
Charged to equity	[illegible]
Arising on acquisition of subsidiaries	[illegible]
Acquired through business combinations	[illegible]
As at 1 May 2016	[illegible]
Charged to the income statement (note 7)	[illegible]
Charged to equity	[illegible]
Acquired through business combinations (note 26)	[illegible]
As at 30 April 2017	**(4,473)**

19 Deferred Taxation Asset and Liability *continued*

The net deferred tax liability is made up as follows:	**2017 £000**	Restated 2016 £000
Deferred tax asset	**6,051**	3,198
Deferred tax liability	**(10,524)**	(11,165)
Net deferred tax liability	**(4,473)**	(7,967)

The net deferred tax liability is made up as follows:	**2017 £000**	Restated 2016 £000
Accelerated capital allowances	**632**	342
Tax on trade losses	**271**	19
Tax on share based payments	**1,462**	696
Tax on intangible asset recognised on acquisition of subsidiary	**(10,759)**	(9,378)
Short term temporary differences	**3,817**	239
Tax on interest rate hedging	**104**	-
	(4,473)	(7,967)

The recoverability of the deferred tax asset is dependent on future taxable profits in excess of those arising from the reversal of deferred tax liabilities. The deferred tax asset has been recognised to the extent that it is considered to be recoverable based on forecasts for future periods. As at 30 April 2017 the value of the unrecognised deferred tax asset is £Nil (2016: £329,000).

The deferred tax asset as at 1 May 2016 has been restated to reflect a £1,779,000 deferred tax asset relating to an increase in an acquisition fair value provision in Matthew Clark (Holdings) Limited (note 2).

20 Provisions

	£000
As at 1 May 2016 - Restated	11,185
Unwind of the discount	154
Released to income statement	(344)
Provisions utilised	(4,463)
As at 30 April 2017	**6,532**

Provisions are made up as follows:	**2017 £000**	Restated 2016 £000
Provisions less than one year	**1,015**	449
Provisions greater than one year	**5,517**	10,736
Total provisions	**6,532**	11,185

Provisions relate to certain onerous contracts that were in place at the acquisition of Matthew Clark (Holdings) Limited and to recognise that renovation works were required at certain Matthew Clark (Holdings) Limited depots acquired at acquisition. The provisions are expected to be utilised over the next ten years.

Provisions less than one year represent the short term element of provisions for onerous contracts that were in place at the acquisition of Matthew Clark (Holdings) Limited and the short term element of provisions to recognise that renovation works need to be carried out at certain Matthew Clark (Holdings) Limited depots acquired at acquisition.

The provisions balance as at 1 May 2016 has been restated to reflect a £5,824,000 increase in an acquisition fair value provision at Matthew Clark (Holdings) Limited (note 2).

Notes to the financial statements

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21 Share Capital

Authorised, allotted, called up and fully paid	2017 £000	2016 £000
172,642,954 ordinary shares of £0.0002 each (2016 155,258,488)	**34**	31
217,058,802 deferred shares of £0.0002 each (2016 217,058,802)	**44**	47
Total	**78**	[illegible]

On 19 May 2016, 15,609,757 ordinary shares of £0.0002 each were issued at a price of £2.05 per share in relation to the Bibendum PLB Group acquisition creating a share premium of £31,800,000 net of costs.

During the year the company issued and allotted 670,246 shares to fulfil obligations under the Bargain Booze Share Incentive Plan 2013. 938,360 free shares were also issued to franchisees under the Bargain Booze Franchise Incentive Plan (note 27) during the 52 weeks to 30 April 2017. In addition 36,667 shares were issued in relation to a new executive director and a further 149,416 were issued to cover share option exercises for senior management.

Holders of deferred shares do not have any right to receive notice of any general meeting or to attend speak or vote at any general meeting of the Company. No dividend shall arise on deferred shares save for a cumulative fixed rate dividend of 0.000001% per annum of the nominal value of the deferred shares. On a return of capital on a winding up holders of deferred shares shall receive only an amount equal to each deferred share's nominal value after all other shares have received £1,000,000 and deferred shares shall have no other rights to participate in the assets or profits of the Company. The Company may redeem or purchase all or any of the deferred shares for an aggregate sum equal to the accrued but unpaid dividend due on such shares and any Director may execute any transfer of such deferred shares on behalf of the holders of such deferred shares.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Details of dividends paid in respect of these shares in the 52 weeks to 30 April 2017 are disclosed in note 9.

22 Other Reserves

	Share Premium £000	Share based payment reserve £000	Other reserves £000
As at 26 April 2015	34,020	2,028	(26)
Share-based payment charge (note 27)		1,661	
Deferred tax on share based payment charge		364	
Transfer of share based payment charge for vested options		(94)	
Hedging reserve for interest rate swap			(86)
Premium arising on shares issued in the period	30,322		
As at 1 May 2016	64,342	3,959	(112)
Share based payment charge (note 27)		2,?24	
Deferred tax on share based payment charge		74	
Transfer of share based payment charge for vested options		(21?)	
Hedging reserve for interest rate swap			(522)
Deferred tax on interest rate swap			104
Disposal of shares in EBT			122
Premium arising on shares issued in the period	131,800		
As at 30 April 2017	**196,142**	**5,719**	**(408)**

Included within the Group operations is Bargain Booze Employee Benefit Trust (the EBT). The EBT purchases shares to fund the share option schemes. As at 30 April 2017 the Trust held 897,156 ordinary shares (2016 954,755 ordinary shares) with a cost of £24,000 (2016 £26,000). The market value of these shares as at 30 April 2017 was 304.00 pence per share (2016 213.50 pence per share). Of these shares 896,809 are under option as at 30 April 2017 (2016 896,809).

During the 52 weeks ended 30 April 2017 the Trust sold 57,000 shares at a price of £2.14 per share to satisfy part of the bonus paid to Diana Hunter.

23 Cash Generated From Operations and Net Debt

	2017 £000	2016 £000
Profit for the financial period	18,446	5273
Income tax expense	4,016	3810
Profit before income tax	22,462	9083
Adjustments for:		
Depreciation and impairment	4,950	2,833
Amortisation	12,899	6089
Profit on sale of property, plant & equipment	(621)	(65)
Equity settled share options charge (note 27)	2,724	166[illegible]
Change in fair value of foreign exchange derivatives	3,284	(1958)
Net finance costs (note 6)	5,450	2502
Increase in inventories	(8,557)	(5358)
Increase in trade and other receivables	(17,370)	(7984)
Increase in trade and other payables	47,920	904
Decrease in provisions	(4,653)	[illegible]
Costs associated with acquisition of subsidiaries	9,788	8956
Cash generated from operations	**78,276**	2725[illegible]

	As at 1 May 2016 £000	Cashflow £000	As at 30 April 2017 £000
Current borrowings (note [illegible])	(28,137)	3,486	(24,651)
Non-current borrowings (note [illegible])	(67,510)	(14,009)	(81,519)
Total debt	**(95,647)**	**(10,523)**	**(106,170)**
Cash at bank and in hand (note 15)	9,540	884	10,424
Net debt	***(86,107)***	***(9,639)***	***(95,746)***

24 Commitments Under Operating Leases

At the reporting date the Group had the following future aggregate minimum lease payments under non-cancellable operating leases:

	Land and buildings		Other	
	2017 £000	2016 £000	2017 £000	2016 £000
Within 1 year	5,545	6153	5,391	3526
Between 2 and 5 years inclusive	17,412	22[illegible]3	10,067	6547
After 5 years	18,730	16612	364	
Total	41,687	44884	15,822	10073

There are no significant obligations or incentives attached to any of the Group's lease agreements. The significant operating leases relate to head office buildings, regional depots, corporate stores and vehicles used for distribution.

Notes to the financial statements

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25 Capital Commitments

As at 30 April 2017 amounts contracted for but not provided in the consolidated financial statements for the acquisition of property, plant and equipment amounted to £1,857,000 (2016: £1,755,000).

26 Pension Commitments

The company operates a stakeholder pension scheme.

Contributions recognised as an employee benefit expense for the 52 week period ended 30 April 2017 were £2,399,000 (2016: £836,000). Pension contributions accrued and therefore not yet paid over to the pension provider as at 30 April 2017 were £346,000 (2016: £42,000).

27 Share Based Payments

The Group makes equity settled share awards to senior executives, employees and Franchisees under four different share option plans. An accrual has been made for national insurance due on exercise of share options and treated as a cash settled share based payment. Further details of the plans are provided below. The amounts recognised in respect of these schemes is as follows:

	2017 Non-exceptional *£000*	2017 Exceptional *£000*	2017 Total *£000*	2016 Non-exceptional *£000*	2016 Exceptional *£000*	2016 Total *£000*
Equity settled share based payment						
ESOP	**205**	**437**	**642**	586		586
LTIP	**439**	**-**	**439**			
SIP	**363**	**-**	**363**	182		182
[illegible]	**1,280**	**-**	**1,280**	893		893
Total equity settled share based payment	**2,287**	**437**	**2,724**	1,661		1,661
Cash settled share based payment						
Employers national insurance on ESOP & SIP	**140**	**59**	**199**	106		106
Total share based payment charge	**2,427**	**496**	**2,923**	1,767		1,767

a Bargain Booze Unapproved Employee Share Option Plan 2013 (ESOP)

Under the ESOP the share options are awarded at a price which is determined by the Board but is not less than the market value of the shares as at the date of grant. The awards granted on 26 February 2013 vested on successful admission to AIM. All subsequent grants become exercisable between one and ten years after grant and upon the achievement of performance criteria in relation to EBITDA targets or service conditions. All options lapse on the day immediately after the expiry date to the extent they have not been exercised. Options are forfeited if the employee leaves the Company in the first three years following grant. The following table provides details of all existing grants under the ESOP. None of the options are cash settled.

Date of Grant	Subscription Price (p)	Performance conditions	Earliest exercise date	Expiry date
26/02/2013	27	[illegible]	[illegible]	25/02/2023
31/07/2013	[illegible]	2014 to 2016 aggregate EBITDA of £78.2m	31/07/2016	30/07/2023
03/03/2014	[illegible]	2014 to 2016 aggregate EBITDA of £[illegible]m	03/03/2017	02/03/2024
18/03/2014	[illegible]	2014 to 2016 aggregate EBITDA of £[illegible]m	18/03/2017	17/03/2024
18/03/2014	[illegible]	one year service condition	18/03/2015	17/03/2024
13/10/2014	[illegible]	2014 to 2016 aggregate EBITDA of £38.2m	13/10/2017	12/10/2024
[illegible]	[illegible]	2014 to 2016 aggregate EBITDA of £[illegible]m	[illegible]	[illegible]
[illegible]	[illegible]	one year service condition	[illegible]	30/11/2025
[illegible]	[illegible]	one year service condition	04/01/2017	[illegible]
[illegible]	[illegible]	one year service condition	[illegible]	[illegible]
[illegible]	[illegible]	one year service condition	[illegible]	30/06/2026

27 Share Based Payments *continued*

a Bargain Booze Unapproved Employee Share Option Plan 2013 (ESOP) *continued*

The tables below summarises the movement on share options in the period

	2017 Share Options (number)	**2017 Weighted average exercise price (pence)**	2016 Share options (number)	2016 Weighted average exercise price (pence)
Outstanding at the beginning of the period	**3,985,241**	**81**	3,510,745	85
Granted	**213,983**	**1**	474,496	50
Exercised	**(149,416)**	**66**		
Forfeited	**(30,000)**	**1**		
Outstanding at the end of the period	**4,019,808**	**78**	3,985,241	81
Exercisable at end of the period	**3,243,226**		826,803	
Weighted average exercise price	**72 pence**		27 pence	
Weighted average remaining contractual life	**6.81 years**		7.67 years	

The weighted average share price for the options exercised during the 52 weeks to 30 April 2017 was 245.7 pence. No options were exercised during the 53 week period to 1 May 2016.

Equity settled share based payments are measured at fair value at the date of grant. The fair value determined at the date of grant is expensed on a straight line basis over the vesting period based on the Group's estimate of shares that will eventually vest. Fair value for the ESOP is measured by use of the Black Scholes model. The inputs into the option pricing model are provided below:

Financial year	**2017**	**2017**
Grant date	**01/07/2016**	**23/05/2016**
Exercise price (pence)	**-**	**1.0**
Expected volatility	**30%**	**30%**
Expected life	**5 years**	**5 years**
Expected dividend yield	**7.0%**	**5.8%**
Risk free interest rate	**0.4%**	**0.9%**

The weighted average fair value of options granted during the period in relation to the ESOP was 1 pence (2016: 152.1 pence).

Due to the short period of share trading activity, expected volatility was determined by reference to the historical volatility of the share price of comparable listed companies over the previous four years. The volatility of the Group's share price on each date of grant was calculated as the average of annualised standard deviations of daily continuously compounded returns on the stock, calculated over four years back from the date of the grant.

The risk free rate is the yield to maturity on the date of grant of a UK Gilt Strip, with term to maturity equal to the life of the option. The expected life of each option is equal to the vesting period plus a one year exercise period.

Notes to the financial statements

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27 Share Based Payments *continued*

b Conviviality Long Term Incentive Plan (LTIP)

Under the LTIP annual awards of performance vesting shares are awarded at nil cost and vest based on three year growth in adjusted basic EPS. For the existing awards 30% will vest if adjusted basic EPS exceeds 20.3p in the year ending April 2019, 60% will vest if adjusted basic EPS exceeds 21.45p in the year ending April 2019 and 100% will vest if adjusted basic EPS exceeds 24.25p in the year ending April 2019. *No vesting will occur if adjusted basic EPS is below 20.3p in the year ending April 2019* and vesting between these points will be on a straight line basis. Options are forfeited if the employee leaves the Company before the options have vested. The following table provides details of all existing grants under the ESOP. None of the options are cash settled.

Date of Grant	Subscription Price (p)	Performance conditions	Earliest exercise date	Expiry date
[illegible]/2016	[illegible]	one year service condition	[illegible]/07/2017	[illegible]/2027

The tables below summarises the movement on share options in the period

	2017 Share options (number)	2017 Weighted average exercise price (pence)	2016 Share options (number)	2016 Weighted average exercise price (pence)
Outstanding at the beginning of the period	**-**	**-**		
Granted	**2,081,608**	**-**		
Exercised	**-**	**-**		
Forfeited	**(180,580)**	**-**		
Outstanding at the end of the period	**1,901,028**	**-**		
Exercisable at end of the period	**-**			
Weighted average exercise price	**-**			
Weighted average remaining contractual life	**9.32 years**			

Equity settled share based payments are measured at fair value at the date of grant. The fair value determined at the date of grant is expensed on a straight line basis over the vesting period based on the Group's estimate of shares that will eventually vest. Fair value for the LTIP is measured by use of the Black Scholes model. The inputs into the option pricing model are provided below.

Financial year	**2017**
Grant date	**24/08/2016**
Exercise price (pence)	**-**
Expected volatility	**30%**
Expected life	**5 years**
Expected dividend yield	**5.6%**
Risk free interest rate	**0.2%**

The weighted average fair value of options granted during the period in relation to the ESOP was nil pence.

Due to the short period of share trading activity expected volatility was determined by reference to the historical volatility of the share price of comparable listed companies over the previous four years. The volatility of the Group's share price on each date of grant was calculated as the average of annualised standard deviations of daily continuously compounded returns on the stock calculated over four years back from the date of the grant.

The risk free rate is the yield to maturity on the date of grant of a UK Gilt Strip with term to maturity equal to the life of the option. The expected life of each option is equal to the vesting period plus a one year exercise period.

27 Share Based Payments *continued*

c Bargain Booze Share Incentive Plan 2013

The Group operates a Share Incentive Plan (SIP) approved by HMRC on 14 October 2013 approved by the Board on 11 October 2013 and commenced 1 November 2013. All UK resident tax paying employees of Conviviality and its participating subsidiaries are eligible to participate in the SIP subject to completing a minimum qualifying period of service of six months.

Under the SIP the Group can:

a Give 10% of salary up to £3,000 worth of free shares in each tax year to an employee ('Free Shares');

b Offer an employee the opportunity of buying up to £1,500 of shares a year ('Partnership Shares');

c Give an employee a matching share for each Partnership Share bought ('Matching Shares'). Each employee must complete three years service before these shares are awarded; and

d In addition to buying up to £1,500 of Partnership Shares each year, allow employees to purchase more shares ('Dividend Shares') using dividends received on Free Shares, Partnership Shares and Matching Shares up to percentage limits set by the Company.

Awards of 'Matching Shares' under this scheme are at £Nil cost and therefore their fair value is equal to the share price on the date of issue at the time when each grant is allocated. If a person ceases to be an employee prior to the exercise date the 'Matching Shares' will be forfeited. Details of all 'Matching Share' grants in the year are below, none of which are exercisable at the period end.

Notes to the financial statements

Continued

27 Share Based Payments *continued*

c Bargain Booze Share Incentive Plan 2013 *continued*

Date of Grant	Fair Value at grant (pence)	Exercise date	Number of Options Opening	Granted	Forfeited	Closing
22/11/2013	163.00	22/11/2016	538		(828)	71[illegible]
23/12/2013	168.00	23/12/2016	168[illegible]		(930)	751
22/01/2014	164.00	22/01/2017	1547		(842)	705
24/02/2014	130.00	24/02/2017	1673		(922)	751
24/03/2014	160.00	24/03/2017	1849		([illegible]04[illegible])	8[illegible]9
22/04/2014	168.00	22/04/2017	1786		(908)	878
22/05/2014	172.50	22/05/2017	1845		(566)	[illegible]
23/06/2014	173.00	23/06/2017	[illegible]76		([illegible])	94[illegible]
22/07/2014	59.50	22/07/2017	[illegible]863		(734)	[illegible]
22/08/2014	66.00	22/08/2017	1320		(804)	[illegible]
22/09/2014	64.00	22/09/2017	1723		(710)	[illegible]13
22/10/2014	160.00	22/10/2017	1886		(80[illegible])	1086
24/11/2014	146.00	24/11/2017	1075		(844)	[illegible]31
22/12/2014	145.00	22/12/2017	1967		(837)	1130
22/01/2015	127.75	22/01/2018	2393		(884)	15[illegible]9
23/02/2015	154.00	23/02/2018	1883		(674)	1209
23/03/2015	148.50	23/03/2018	2116		(688)	1428
06/05/2015	144.00	06/05/2018	2089		(624)	1465
08/06/2015	149.50	08/06/2018	1878		(55[illegible])	1728
06/07/2015	154.00	06/07/2018	2145		(677)	1466
08/09/2015	187.00	08/09/2018	1834		(512)	1322
06/10/2015	183.80	06/10/2018	87[illegible]		(535)	1344
10/11/2015	201.75	10/11/2018	3118		(829)	2289
07/12/2015	214.00	07/12/2018	2184		(654)	1530
05/01/2016	220.49	05/01/2019	2186		(669)	15[illegible]
08/02/2016	207.75	08/02/2019	2384		(740)	1644
07/03/2016	235.50	07/03/2019	2173		(776)	1397
06/04/2016	236.33	06/04/2019	2,225		(659)	1566
06/05/2016	206.75	06/05/2019		2844	(866)	1978
06/06/2016	203.00	06/06/2019		[illegible]715	(2069)	15082
06/07/2016	169.00	06/07/2019		21778	(2282)	19496
08/08/2016	224.00	08/08/2019		16525	([illegible]54[illegible])	4978
06/09/2016	223.38	06/09/2019		16583	([illegible]404)	[illegible]5179
06/10/2016	221.00	06/10/2019		16 54[illegible]	([illegible]33[illegible])	15 224
07/11/2016	209.00	07/11/2019		17752	([illegible]35[illegible])	1670[illegible]
06/12/2016	199.50	06/12/2019		18754	(1234)	17520
06/01/2017	223.66	06/01/2020		16462	(999)	5463
06/02/2017	269.75	06/02/2020		5340	([illegible]4)	14726
06/03/2017	274.25	06/03/2020		15663	(50[illegible])	15186
06/04/2017	264.25	06/04/2020		6629	([illegible]31[illegible])	162[illegible]
			55754	[illegible]	(75,824)	211,667
Weighted average share price (pence)			173.19	22[illegible]	188.62	215.78

27 Share Based Payments *continued*

c Bargain Booze Share Incentive Plan 2013 *continued*

Awards of 'Free Shares' under this scheme are at £Nil cost and therefore their fair value is equal to the share price on the date of issue at the time when each grant is allocated. If a person ceases to be an employee prior the exercise date the 'Free Shares' will be forfeited. Details of all 'Free Share' grants in the year are below, none of which are exercisable at the period end.

Date of Grant	Fair Value at grant (pence)	Exercise date	Opening	Granted	Forfeited	Closing
			Number of Options			
16/10/2014	43.50	16/10/2017	80 876		(21 496)	59 380
09/09/2015	55.00	09/09/2018	251 533		(22 315)	229 218
24/10/2016	202.00	24/10/2019		417 115	(2 370)	414 745
			332 409	417 115	(46 181)	703 343
Weighted average share price (pence)			52.70	202.00	155.46	[illegible]

d Franchisee incentive plan (FIP)

The FIP is intended to provide issued ordinary shares as awards to Franchisees subject to the achievement of performance conditions and then at the discretion of the Board. There are four categories of proposed award all of which are subject to approval at the discretion of the Board at the end of the third year of measurement.

Part 1 – Store Standards Incentive Plan – All Franchisees could be entitled to one third of their maximum allocation on passing each of three annual store audits.

Part 2 – Group EBITDA Target – Awards may be made at the discretion of the Board based on Group EBITDA targets over a three year period and will be shared between all stores equally.

Part 3 – Individual Franchisee Performance Awards – Annual awards may be made subject to the achievement by a store of certain key performance indicators.

Part 4 – New Franchisee Incentives – awards may be made at the discretion of the Board three years after passing a store audit.

The shares are transferred to the Franchisees for no payment. If a person ceases to be a Franchisee prior to the vesting of any award that award will lapse entirely. The awards are subject to Board approval prior to vesting and therefore the service period commences prior to the grant date. The fair value of each grant is calculated as the best estimate of the share price on the date of grant being the year end share price.

Date of Grant*	Start of vesting period	Estimated fair value (pence)	Exercise date	Opening	Granted	Adjustment**	Forfeited	Exercised	Closing
				Number of Options					
01/09/2016	31/07/2013	155.00	30/09/2016	1 008 220			(88 040)	(920 180)	
30/09/2017	31/07/2014	155.00	30/09/2017	1 063 000		49 250			1 112 250
30/09/2018	30/06/2016	184.75	30/09/2018		1 151 750	(168 750)			983 000
30/09/2019	30/09/2016	216.00	30/09/2019		1 179 500	(84 000)			1 095 000
				2 071 220	2 331 250	(203 500)	(88 040)	(920 180)	3 190 750
Weighted average share price (pence)				155.00	200.56	204.85	155.00	155.00	185.1

* Date of grant is subject to Board approval

** Adjustment reflects the company's estimation of how many awards will actually vest

Notes to the financial statements

Continued

28 Business Combinations

Current period business combinations

Bibendum PLB Group

On 20 May 2016 the Group entered into an agreement to acquire the entire issued share capital of Bibendum PLB Group for a total consideration of £39.7 million in cash. Bibendum PLB Group is a leading independent wholesaler in the drinks industry specialising in wines and spirits. This acquisition is consistent with the Group's ongoing strategy of expanding the Group's wholesaling expertise and entering new markets and channels. The acquisition together with the current businesses in the Group creates a unique offering that addresses both the On Trade and Off Trade retailers. Significant synergies across buying and distribution plus organisational efficiencies and additional revenue generation are expected to be achieved by bringing the businesses together.

The following table summarises the consideration paid for Bibendum PLB Group and the amount of assets acquired and liabilities assumed recognised at the acquisition date.

	Book value £000	Fair value adjustments £000	Fair value £000
Property, plant and equipment	899	(108)	791
Intangible assets	528	(428)	100
Inventories	28,805	(5,935)	22,870
Derivatives	[illegible]		[illegible]
Trade and other receivables	59,924	(3,735)	56,189
Net debt and debt like items	(9,147)		(9,147)
Trade and other payables	(59,222)	(4,631)	(63,853)
Corporation tax liability	(683)		(683)
Deferred tax (liability)/asset	(169)	834	665
Total identifiable net assets / (liabilities)	13,338	(15,003)	(1,665)

Allocation to intangible assets – Brands (note 12)	6,307
Allocation to intangible assets – Customer Base (note 12)	4,533
Goodwill (note 11)	30,488
Total consideration satisfied by cash	**39,663**

Cash flow

Cash consideration	39,663
Debt acquired with subsidiary	9,147
Acquisition costs	1,644
	50,454

The goodwill arising on acquisition represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised on the acquisition of Bibendum PLB Group; these largely relate to synergy and integration benefits. On the acquisition of Bibendum PLB Group, the fair value of assets and liabilities has been assessed and adjustments made as shown in the table above.

Within property, plant and equipment a fair value adjustment of £0.1 million was made to write down assets to their fair value. Within inventories a fair value adjustment of £5.9 million was made which represents the adjustment required to bring inventories to their net realisable value. Within intangible assets the fair value adjustment of £1.4m predominately related to impairments of IT systems. Within trade and other receivables a number of fair value adjustments totalling £3.7 million relating to recoverability of receivables were made to write down assets to their fair value. Within trade and other payables a number of additional accruals have been made to reflect fair values totalling £4.6 million.

A deferred tax liability of £2.0 million has been recognised on the brand and customer base intangible assets, offset by a deferred tax asset of £2.8 million on fair value adjustments.

From the date of acquisition Bibendum PLB Group has contributed revenue of £275.0 million and £4.3 million to profit before tax to the Group's results. Acquisition costs of £1,644,000 have been charged to exceptional costs in the consolidated income statement for the period.

28 Business Combinations *continued*

KMD Enterprises

On 4 December 2016 the Group entered into an agreement to acquire the entire issued share capital of KMD Enterprises Limited and Xcel Retail Limited for a total consideration of £4.0 million in cash plus normalised working capital on a debt/cash free basis. KMD Enterprises and Xcel Retail comprise a chain of 15 high quality convenience stores branded as Nisa Local operating at various locations in the UK. This acquisition is consistent with the Group's ongoing strategy of focusing on key regions to improve store density and drive logistics and marketing efficiencies. All of the stores have been rebranded under the Bargain Booze Select Convenience fascia.

The table below summarises the consideration paid for KMD Enterprises Limited and Xcel Retail Limited and the amount of assets and liabilities assumed recognised at the acquisition date.

	Book value £000	Fair value adjustments £000	Fair value £000
Property, plant and equipment	1,141		1,141
Inventories	589		589
Receivable due from the seller	1,950		1,950
Trade and other receivables	282		282
Cash and cash like items	171		171
Trade and other payables	(743)		(743)
Corporation tax liability	(62)		(62)
Deferred tax asset	37		37
Total identifiable net assets	3,365		3,365
Goodwill (note 11)			2,619
Total consideration			**5,984**
Cash flow			
Total consideration			5,984
Less payable due to the seller			(1,950)
Cash consideration			4,034
Net cash acquired with subsidiary			(171)
Acquisition costs			(85)
			3,778

Following the acquisition, a loan of £1,950,000 both due to and from the seller were novated extinguishing the balances due from both parties.

The Goodwill arising on acquisition represents the premium paid to acquire KMD Enterprises Limited and Xcel Retail Limited providing significant opportunities for increased wholesale sales, and cross selling and other synergies. Goodwill has been allocated to the KMD CGU. There are no separately identifiable intangible assets as the Nisa Local brand name was not acquired and the customer base was deemed to have no value.

Management have not yet finalised its assessment of the fair values at the acquisition date. This is expected to be completed during 2017.

In addition to the acquisitions set out above, the Group has also completed a number of individual smaller store acquisitions for a total cash consideration of £396,000 (2016: £796,000) all of which has been recognised as goodwill. When purchasing individual stores the Group is purchasing both the trade and assets of the store.

Notes to the financial statements

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28 Business Combinations *continued*

Prior period business combinations

Matthew Clark (Holdings) Limited

On 7 October 2015 the Group entered into an agreement to acquire the entire issued share capital of Matthew Clark (Holdings) Limited for a total consideration of £199.0 million in cash. Matthew Clark (Holdings) Limited is a leading independent wholesaler in the drinks industry. This acquisition is consistent with the Group's ongoing strategy of expanding the Group's wholesaling expertise and entering new markets and channels. The acquisition together with the current businesses in the Group creates a unique offering that addresses both the On Trade and Off Trade retailers. Significant synergies across buying and distribution plus organisational efficiencies and additional revenue generation are expected to be achieved by bringing the businesses together.

The following table summarises the consideration paid for Matthew Clark (Holdings) Limited and the amount of assets acquired and liabilities assumed recognised at the acquisition date.

	Book value £000	Fair value adjustments £000	Fair value £000
Property, plant and equipment	4,[illegible]74	(83[illegible])	[illegible]
Intangible assets	3,624	(3[illegible])	3,3[illegible]
Inventories	44,238	(266)	43,972
Trade and other receivables	116,738	(359)	116,379
Net debt and debt like items	(10,838)	(247)	(11,085)
Trade and other payables	(229,979)	(1,084)	[illegible]
Derivatives	(634)		(634)
Deferred tax liability (note 13)	402	(10,080)	(9,678)
Provisions	(603)	[illegible]	[illegible]
Total identifiable net assets	34,022	(24,229)	9,793

Allocation to intangible assets – Brands (note 12)	23,900
Allocation to intangible assets – Customer Base (note 12)	38,800
Goodwill (note 11)	126,483
Total consideration satisfied by cash	**198,976**

Cash flow

Cash consideration	198,976
Debt acquired with subsidiary	10,[illegible]
Acquisition costs (expensed to exceptional items)	3,267
Acquisition costs (accrued and not yet paid out)	(4[illegible])
	[illegible]

Adjustments made to the fair value of assets acquired include the recognition of the deferred tax liability relating to the intangible asset (£10.1 million), additional provisions and accruals to recognise three onerous contracts that were in place at acquisition (£11.0 million which has been recalculated this year and uplifted by £5.8 million), additional provisions to recognise that renovation works needed to be carried out at specific depots (£1 million) and impairments for property, plant and equipment that is impaired at the point of acquisition (£0.9 million). A deferred tax asset of £1.8 million has been recognised in these financial statements relating to the fair value adjustment of onerous contracts. Goodwill has increased by net £4.0 million as a result of the measurement period adjustments. The comparative balance sheets have been restated to reflect these measurement period adjustments.

The goodwill arising on acquisition represents the premium paid to acquire Matthew Clark (Holdings) Limited and the future economic benefits arising from other assets acquired in the business combination that are not individually identified and separately recognised on the acquisition of Matthew Clark (Holdings) Limited; these largely relate to synergy and integration benefits. Goodwill has been allocated to the Matthew Clark (Holdings) cash generating unit (CGU).

28 Business Combinations *continued*

Peppermint Events Limited

On 31 December 2015 the Group entered into an agreement to acquire 61% of issued share capital of Peppermint Events Limited for a total consideration of £1.8 million in cash plus contingent consideration of £6.2 million. This is contingent on meeting EBITDA targets for financial years ended 2017, 2018 and 2019. The transaction is subject to an initial earn out performance based payment during 2017 and 2018 up to a total of £800,000. There is an earn out put option in respect of the remaining 39% of the ordinary share capital. The put and call option allows the non controlling shareholder to require sales of their shares to the Group at an agreed pricing method between 2019 and 2020 based on EBITDA up to a total of £9,200,000. The timing of the final earn out will depend on whether Peppermint Events exceeds an EBITDA target that has been set for financial year 2019. If the target is not met the earn out moves to financial year 2020.

The company has agreed to pay the vendors additional consideration dependent on the performance of Peppermint Events over the subsequent four financial years. The range of the additional consideration payment is estimated to be between £Nil and £10,000,000. The Company has included £6,159,000 as contingent consideration related to the additional consideration which represents the amount determined at the acquisition date based on forecast EBITDA for the next three years discounted to net present value. However following the end of the 12 month hindsight period the contingent consideration has been reassessed as £2,859,000 as at 30 April 2017, with a subsequent release of contingent consideration of £3,375,000 which has been included within exceptional items (note 4) and finance costs of £75,000 representing the unwind of the discount on the contingent consideration (note 6).

The valuation model for the contingent consideration considers the present value of the expected payment, discounted using a risk free rate of 2.7%. The expected payment is determined by considering the possible scenarios of forecast revenue and EBITDA, the amount to be paid under each scenario and the probability of each scenario.

The acquisition of Peppermint Events Limited has been accounted for using the anticipated acquisition method as if the put and call option has already been exercised and therefore no non controlling interest has been recognised.

Peppermint Events Limited is an independent events company specialising in bars and events in the outdoor event arena including festivals. This acquisition is consistent with the Group's ongoing strategy of focusing on new markets and channels.

The following table summarises the consideration paid for Peppermint Events Limited, and the amount of assets acquired and liabilities assumed recognised at the acquisition date.

	Book value £000	Fair value adjustments £000	Fair value £000
Property, plant and equipment	225	(23)	202
Inventories	152	(15)	137
Trade and other receivables	179	(12)	167
Cash and cash equivalents	536		536
Trade and other payables	(596)		(596)
Borrowings (short term)	(46)		(46)
Current tax payable	(6)		(6)
Deferred tax liability (note 19)	(26)	(48)	(74)
Borrowings (long term)	(60)		(60)
Total identifiable net assets	358	(98)	260
Allocation to intangible assets – Brands (note 12)			243
Goodwill (note 11)			7,456
Total consideration			**7,959**

Cash flow	
Cash consideration	1,800
Contingent consideration (payable April 2017, April 2018 & April 2019)	6,159
Cash acquired with subsidiary	(536)
Acquisition costs (expensed to exceptional items)	81
	7,504

Notes to the financial statements

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28 Business Combinations *continued*

Significant adjustments made to the fair value of assets acquired include the recognition of the deferred tax liability relating to the intangible asset, provision for doubtful debts and obsolete stock and impairments for property, plant and equipment.

The goodwill arising on acquisition represents the premium paid to acquire Peppermint Events Limited in a key channel providing significant opportunities for increased wholesale sales and cross selling and other synergies. Goodwill has been allocated to the Peppermint Events cash generating unit ('CGU').

Acquisition costs of £81,000 have been charged to exceptional items in the consolidated income statement for the period (note 4). These represent legal costs incurred during the acquisition.

For the period ended 1 May 2016 Peppermint Events Limited contributed revenue of £0.6 million and £0.4 million loss before tax to the Group's results from the date of acquisition. If the acquisition had taken place at the beginning of the prior financial period, it is estimated that the Group revenue for the period ended 1 May 2016 would have been £877.0 million and total Group operating profit would have been £12.0 million.

29 Events Occurring After the Reporting Date

There are no material events after the reporting date.

30 Subsidiary Audit Exemption

Under section 479A of the Companies Act 2006, the Group is claiming exemption from audit for the subsidiary companies listed below.

Company Name	Company number
Conviviality Stores Limited	5501974
Conviviality Retail Logistics Limited	9329476
Bargain Booze EBT Trustees Limited	4451429
Wine Rack Limited	6880288
GT News (Holdings) Limited	6510628
GT News Limited	3931912
Matthew Clark (Holdings) Limited	6133835
Bibendum PLB (Topco) Limited	10093821
Bibendum PLB Group Limited	6155211
Ardles Bidco Limited	10449694
KMD Enterprises Limited	4314857
Yes Pet Limited	9121924

31 Related Parties

During the 52 weeks ended 30 April 2017 the Group purchased services totalling £13,000 (2016: £13,000) from Practicology Limited. Martin D Newman is a Non Executive Director of Conviviality Plc and also a 52% shareholder of Practicology Limited. There are no amounts outstanding to Practicology Limited as at 30 April 2017 (2016: £Nil).

During the 52 weeks ended 30 April 2017 the Group made donations of £33,500 (2016: £5,000) to The Benevolent which is a drinks industry charity. Diana Hunter is the CEO of Conviviality Plc and also a trustee of The Benevolent.

Key management comprises the Executive and Non Executive Directors. Information on their emoluments is provided in note 5.

Company balance sheet

As at 30 April 2017

	Note	2017 £000	2016 £000
Fixed assets			
Investments	2	**49,756**	47,400
Current assets			
Debtors	4	**183,693**	142,803
		183,693	142,803
Creditors: amounts falling due within one year	5	**(29,228)**	[illegible]
Net current assets		**154,465**	41,897
Net assets		**204,221**	189,297
Capital and reserves			
Called up share capital	7	**78**	79
Share premium account		**196,142**	65,336
Share based payment reserve		**5,710**	3,977
Other reserves		**(25)**	(26)
Profit and loss account		**2,316**	[illegible]
Shareholders' funds		**204,221**	189,297

These financial statements were approved and authorised for issue by the Board of Directors on 17 Ju , 2017

Diana Hunter
Chief Executive Officer

Conviviality Plc
Company registration number: 5592636

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Company statement of changes in equity

For the 52 weeks ended 30 April 2017

	Share capital £000	Share premium £000	Share based payment reserve £000	Other reserves £000	Retained earnings £000	Total equity £000
Balance as at 26 April 2015	67	34,026	2,052	(26)	67	36,186
Profit for the financial period					27,269	27,269
Total comprehensive income for the period					27,269	27,269
Transactions with owners:						
Issue of new ordinary shares	8	131,310				131,334
Transfer of share based payment charge			(94)		94	
Dividends					(7,435)	(7,435)
Share options granted to subsidiary employees			1,352			1,352
Share based payment charge			310			310
Deferred tax on share based payment charge			357			357
Total transactions with owners	8	131,316	1,925		(7,400)	125,858
Balance as at 1 May 2016	75	165,336	3,977	(26)	19,935	189,297
Profit for the financial period					1,376	1,376
Total comprehensive income for the period					1,376	1,376
Transactions with owners:						
Issue of new ordinary shares	3	30,806				30,809
Transfer of share based payment charge			(1,027)		1,027	
Dividends					(20,022)	(20,022)
Share options granted to subsidiary employees			2,356			2,356
Share based payment charge			368			368
Disposal of treasury shares				1		
Deferred tax on share based payment charge			36			36
Total transactions with owners	3	30,806	1,733		(18,995)	13,548
Balance as at 30 April 2017	**78**	**196,142**	**5,710**	**(25)**	**2,316**	**204,221**

Company statement of cash flows

For the 52 weeks ended 30 April 2017

	2017 £000	2016 £000
Net cash outflow from operating activities	**(10,528)**	(5,298)
Cash flows from investing activities		
Exceptional costs incurred on acquisition of subsidiary undertakings	**(259)**	(877)
Net cash used in investing activities	**(259)**	(877)
Cash flows from financing activities		
Dividends paid	**(20,022)**	(7,495)
Dividends received	-	30,000
Proceeds from sale of shares	**30,809**	131,334
Net cash used in financing activities	**10,787**	153,839
Net decrease in cash and cash equivalents	-	(19)
Cash and cash equivalents at beginning of the period	-	19
Cash and cash equivalents at the end of the period	-	

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1 Accounting Policies

Basis of preparation of financial statements

The accounts have been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards as adopted by the European Union ("IFRS"). In preparing these financial statements the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") but makes adjustments where necessary in order to comply with Companies Act 2006.

The consolidated financial statements of Conviviality plc, which are presented separately, have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Investments

Investments are included at cost less any provision for impairment.

Share based payments

Share based payments are measured at fair value at the date of grant. Fair value is measured using the Black Scholes pricing model.

The charge relating to grants to employees of the company is recognised on a straight line basis as an expense in the profit and loss account spread over the vesting period based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non market based vesting conditions.

Dividends

Dividends are recognised in the Company's financial statements in the year in which they are approved in general meeting by the Company's shareholders. Interim dividends are recognised when paid. Final dividends are recognised when they have been approved by the shareholders at the Annual General Meeting.

Taxation

The tax expense for the period comprises of current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income or in equity. In this case the tax is recognised directly in other comprehensive income or in equity.

a Current taxation

Current tax is the expected tax payable on the taxable income for the period, using tax rates and laws enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

b Deferred taxation

Deferred tax is recognised using the statement of financial position liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amount in the historical financial information. Deferred tax is calculated at the tax rates and laws that have been enacted or substantively enacted by reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date. Deferred tax assets and liabilities are offset against each other when there is a legally enforceable right to set off current assets against current liabilities and it is the intention to settle these on a net basis.

2 Investments

	£000
As at 26 April 2015	47,048
Share options granted to subsidiary employees	352
As at 1 May 2016	47,400
Share options granted to subsidiary employees	2,356
As at 30 April 2017	**49,756**

The Company is the holding company of the Group. The following table contains details of the Company's directly and indirectly held subsidiaries.

Company name	Principle activity	Country of incorporation	Percentage ownership
Conviviality Brands Limited	Holding company	England	100%
Conviviality Stores Limited	Holding company	England	100%
Bargain Booze Limited	Wholesale marketing logistics and franchisor	England	100%
Conviviality Retail Logistics Limited	Distribution company	England	100%
Bargain Booze EBT Trustees Limited	Trustee of EBT	England	100%
Wine Rack Limited	Retail distributor of beers wines spirits tobacco grocery and confectionary	England	100%
GT News (Holdings) Limited	Holding company	England	100%
GT News Limited	Retail distributor of beers wines spirits tobacco grocery and confectionary	England	100%
GT News (Nottingham) Limited	Dormant	England	100%
Rhythm & Booze Limited	Dormant	England	100%
Conviviality Retail Limited	Dormant	England	100%
Matthew Clark (Holdings) Limited	Holding company	England	100%
Conviviality Group Limited (formally known as Matthew Clark Wholesale Limited)	Wholesale distributor of beers wines and spirits	England	100%
Elastic Productions Limited	Marketing agency	England	51%
Peppermint Events Limited	Events company	England	61%
Matthew Clark Limited*	Dormant	England	100%
Matthew Clark and Sons Limited	Dormant	England	100%
Matthew Clark Wholesale Bond Limited*	Dormant	England	100%
Matthew Clark (Scotland) Limited*	Dormant	Scotland	100%
The Wine Studio Limited*	Dormant	England	100%
A2 Contractors Limited*	Dormant	England	100%
Odyssey Intelligence Limited	Dormant	England	100%
Catalyst PLB Brands Limited	Dormant	England	100%
Bibendum PLB (Topco) Limited	Holding company	England	100%
Bibendum PLB Group Limited	Holding company	England	100%
Bibendum Wine Limited	Wholesale distributor of beers wines and spirits	England	100%
The Wondering Wine Company Limited	Events company	England	100%
Walker & Wodehouse Wines Limited	Wholesale distributor of beers wines and spirits	England	100%
PLB Group Limited	Wholesale distributor of beers wines and spirits	England	100%
PLB Wines Limited	Dormant	England	100%

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2 Investments *continued*

West Country Beverages Limited (formally known as Pub Beers Limited)	Dormant	England	[illegible]
The Real Rose Company Limited	Dormant	England	[illegible]
Chalk Farm Wines Limited	Dormant	England	100%
First Drinks Company Limited	Dormant	England	100%
The Yorkshire Fine Wine Company Limited	Dormant	England	[illegible]
Mixbury Drinks Limited	Dormant	England	100%
Bibendum Limited	Dormant	England	100%
[illegible] Wine Limited	Dormant	England	[illegible]
European Wine Partnership LLP	Dormant	England	[illegible]
Ardices Bidco Limited	Holding company	England	100%
KMD Enterprises Limited	Retail distributor of beers, wines, spirits, tobacco, grocery and confectionary	England	[illegible]
Xcel Retail Limited	Retail distributor of beers, wines, spirits, tobacco, grocery and confectionary	England	[illegible]

1 Registered office Unit 1 Weston Road Crewe Cheshire CW1 6BP
2 Registered office Whitchurch Lane Whitchurch Bristol BS14 0JZ
3 Registered office The Ca'D'Oro 45 Gordon Street Glasgow [illegible]
4 Registered office C/O TLT [illegible] Redcliff Street Bristol BS1 [illegible]

Under section 479A of the Companies Act 2006 the Company is claiming exemption from audit for the subsidiary companies listed below

Company name	**Company number**
Conviviality Stores Limited	[illegible]
Conviviality Retail Logistics Limited	9329476
Bargain Booze EBT Trustees Limited	4451423
Wine Rack Limited	6880285
CT News (Holdings) Limited	6510628
CT News Limited	3931912
Matthew Clark (Holdings) Limited	6133835
Bibendum PLB (Topco) Limited	[illegible]
Bibendum PLB Group Limited	[illegible]
Ardices Bidco Limited	10449694
KMD Enterprises Limited	[illegible]
Xcel Retail Limited	[illegible]

3 Directors remuneration

The Directors are the only employees of the Company. Further details of Directors remuneration are provided in note 5 of the consolidated financial statements

4 Debtors

	2017 £000	[illegible]
Amounts owed by group undertakings	**182,346**	[illegible]
Prepayments and accrued income	**71**	[illegible]
Deferred tax [illegible]	**1,276**	[illegible]
	183,693	[illegible]

5 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Amounts owed to group undertakings	**28,708**	
Accruals and deferred income	**520**	906
	29,228	906

6 Deferred tax asset

	2017 £000	2016 £000
At beginning of period	**670**	401
Credited/(charged) to the profit and loss account	**570**	(88)
Credited to equity	**36**	357
At the end of period	**1,276**	670

The deferred tax asset is made up as follows

	2017 £000	2016 £000
Other timing differences	**1,276**	670

The deferred tax asset relates to timing differences on share based payment charges

The recoverability of the deferred tax asset is dependent on future taxable profits in excess of those arising from the reversal of deferred tax liabilities. The deferred tax asset has been recognised to the extent that it is considered to be recoverable based on forecasts for future periods. As at 30 April 2017 the value of the unrecognised deferred tax asset is £Nil (2016 £Nil)

7 Share capital

	2017 £000	2016 £000
Authorised, allotted, called up and fully paid		
172,642,934 ordinary shares of £0.0002 each (2016 155,238,488)	**34**	31
217,058,802 deferred shares of £0.0002 each (2016 217,058,802)	**44**	44
Total	**78**	75

Details of share capital transactions are provided in note 21 to the consolidated financial statements

8 Dividends

Amounts recognised as distributions to ordinary shareholders in the period comprise

	2017 £000	2016 £000
Final dividend for 2016 of 7.4 pence and 2015 of 6.3 pence per ordinary share	**12,785**	4,235
Interim dividend for 2017 of 4.2 pence and 2016 of 2.1 pence per ordinary share	**7,237**	3,260
	20,022	7,495

The 2017 final proposed dividend of £14,502,000 (8.4 pence per share) has not been accrued as it had not been approved by the period end. Sufficient reserves are in place to pay the proposed dividend

9 Related party transactions

Details of the Directors emoluments are provided in note 5 of the consolidated financial statements

Celebrating award-winning success

Multiple Specialist Retailer of the Year, Drinks Retailing Awards 2016 (Conviviality Retail)

Drinks Retailer of the Year, Grocer Gold Awards 2017 (Conviviality Retail)

Drinks Company of the Year, The Drink Business Awards 2017 (Conviviality)

Merchant of the Year, Sommelier Wine Awards 2017 (Bibendum)

Drinks Supplier of the Year, Mitchells & Butlers Supplier Awards 2017 (Bibendum)

Fine Wine Merchant of the Year, Sommelier Wine Awards 2016 (Matthew Clark)

Innovator of the Year, IWC Awards 2016 (Bibendum)

New World Merchant of the Year, Sommelier Wine Awards 2016 (Bibendum)

Wine Importer of the Year, IWSC 2016 (Matthew Clark)

Excellence in Category Collaboration, Mitchells & Butlers Supplier Awards 2017 (Bibendum)

Best Implementation, The Compass Group Supplier Awards 2016 (Bibendum)

Best Drinks Supplier, Restaurant Magazine Readers' Choice Awards 2017 (Matthew Clark)

Wine Importer of the Year, IWSC 2016 (Matthew Clark)

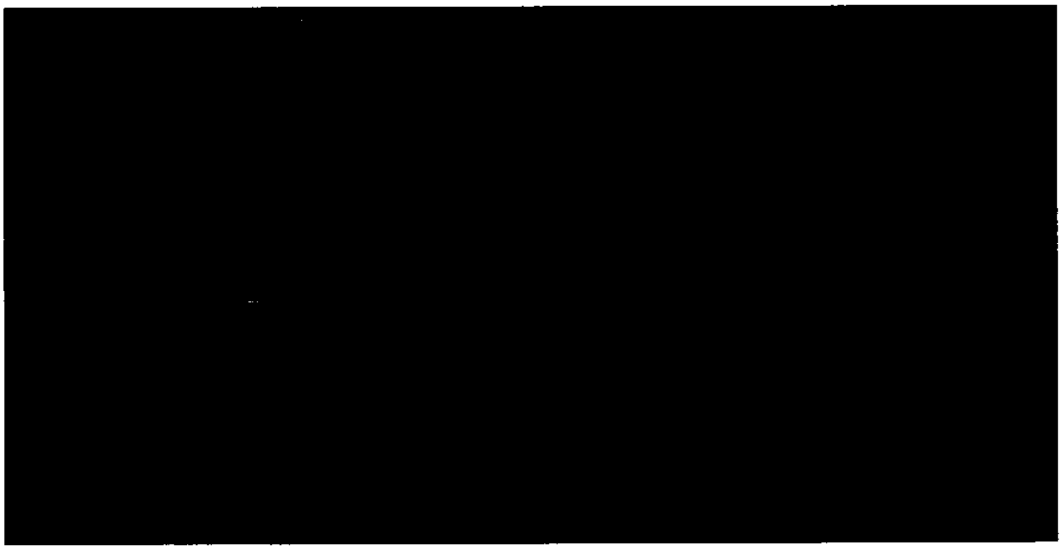
Best National Wine Supplier, Publicans' Choice Awards, 2016 (Matthew Clark)

Best Drinks Supplier, Restaurant Magazine's Chefs' Choice Awards 2016 (Matthew Clark)

Best Airline Wine List for British Airways First Class, Business Traveller Cellars in the Sky Awards 2016 (Bibendum)

Food or Drink Supplier Website of the Year, The Caterer DIVA Awards 2016 (Matthew Clark)

Deal of the Year, Grant Thornton Quoted Company Awards 2017 (Conviviality)



73 gold award-wining wines, 127 silver, 73 bronze and 167 commended, Sommelier Wine Awards 2017 (Conviviality)

Directors, secretary and advisors

Directors

David A R Adams (Chairman)
Diana Hunter (Chief Executive Officer)
C Andrew Humphreys
Mark T Aylwin
David P Robinson
Martin D Newman (Non-Executive Director)
Stephen G Wilson (Non-Executive Director)
Ian M W Jones (Non-Executive Director)

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