

AM03

Notice of administrator's proposals



Companies House

THURSDAY



A7571FVV

A33

03/05/2018

#374

COMPANIES HOUSE

1 Company details

Company number 0 9 7 5 0 7 1 0

Company name in full Conviviality Brands Limited

→ Filling in this form
Please complete in typescript or in
bold black capitals.

2 Administrator's name

Full forename(s) Matthew Boyd

Surname Callaghan

3 Administrator's address

Building name/number PricewaterhouseCoopers LLP

Street 7 More London

Riverside

Post town London

County/Region

Postcode S E 1 2 R T

Country

4 Administrator's name ①

Full forename(s) Ian David

Surname Green

① Other administrator
Use this section to tell us about
another administrator.

5 Administrator's address ①

Building name/number PricewaterhouseCoopers LLP

Street 7 More London

Riverside

Post town London

County/Region

Postcode S E 1 2 R T

Country

① Other administrator
Use this section to tell us about
another administrator.

AM03
Notice of Administrator's Proposals

6 Statement of proposals



I attach a copy of the statement of proposals

7 Sign and date

Administrator's
Signature

Signature



Signature date

d

1

d

1

m

0

m

4

y

2

y

0

y

1

y

8

AM03 Notice of Administrator's Proposals



Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name	Andy Lilley
Company name	PricewaterhouseCoopers LLP
Address	Central Square
29 Wellington Street	
Post town	Leeds
County/Region	
Postcode	L S 1 4 D L
Country	
DX	
Telephone	



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and number match the information held on the public Register.
- ☐ You have attached the required documents.
- ☐ You have signed and dated the form.



Important information

All information on this form will appear on the public record.



Where to send

You may return this form to any Companies House address, however for expediency we advise you to return it to the address below:

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.



Further information

For further information please see the guidance notes on the website at www.gov.uk/companieshouse or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.gov.uk/companieshouse

Continuation page

Name and address of insolvency practitioner

✓ **What this form is for**
Use this continuation page to tell us about another insolvency practitioner where more than 2 are already jointly appointed. Attach this to the relevant form. ①
Use extra copies to tell us of additional insolvency practitioners.

✗ **What this form is NOT for**
You can't use this continuation page to tell us about an appointment, resignation, removal or vacation of office.

→ **Filling in this form**
Please complete in typescript or in bold black capitals.

All fields are mandatory unless specified or indicated by *

1 Appointment type

Tick to show the nature of the appointment:

- ☒ Administrator
- ☐ Administrative receiver
- ☐ Receiver
- ☐ Manager
- ☐ Nominee
- ☐ Supervisor
- ☐ Liquidator
- ☐ Provisional liquidator

① You can use this continuation page with the following forms:

- VAM1, VAM2, VAM3, VAM4, VAM6, VAM7
- CVA1, CVA3, CVA4
- AM02, AM03, AM04, AM05, AM06, AM07, AM08, AM09, AM10, AM12, AM13, AM14, AM19, AM20, AM21, AM22, AM23, AM24, AM25
- REC1, REC2, REC3
- LIQ02, LIQ03, LIQ05, LIQ13, LIQ14,
- WU07, WU15
- COM1, COM2, COM3, COM4
- NDISC

2 Insolvency practitioner's name

Full forename(s) David Robert
Surname Baxendale

3 Insolvency practitioner's address

Building name/number PricewaterhouseCoopers LLP
Street 7 More London
Riverside
Post town London
County/Region
Postcode S E 1 2 R T
Country

In accordance with
Paragraph 49 of Schedule B1
of the Insolvency Act 1986
and Rule 3.35 of the
Insolvency (England and
Wales) Rules 2016

Date 11 April 2018

Anticipated to be
delivered on 13 April
2018

Conviviality Brands Limited (in administration)

High Court of Justice
Business and Property Courts in Manchester
Insolvency & Companies List (ChD)

Case No. 2304 of 2018

Joint administrators' proposals for achieving the
purpose of administration

Contents

Abbreviations and definitions	1
Why we've prepared this document	3
At a glance	4
Brief history of the Company and why it's in administration	5
What we've done so far and what's next if our proposals are approved	8
Estimated financial position	12
Statutory and other information	13
Appendix A: Recent Group history	14
Appendix B: Pre-administration costs	15
Appendix C: Copy of the Joint Administrators' report to creditors on the pre-packaged sale of assets	16
Appendix D: Estimated financial position including creditors' details	29
Appendix E: Statement of claim	31

Abbreviations and definitions

The following table shows the abbreviations and insolvency terms that may be used in this document:

Abbreviation or definition	Meaning
Administrators/we/us/our	Matthew Boyd Callaghan, Ian David Green and David Robert Baxendale
BEIS	Department for Business, Energy & Industrial Strategy
Company	Conviviality Brands Limited
Conviviality Plc	Conviviality Plc (formerly Conviviality Retail Plc)
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
Group	Conviviality Plc and its subsidiaries
HMRC	HM Revenue & Customs
IA86	Insolvency Act 1986
IR16	Insolvency (England and Wales) Rules 2016
The lenders / secured creditors	Barclays Bank Plc ("Barclays"), HSBC Bank Plc ("HSBC") and National Westminster Bank plc ("NatWest") as Lenders under the Senior Term and Revolving Facilities Agreement; and HSBC Invoice Finance (UK) Limited, RBS Invoice Finance Limited and Barclays in their capacities as ID Providers under the Receivables Financing Agreement ("RFA")
NOMAD	A firm or company approved by the London Stock Exchange as a 'nominated adviser' for the Alternative Investment Market (AIM).
On Trade	Sales of alcoholic drinks for consumption on licensed premises
Off Trade	All retail outlets such as supermarkets, convenience stores, mini markets, kiosks and wines & spirits shops.
P&H	Palmer & Harvey Group
preferential creditors	Primarily employee claims for unpaid wages earned in the four months before the insolvency up to £800, holiday pay and unpaid pension contributions in certain circumstances
prescribed part	The amount set aside for unsecured creditors from floating charge funds in accordance with Section 176A IA86 and the Insolvency Act 1986 (Prescribed Part) Order 2003
The Purchaser	C & C Holdings (NI) Limited
PwC	PricewaterhouseCoopers LLP
RPS	Redundancy Payments Service, part of the Insolvency Service, which is an executive agency sponsored by BEIS, and which authorises and pays the statutory claims of employees of insolvent companies under the Employment Rights Act 1996
Sch B1 IA86	Schedule B1 to the Insolvency Act 1986
secured creditor	A creditor with security in respect of their debt, in accordance with Section 248 IA86
SIP	Statement of Insolvency Practice. SIPs are issued to insolvency practitioners under procedures agreed between the insolvency regulatory authorities. SIPs set out principles and key compliance standards with which insolvency practitioners are required to comply.
SIP 9	Statement of Insolvency Practice 9: Payments to insolvency office holders and their associates

Abbreviation or definition	Meaning
SIP 13	Statement of Insolvency Practice 13: Disposal of assets to connected parties in an insolvency process
SIP 16	Statement of Insolvency Practice 16: Pre-packaged sales in administrations
SSA	The Share Sale Agreement for the sale of the certain shareholdings, dated 4 April 2018 and made between (1) Conviviality Brands Limited (in administration) (2) Matthew Boyd Callaghan, Ian David Green and David Robert Baxendale and (3) C&C Holdings (NI) Limited
TUPE	Transfer of Undertakings (Protection of Employment) Regulations 2006
unsecured creditors	Creditors who are neither secured nor preferential

Why we've prepared this document

On 4 April 2018, Conviviality Brands Limited was placed into administration by its director; and Ian Green, David Baxendale and I were appointed as joint administrators.

We tell you in this document why the Company was put into administration. We give you a brief history and set out our proposals for achieving the purpose of administration. We include details of the Company's assets and liabilities, and say how likely we are to be able to pay each class of creditor.

According to IA86, the purpose of an administration is to achieve one of these objectives:

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

In this case, we're following (b) as it was not reasonably practical to rescue the Company as a going concern.

Our job is to manage the Company until creditors agree our proposals for achieving the purpose of administration and we've implemented them so far as possible. After that the administration will end.

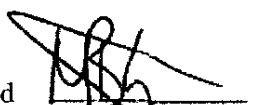
The whole of this document and its appendices form our statement of proposals for achieving the purpose of administration.

We're not seeking a decision from the creditors to approve our proposals because we think the Company doesn't have enough assets to pay a dividend to unsecured creditors.

So, our proposals will be treated as approved unless enough creditors ask us to seek a decision to approve them. This would happen if at least 10% in value of the total creditors ask us to do so (in line with Rule 15.18 IR16) within eight business days of the date we deliver the proposals to you.

If you've got any questions, please get in touch with my colleague, Andy Lilley, on 0113 289 4153.

Signed



Matthew Callaghan
Joint Administrator

Matthew Boyd Callaghan, Ian David Green and David Robert Baxendale have been appointed as joint administrators of Conviviality Brands Limited to manage its affairs, business and property as its agents without personal liability. All are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales. The joint administrators are Data Controllers of personal data as defined by the Data Protection Act 1998. PricewaterhouseCoopers LLP will act as Data Processor on their instructions. Personal data will be kept secure and processed only for matters relating to the administration. The joint administrators are bound by the Insolvency Code of Ethics which can be found at:
<https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics>

At a glance

Pre-pack transaction

Following our appointment as joint administrators on 4 April 2018, we completed a sale of the Company's shareholdings in Matthew Clarke (Holdings) Limited and Bibendum BLB (Topco) Limited, to C&C Holdings (NI) Limited. No other transactions or asset realisations are expected. We show below the likely outcome for the various classes of creditors.

Estimated outcome for secured creditors

What secured creditors are owed:	c.£169m across the Group	
	% Recovery	Forecast timing
What we think secured creditors could recover:	c.60%	12 months

The anticipated recovery for secured creditors is based on £102m of deferred consideration paid by instalments over the next 12 months. The secured liabilities of the sold group (including Bibendum Wine Limited, Conviviality Group Limited and PLB Group Limited) under: a) the group's secured working capital facilities, which were guaranteed by companies within the wider group; and b) the sold group's guarantee exposure in relation to the term and revolving facilities, were both settled in full in consideration of £102m of deferred consideration.

The retained group remained liable for the principal debt under the term and revolving facilities.

The secured creditors may recover some more of their debt from elsewhere in the Group, however we presently expect that the secured creditors will suffer a significant shortfall overall.

Estimated dividend prospects

For preferential creditors

There are no known preferential creditors as the Company was not an employer.

For unsecured creditors

Per the February 2018 management accounts, the Company had accruals of £611k (in respect of finance costs) and a £845k liability in respect of derivative contracts, in addition to £132m of intercompany balances due to other group entities.

For the reasons set out in this report, there will be no dividend payable to unsecured creditors. Please note, this is an indicative estimate of the possible outcome for creditors based on what we know so far. You shouldn't use it as the main basis of any bad debt provision or debt trading.

Action required by you

There is no action required by you.

Because of the anticipated outcome for creditors (shown above), it is not necessary for us to seek a decision of creditors to approve these proposals. Instead, they will be deemed approved unless sufficient creditors say otherwise, in the manner described earlier.

As we do not expect a dividend to be available for unsecured creditors, you do not need to submit a claim for the amount you are owed. In the unlikely event the situation changes, we will let you know.

Please read the rest of this document.

Brief history of the Company and why it's in administration

Background

The Group was the UK's largest independent drinks distribution business. This included being the UK's leading independent On Trade distributor and the UK's largest franchised off-licence and convenience store chain.

The Group had grown through a series of strategic acquisitions with revenues of £1.6bn in the financial year ended April 2017. Appendix A gives an overview of the Group's recent history.

The Group operated as two distinct businesses:

1. **Conviviality Direct:** distributing drinks across the On and Off Trade, through its Matthew Clark and Bibendum businesses, serving over 23,000 On Trade outlets, ranging from national prestige hotel chains to independent food-led pubs and restaurants. Subsidiary businesses include those known as Catalyst, Peppermint, Elastic and the Royal-warranted wine merchant, Walker & Wodehouse.
2. **Conviviality Retail:** with over 370 franchisees operating more than 700 stores, trading primarily under the brands of Bargain Booze, Bargain Booze Select Convenience and Wine Rack. In December 2017, the Group acquired WS Retail from P&H, which trades under the Central Convenience brand.

The following table shows the Group's recent financial results to indicate the relative size of each business unit:

£m	Year ended 30 April 2017	9 months ended 31 January 2018
Sales		
Direct	1,220	1,000
Retail	376	305
Total revenue	1,596	1,305
EBITDA		
Direct	51	32
Retail	15	8
Central overheads	(4)	(12)
Total	62	28

Source: Management accounts

The Group had a nationwide distribution network with 15 distribution centres and a fleet of over 300 vehicles, with headquarters in Crewe (Retail), Bristol (Direct) and two in London (both for Direct).

Conviviality Brands Limited

The Company is the Group's intermediate holding company, with 100% interest in the share capital in several subsidiary undertakings. Appendix D includes a summary of the recent financial position showing the nature of the Company's assets and liabilities, principally investments in subsidiaries, amounts owed to the Group's secured creditors and the intercompany positions.

The circumstances leading to our appointment

Cash pressures and unsuccessful equity raise

The Group had been experiencing short-term cash difficulties due to a combination of investment in the Retail business, systems implementation and integration costs, and working capital pressures. This was exacerbated by forecasting inadequacies.

On 8 March 2018, Conviviality Plc announced to the market that it was expecting to fall c.20% short of profit expectations for the year to 30 April 2018. This caused a partial withdrawal of credit insurance which put additional pressure on the cash flow of the business.

A further market announcement was made on 14 March 2018 following the identification a c.£30m tax liability due to HMRC on 29 March 2018 which had not been included in the Group's short term cash forecast and resulted in an unforeseen and immediate funding requirement. The announcement caused a further withdrawal of credit insurance and additional cash pressures. The AIM listed shares in Conviviality Plc were suspended on 14 March 2018.

PwC was introduced to the Group on 13 March 2018 to discuss assisting management and to provide working capital and cash flow support. In light of the emerging and immediate funding issues, PwC was engaged on 14 March 2018 to assist the Group with its liquidity challenges, stakeholder management, options analysis and contingency planning should the Group be unable to raise sufficient funding to continue trading.

In order to resolve the immediate funding requirement the Group, supported by its NOMAD (Investec), approached the market and existing shareholders to raise the £125m in an attempt to recapitalise the business. However, on 28 March 2018, management and Investec concluded that the £125m equity raise had been unsuccessful.

Sale process

Following the failure to raise the equity required, the Group engaged PwC on 28 March 2018 to run an accelerated sales process for the various businesses.

The directors of various Group companies took the decision to file notices on 29 March 2018 of their intention to appoint administrators, in order to protect the business during this accelerated sales process and maximise returns for creditors. During this time the board met regularly to assess the financial position, prospects of achieving a sale and sought independent legal advice about continuing to trade.

The best offer received was for the purchase of the shareholdings in Matthew Clarke (Holdings) Limited and Bibendum BLB (Topco) Limited, owned by Conviviality Brands Limited. Those two companies and all their subsidiaries would remain solvent as a result of a transaction on these terms. However, the offer confirmed that Conviviality Brands Limited itself was insolvent and would need to enter an insolvency process.

The 'pre-pack' sale was completed by the joint administrators, immediately following their appointment on 4 April 2018. Discussions with other interested parties continued in respect of the Retail business.

On 5 April 2018, Conviviality Plc also entered administration. On 6 April 2018, Wine Rack Limited, Conviviality Retail Logistics Limited and Bargain Booze Limited (collectively the Retail business) entered administration and their businesses and assets were immediately sold to Bestway Direct Limited. Creditors of those companies will be contacted separately and therefore this document does not include any further information on these events.

These transactions represent the successful rescue of Group's trading operations.

Pre-administration costs

PwC's initial role was to assist management and to provide working capital and cash flow support, however for the reasons explained above, this quickly changed to assisting the Group with its liquidity challenges, stakeholder management, options analysis and contingency planning for an administration process, should the Group be unable to raise sufficient funding to continue trading. After the failure of the equity raise, PwC was engaged to run an accelerated sales process for the various businesses.

Some (but not all) of the above work was performed with a view to the Company entering administration, including:

- Negotiating and substantially completing the sale of the shareholdings once the offers were received and insolvency became inevitable;
- Ongoing contingency planning work to prepare for different administration scenarios, including a collapse of the whole Group without pre-packaged sales in place;
- Updating key stakeholders on the progress of the sale process;
- Discussions with lenders on the short term funding requirement whilst the sales process was underway;
- Discussion with key supplier regarding the sales process and ongoing operations; and
- Working with the Company's directors and their legal advisers in preparing for administration.

The pre-administration costs incurred to 3 April 2018 for the Group as a whole were £544,016. All costs have been paid to that date and consequently there are no unpaid pre-administration costs.

We think that the above work was necessary in order to achieve the objective of the administration and to maximise realisations (or minimise losses) for creditors of the Company (and its subsidiaries of the Direct trading division).

Our work identified and progressed interest from potential buyers during which time the business continued to trade without the disruption and impact of an insolvency event. If this work had not been done prior to our appointment, it would have impacted on all stakeholder groups with the potential collapse of all trading entities. This would have significantly reduced the prospect of securing a sale of the assets on any better terms than what was achieved.

More details of our fees and expenses can be found at Appendix B. The pre-administration costs were paid before our appointment.

To the best of our knowledge and belief, no fees or expenses were charged by any other insolvency practitioner.

What we've done so far and what's next if our proposals are approved

Management and financing of the Company's affairs and business

Sale of shareholdings in certain subsidiaries

A sale of the Company's shareholdings in Matthew Clarke (Holdings) Limited and Bibendum BLB (Topco) Limited was completed on 4 April 2018 to C&C Holdings (NI) Limited; immediately following our appointment as joint administrators.

As required by SIP16 and SIP13, a detailed narrative explanation and justification of why a pre-packaged sale was undertaken and alternatives considered, is enclosed in Appendix C. In summary:

- The Company is the Group's intermediate holding company and had no trading business or employees.
- Total consideration for the shareholdings and settlement of intercompany debts was £1. In addition, the secured creditors are receiving £102m of deferred consideration paid by instalments over the next 12 months. The secured liabilities of the sold group (including Bibendum Wine Limited, Conviviality Group Limited and PLB Group Limited) under: a) the group's secured working capital facilities, which were guaranteed by companies within the wider group; and b) the sold group's guarantee exposure in relation to the term and revolving facilities, were both settled in full in consideration of £102m of deferred consideration.
- As normal for a share sale, all liabilities in the transferred entities (and their subsidiaries) remain in those companies and are not affected by this insolvency process. The Purchaser announced that it will provide sufficient funds to support the ongoing working capital and other cash requirements of the businesses acquired.
- Given the cash pressures in the Group, the alternative outcome was most likely the insolvency of all trading businesses in the Group. Due to the amount owed to secured creditors, almost certainly no amounts would be available for unsecured creditors, with the potential exception of the statutory prescribed part fund. The recovery for secured creditors would have similarly been adversely impacted.
- The sale enables the statutory purpose to be achieved – it represented the best offer received, and so provided the best available outcome for creditors as a whole in all the circumstances. Some 2,000 jobs were preserved.

A sale of the Retail business subsequently took place on 6 April 2018. Unlike the above transaction for the Direct business and based on the offers received, it was only the business and assets of the entities operating the Retail business that transferred in the sale.

So whilst the Company still owns 100% of the shareholdings in the Retail side of the Group, the shares no longer have any value and are expected to transfer to the Crown (as *bona vacantia* property) when the Company is ultimately dissolved at the end of the administration.

Work we still need to do

The Company does not own any other assets known to have any material value, so the administration will be brought to an end as soon as it is appropriate to do so.

Key matters to be completed include those set out below.

- We have a duty to investigate what other assets there may be (including potential claims against third parties including the directors) and what recoveries can be made. This includes carrying out appropriate investigations into the conduct of the director and recent former directors.
- During the course of the administration, we will be winding-down the Company's affairs, including any necessary final tax and VAT matters; and dealing with the Company's books and records.
- We must comply with all relevant insolvency legislation and regulatory obligations arising as a result of the insolvency of the Company and our appointment as joint administrators. These typically include periodic reports to creditors, obtaining approval for our remuneration and internal controls to ensure the administration strategy continues to be appropriate and outstanding matters are being progressed on a timely basis.

Managing the Company's affairs and conducting the administration (including our remuneration) will be financed by a funding agreement which is expected to be provided by the secured lenders as the Company and Conviviality Plc are unlikely to have any material asset realisations to meet professional costs.

Connected party transactions

In accordance with SIP13, we are required to disclose any known connected party transactions that occurred in the period following our appointment or any proposed connected party transactions. We can confirm that no such transactions have occurred and none are expected. Appendix C gives more information on the sale to the Purchaser.

Directors' conduct and investigations

One of our duties is to look at the actions of anybody who has been a director of the Company in the three years before our appointment. We have to submit our findings to BEIS within three months of our appointment.

We also have to decide whether any action should be taken against anyone to recover or contribute to the Company's assets. If you think there is something we should know about and you haven't yet told us, please complete the relevant section of the proof of debt attached to this document. This is part of our normal work and doesn't necessarily imply any criticism of the directors' actions.

Objective of the administration

We are pursuing objective (b) of the statutory purpose for the administration, which is to achieve a better result for the Company's creditors as a whole than would be likely if the Company was wound up (without first being in administration).

We believe that this objective will be achieved as a result of the sale described earlier, principally the significantly improved outcome for the secured creditors and for the reasons further outlined in Appendix C.

We'll continue to manage and finance the Company's business, affairs and assets from funds made available for the purposes, in agreement with the secured creditors. We may also investigate and, if appropriate, pursue any claims the Company might have. We'll also do anything else we think appropriate, to achieve the purpose of the administration or to protect and preserve the Company's assets or to maximise realisations or for any other purpose incidental to these proposals.

Estimated outcome for creditors

Secured creditors

The secured creditors are listed in Appendix C together with details of their security and guarantors of the debt.

The anticipated recovery for secured creditors is based on £102m of deferred consideration paid by instalments over the next 12 months. The secured liabilities of the sold group (including Bibendum Wine Limited, Conviviality Group Limited and PLB Group Limited) under: a) the group's secured working capital facilities, which were guaranteed by companies within the wider group; and b) the sold group's guarantee exposure in relation to the term and revolving facilities, were both settled in full in consideration of £102m of deferred consideration.

As the sale consideration received by us was £1, there will be no distributions to the secured creditors from the administration.

The secured creditors may recover some more of their debt from elsewhere in the Group, however we presently expect that the secured creditors will suffer a significant shortfall overall.

Preferential creditors (mainly employees)

The Company did not have any employees, so no preferential claims are expected to arise.

Unsecured creditors

In an administration, amounts become available for creditors potentially from two sources (1) any prescribed part fund and (2) any surplus remaining after secured debts have been repaid in full.

The prescribed part is a fund that has to be made available for unsecured creditors and is ring-fenced out of any "net property". Net property is floating charge realisations after costs, and after paying - or setting aside enough to pay - preferential creditors in full. But it only has to be made available where the floating charge was created on or after 15 September 2003. The amount of the prescribed part is:

- 50% of net property up to £10,000; plus
- 20% of net property above £10,000; but is
- subject to a maximum of £600,000.

We don't think there will be a prescribed part dividend for the unsecured creditors because we don't think the Company will have any net floating charge realisations. The value of the prescribed part is expected to be nil.

Due to the level of realisations and amounts owed to secured creditors, we don't think there will be any dividend for unsecured creditors aside from the prescribed part, based on what we know currently.

Our fees and disbursements

We intend to propose that our fees be based on the time we and our staff spend on the case at our normal charge out rates for this type of work (a time cost basis). We also intend to propose that disbursements for services provided by our firm (defined as Category 2 disbursements in SIP 9) are charged as per our firm's policy.

It will be up to the creditors' committee to fix the basis of our fees and Category 2 disbursements. But if there's no committee, because we've said we think the Company doesn't have enough assets to pay anything to unsecured creditors, we'll ask the secured creditors to do so instead. If creditors or the committee do not fix the basis of our fees and Category 2 disbursements, we may apply to the court to fix them no later than 18 months after the date of our appointment.

Before the basis of our fees can be approved, we must provide all creditors with the following:

1. Details of the work we have done and propose to do (much of which has been included in this report);
2. Details of the expenses we expect to incur; and
3. If any element of our remuneration is to be on a time cost basis, an estimate of the hours likely to be incurred and the hourly rates for that work.

We will circulate a further report containing this information at the earliest opportunity.

Ending the administration

As we've said above, we don't think there will be any dividend for unsecured creditors. Assuming that's the case, once we've finished our work we'll file a notice with the Registrar of Companies and the Company will be dissolved three months later. But if we think that there are matters that should be conducted/investigated in a liquidation rather than in the administration, we may instead apply for a court order ending the administration and for the Company to be wound up.

If necessary to achieve the objective of the administration and complete our work, we may seek an extension to the period of the administration (beyond the statutory period of one year), by consent of the appropriate class of creditor – most likely to be the secured creditors only – or by an order of the court.

We'll be discharged from liability in respect of any of our actions as administrators at a time set by the secured creditors or the court.

Estimated financial position

The director has not yet given us a statement of affairs for the Company. This is because we have issued these proposals as soon as reasonably practicable and the director is still in the process of preparing the statement. A copy will be filed at Companies House in due course.

We therefore set out at Appendix D the estimated financial position of the Company as at 4 April 2018. As required by law, this includes a schedule of the creditors’ names, addresses and debts, including details of any security held.

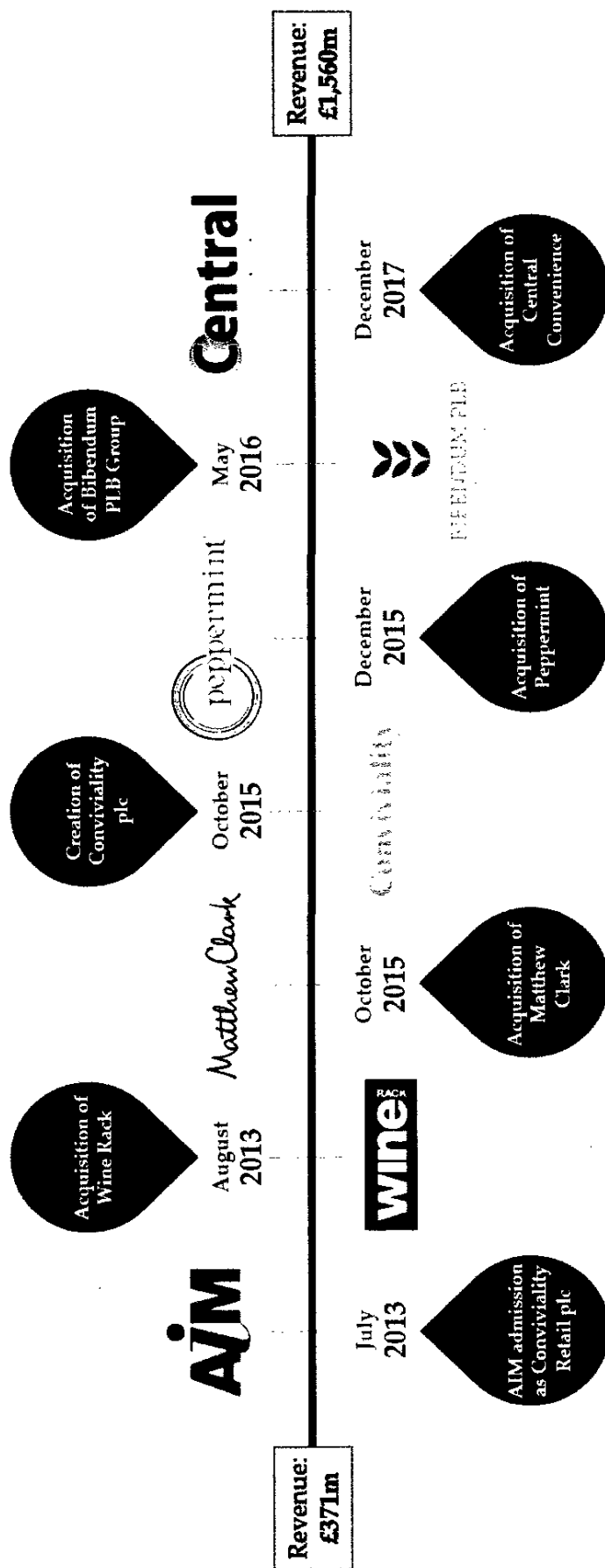
A breakdown of the current ledgers has been requested from management, and to the extent any additional creditors are identified, a copy of this report will be shared with them.

We recognise creditors may want to contact each other to discuss certain aspects of the case. If you need more information to be able to do this, please, write to us or email your request to creditorenquiries@uk.pwc.com with the name of the Company in the title and including your name and your company name (if applicable) in the email.

Statutory and other information

Court details for the administration:	High Court of Justice Business and Property Courts in Manchester Insolvency & Companies List (ChD) Case 2304 of 2018
Full name:	Conviviality Brands Limited
Trading name:	N/A
Registered number:	09750710
Registered address:	Unit 1, Weston Road, Crewe, Cw1 6BP
Company directors:	Mark Moran
Company secretary:	N/A
Shareholdings held by the directors and secretary:	N/A (70,000,001 ordinary shares held by Conviviality Plc)
Date of the administration appointment:	4 April 2018
Administrators’ names and addresses:	Matthew Boyd Callaghan, Ian David Green and David Robert Baxendale of 7 More London Riverside, London, SE1 2RT
Appointer’s/applicant’s name and address:	The directors of the company
Objective being pursued by the Administrators:	Objective (b) - achieving a better result for the company’s creditors as a whole than would be likely if the company were wound up (without first being in administration)
Division of the Administrators’ responsibilities:	In relation to paragraph 100(2) Schedule B1, all functions and powers of the administrators may be exercised by all of the administrators jointly or by any administrator separately.
Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on Insolvency Proceedings (recast) :	The Regulation applies to this administration and the proceedings are main proceedings

Appendix A: Recent Group history



Appendix B: Pre-administration costs

The table below provides details of costs which were incurred before our appointment as joint administrators but with a view to the Company entering administration.

	Paid amount (£)	Unpaid amount (£)
Our fees as administrators-in-waiting	544,016	Nil
Expenses incurred by us as administrators-in-waiting	Nil	Nil
Fees charged by other persons qualified to act as an insolvency practitioner	n/a	n/a
Expenses incurred by other persons qualified to act as an insolvency practitioner	n/a	n/a
Total	544,016	544,016

Please note the following:

- The amount shown above is in respect of work performed in the period to 3 April 2018 for all Group companies that entered administration. As much of our work was provided to the companies collectively, it is not reasonably practical to allocate amounts to individual companies.
- All amounts were paid by the Group under engagement letters dated 14 March 2018 and 28 March 2018 with Conviviality Plc.
- There were no unpaid amounts at the time of our appointment to the Company on 4 April 2018. Subsequent work performed for the Retail business up to the appointment of administrators on 6 April 2018 will be reported separately to the creditors of those companies.
- We included details earlier in this report on the work performed with a view to the Company entering administration.

The following table shows how the costs are split between the sale process and work in planning for different scenarios that could likely have arisen in the administration, including planning for ongoing trading with minimal disruption.

Grade	Hours		Cost (£)	
	Contingency planning	Sale process	Contingency planning	Sale process
Support	-	12	-	1,548
Senior Associate	89	60	36,462	24,720
Manager	389	31	192,308	15,345
Senior Manager	282	-	162,294	-
Director	16	44	12,160	33,440
Partner	23	53	19,895	45,845
Total	798	200	423,118	120,898

Appendix C: Copy of the Joint Administrators' report to creditors on the pre-packaged sale of assets

This page has been left intentionally blank



APPENDIX

Information regarding the sale of shares in subsidiaries of Conviviality Brands Limited on 4 April 2018 as required by Statement of Insolvency Practice No.16 and Statement of Insolvency Practice No.13

Background	<p>Conviviality Plc and its subsidiaries ("the Group") was the UK's largest independent drinks distribution business. This included being the UK's leading independent On Trade¹ distributor and the UK's largest franchised off-licence and convenience store chain.</p> <p>The Group had grown through a series of strategic acquisitions with revenues of £1.6bn in the financial year ended April 2017.</p> <p>The Group operated as two distinct businesses:</p> <ol style="list-style-type: none"> 1. Conviviality Direct: distributing drinks across the On and Off Trade², through its Matthew Clark and Bibendum businesses, serving over 23,000 On Trade outlets, ranging from national prestige hotel chains to independent food-led pubs and restaurants. 2. Conviviality Retail: with over 370 franchisees operating more than 700 stores, trading primarily under the brands of Bargain Booze, Bargain Booze Select Convenience and Wine Rack. In December 2017, the Group acquired WS Retail, which traded under the Central Convenience brand. <p>On 8 March 2018, Conviviality Plc announced to the market that it was expecting to fall c.20% short of profit expectations for the year to 30 April 2018. This caused a partial withdrawal of credit insurance which put additional pressure on the cash flow of the business.</p> <p>A further market announcement was made on 14 March 2018 following the identification a c.£30m tax liability due to HMRC on 29 March 2018 which had not been included in the Group's short term cash forecast and resulted in an unforeseen and immediate funding requirement. The announcement caused a further withdrawal of credit insurance and additional cash pressures. The AIM listed shares in Conviviality Plc were suspended on 14 March 2018.</p> <p>PwC was introduced to the Group on 13 March 2018 to discuss assisting management and to provide working capital and cash flow support. In light of the emerging and immediate funding issues, PwC was engaged on 14 March 2018 to assist the Group with its liquidity challenges, stakeholder management, options analysis and contingency planning should the Group be unable to raise sufficient funding to continue trading.</p>
------------	---

¹ On Trade = The sector of the market in alcoholic drinks comprising sales for consumption on licensed premises

² Off Trade = The off-trade market includes all retail outlets like hypermarkets, supermarkets, convenience stores, mini markets, kiosks, wines & spirits shops etc

<p>Background (continued)</p>	<p>In order to resolve the immediate funding requirement the Group, supported by its NOMAD (Investec), approached the market and existing shareholders to raise £125m in an attempt to recapitalise the business. However, on 28 March 2018, management and Investec concluded that the £125m equity raise had been unsuccessful.</p> <p>Following the failure of the equity raise for the wider Group, a marketing process for the Group was commenced late afternoon on Thursday 29 March 2018. The process resulted in the successful sale of the shareholdings in Matthew Clarke (Holdings) Limited and Bibendum BLB (Topco) Limited. The 'pre-pack' sale was completed by the joint administrators, immediately following their appointment on 4 April 2018.</p> <p>On 5 April 2018, Conviviality Plc also entered administration.</p> <p>On 6 April 2018, Wine Rack Limited, Conviviality Retail Logistics Limited and Conviviality Stores Limited entered administration and the business and assets were subsequently sold to Bestway Direct Limited. Creditors of those companies will be contacted separately and therefore this document does not include any further information on these events.</p>
<p>The source of the administrators' initial introduction</p>	<p>PwC was introduced to the Group on 13 March 2018 through a professional relationship with the Group's Finance Director (from a previous role at an unconnected company).</p> <p>The relationship with the FD is held by a PwC Partner who is not part of the engagement team and is not one of the insolvency practitioners.</p>
<p>The extent of the administrators' involvement before the appointment</p>	<p>PwC relationships with the Group prior to March 2018 are summarised below:</p> <ul style="list-style-type: none"> • In June 2017, an independent team from PwC was engaged by the Group to discuss a reward and pensions consultation; • In June 2016, an independent team from PwC provided tax consulting services; and • In 2015, an independent team from PwC provided buyside financial due diligence for Conviviality Retail Plc in respect of their acquisition of the Matthew Clark business. This transaction resulted in the formation of Conviviality Plc. The company also had a separate financial adviser and NOMAD in respect of this transaction (Zeus Capital). <p>The services in 2016 and 2017 were unrelated to the issues faced by the Group and did not give rise to the recent distress. Similarly, we do not believe the acquisition of Matthew Clark is connected with the issues faced by the business some three years later. According to management accounts, Matthew Clark remains the Group's most profitable business unit. The transaction was well publicised at the time and followed a comprehensive sales process. Conviviality Retail Plc was a listed company at the time, with the transaction meeting the necessary requirements of the listing bodies.</p>

<p>The extent of the administrators' involvement before the appointment (continued)</p>	<p><u>Other involvement with the Group</u></p> <p>In November 2017, insolvency practitioners from PwC were appointed as joint administrators over the main operating companies in the Palmer & Harvey ("P&H") group. P&H was a wholesaler with a trading history with Conviviality and its subsidiaries.</p> <p><i>Bargain Booze Limited (part of the Conviviality Group) owed P&H some £10.9m at the time of the appointment in November 2017, representing 4% of P&H's total debtor book. By 14 March 2018, Bargain Booze Limited had paid £9.1m with the remaining balance in dispute (£1.8m). The ongoing dispute will be reviewed by an independent insolvency practitioner and the administrators will seek independent legal advice on the matter to ensure objectivity.</i></p> <p>As part of the P&H administration, its joint administrators (Matthew Callaghan, Ian Green, Zelf Hussain) sold the business and assets of WS Retail Limited in December 2017, for £25m to Bargain Booze Limited through a 'pre-pack' transaction. The consideration was paid in full on completion in December 2017. PwC did not provide any advice to Bargain Booze Limited in respect of this transaction. Bargain Booze Limited received their own professional advice from Deloitte LLP and TLT LLP.</p>
<p>Alternative options considered by the directors before formal insolvency and by the administrators on their appointment and during the administration and the possible outcome(s) of the alternative options, including why it was not appropriate to trade the business and offer it for sale as a going concern during the administration</p>	<p>As explained earlier, the Group's management (alongside their financial adviser and NOMAD, Investec), approached the market and existing shareholders to raise the £125m needed to meet the short to medium term liquidity requirements of the business. However on 28 March 2018, management and Investec concluded that the £125m equity raise had been unsuccessful.</p> <p>It was clear that a number of external parties may be interested in acquiring the Group or its businesses, in whole or part. Therefore on 27 March 2018, the Group engaged PwC to run an accelerated sales process for the various businesses. The directors of various Group companies took the decision to file notices on 29 March 2018, of their intention to appoint administrators in order to protect the business during this accelerated sales process and to maximise returns for creditors. During this time the board met regularly to assess the financial position, prospects of achieving a sale and sought independent legal advice about continuing to trade.</p> <p>The best offer received was for the purchase of the shareholdings in Matthew Clarke (Holdings) Limited and Bibendum BLB (Topco) Limited, owned by Conviviality Brands Limited. Those two companies and all their subsidiaries would remain solvent as a result of a transaction on these terms. However, the offer confirmed that Conviviality Brands Limited itself was insolvent and would need to enter an insolvency process.</p> <p>With the insolvency of the Company seemingly unavoidable, its directors could either have placed it into an insolvency process at the earliest opportunity (with insolvency practitioners then pursuing a sale) or progressed the existing offer for completion immediately following the appointment of administrators (a 'pre-pack' transaction).</p>

<p>Alternative options (continued)</p>	<p>It was concluded that immediately placing the Company into an insolvency process and then pursuing a sale, was not in the best interests of the Company's creditors because:</p> <ul style="list-style-type: none"> • There was no realistic prospect of securing a better offer than the one already received. • There was a real risk of losing the offer had the Company entered into an insolvency process before negotiations were complete, particularly given the extensive media interest and the trading businesses reliance on a large number of significant key trade suppliers and customers, without whose support, continued operations would not have been possible. • Losing the offer would have likely resulted in the insolvency of the various trading businesses, or at least reliance on alternative offers, both with a significant adverse effect on the outcome for creditors. • It was considered unlikely that sufficient funding would be made available to support the businesses trading during administration, particularly in view of the offer received. • The additional professional costs of insolvency practitioners, their solicitors and agents, would have been considerable in any attempt to manage the affairs of the businesses during an administration, further impacting the value available for creditors. <p>Having concluded that the offer should be progressed whilst the business traded as normal, it was also agreed that an administration process was the most appropriate insolvency process, due to the speed at which appointment could take place once negotiations and legal documents were complete.</p> <p>By comparison, a liquidation can take several days or weeks thereby creating delays and increasing the risks of losing value in the business and potentially the agreed sale also.</p>
<p>Whether efforts were made to consult major or representative creditors</p>	<p>The secured lenders were consulted with during the equity funding raising process and at the conclusion of that process. They were also appraised of the level of offers, provided with an assessment of their deliverability and impact on the outcome for creditors.</p> <p>The secured lenders (described later) are the only creditor with the economic interest in the Company, therefore no other creditors were consulted. See the estimated outcome statement in the appendix.</p>
<p>Requests made to potential funders to fund working capital requirements</p>	<p>The Group's management (alongside their financial adviser and NOMAD, Investec), approached the market and existing shareholders to raise the £125m to meet the short to medium term liquidity requirements of the business as discussed earlier. This was unsuccessful.</p>

<p>Requests made to potential funders to fund working capital requirements (continued)</p>	<p>As described above, a formal request to fund a trading insolvency was not made to the lenders, as this was not considered to be in the best interest of creditors considering the level of interest received and likelihood of enhancing realisations by agreeing a sale whilst the businesses traded as normal.</p>
<p>Details of registered charges with dates of creation</p>	<p>Receivables Finance Facility (RFF) – debenture dated 9 October 2015.</p> <p>Lenders:</p> <ul style="list-style-type: none"> • Barclays Plc • HSBC Invoice Finance (UK) Limited • RBS Invoice Finance Limited <p>RFF Borrowers: Conviviality Group Limited, Bargain Booze Limited, Bibendum Wine Limited, PLB Group Limited</p> <p>Guarantors: Bargain Booze Limited, Conviviality Brands Limited, Conviviality Group Limited, Conviviality Retail Logistics Limited, Conviviality Stores Limited, Conviviality Plc, Matthew Clark (Holdings) Limited, The Wondering Wine Company Limited, Bibendum PLC (Topco) Limited, Bibendum PLB Group Limited, PLB Group Limited, Bibendum Wine Limited, The Wondering Wine Company Limited and Instil Drinks Company Limited.</p> <p>Assignment of debts: the RFF Borrowers assigned all existing and future debts to Barclays to hold on trust for the RFF Lenders.</p> <p>Security: First Ranking Debenture pursuant to which the chargors granted fixed and floating charges over the business, undertakings and assets of the RFF Borrowers.</p> <p>RFF guarantors are jointly and severally liable to the RFF Lenders.</p> <p>Senior term and revolving facilities (TAR) – debenture dated 7 October 2015 for the provision of a £101m senior term and revolving facility</p> <p>Lenders:</p> <ul style="list-style-type: none"> • Barclays Plc, • HSBC plc, • National Westminster Bank plc <p>TAR Borrowers: Conviviality Group Limited, Bargain Booze Limited, Bibendum Wine Limited, PLB Group Limited, Bargain Booze Limited, Conviviality Brands Limited, Conviviality Group Limited, Conviviality Retail Logistics Limited, Conviviality Stores Limited, Conviviality Plc, Matthew Clark (Holdings) Limited, Instil Drinks Co Limited, The Wondering Wine Company Ltd, Bibendum PLC (Topco) Limited, Bibendum PLB Group Limited, PLB Group Limited, Wine Rack Limited and The Wine Studio Limited.</p>

Details of registered charges with dates of creation (continued)	Security: First Ranking Debenture pursuant to which the chargors granted fixed and floating charges over the business, undertakings and assets of the TAR Borrowers
Whether or not the business or business assets have been acquired from an insolvency practitioner within the previous two years	Bargain Booze Limited acquired the business and assets of WS Retail Limited on 15 December 2017 from the joint administrators of WS Retail Limited. Bargain Booze Limited is a subsidiary of the Company was not included in the transaction on the 4 April 2018.
Marketing activities conducted by the Company and / or administrators	<p>The equity raise was the Group's preferred solution and would have likely resulted in a more favorable outcome for stakeholders as it would have avoided the insolvency of any companies in the Group, so Investec were given some time to explore this option before an accelerated sales process commenced.</p> <p>A sales process was not run in parallel to the equity raise, because it would have commercially undermined the equity raise - institutional equity investors would have been less likely to invest knowing that a sale process was ongoing.</p> <p>Any sale process involving more than a very small number of potential acquirers would likely have triggered the requirement to make a disclosure that a sale was being explored which may have been a distraction for the equity fundraising.</p> <p>As soon as the board and PwC were informed that the equity raise was unsuccessful, PwC began issuing the non-disclosure agreements (NDA's) to the approved list of potential buyers in order to share an information memorandum with them as they returned the NDA's. A marketing process for the Group was commenced late afternoon on Thursday 29 March 2018. The equity raise process and subsequent market announcements provided a platform for a number of interested parties to declare an interest in the purchase of the business. Given the necessity to run an accelerated sales process (in just a matter of days) and the high profile nature of the business, it was not considered necessary or practical to undertake additional advertising. The sale process involved the following:</p> <ul style="list-style-type: none"> Approaches were made to 87 interested parties. These were a mix of trade and financial buyers known to PwC, combined with those who had approached PwC or management directly. These were a mixture of trade and financial buyers. A number of unsolicited approaches to PwC were also made, typically for smaller parts of the business. Given at that stage we were pursuing a sale for the entire Group as opposed to breaking it up, these approaches were acknowledged but not pursued.

<p>Marketing activities conducted by the Company and / or administrators (continued)</p>	<ul style="list-style-type: none"> All buyers were told that we were aiming for a deal had to be signed by the time markets opened on Tuesday 3 April 2018. This was in order to preserve value in the businesses given customers and suppliers would likely implement contingency plans without assurances on continuation of services. Therefore bidders were given a bid deadline of 5pm on 1 April 2018. After approaches and inbound interest, some 42 potential buyers signed a non-disclosure agreement. The remaining 45 parties failed to sign one. 37 parties declined to bid. Five parties submitted non-binding indicative offers. Of the offers received, two were for the shareholding in Conviviality Brands Limited, one bid was submitted by two parties in a consortium for Conviviality Direct, one for Conviviality Retail, one for WS Retail and one for the petrol forecourts within WS Retail. <p>Offers received</p> <ul style="list-style-type: none"> The bidder submitting the highest value offer at the bid deadline was progressed, however following the negotiation of legal documentation it became apparent that there were insufficient funds to complete the deal. Alternative offers were progressed in readiness for the possibility that this highest bid was not deliverable. This involved two other bidders, one for the shares of Conviviality Brands Limited and one for the Direct business. Both were progressed through legal contract discussions. The ultimate purchaser was one of the alternative offers as it represented the most commercially deliverable offer in the timescales available. Given the cash flow position of the Group, and the likelihood of customers and suppliers moving away from the business, it was necessary to transact very quickly. <p>Following the sale of the Direct business, offers for the retail business were pursued with some new potential bidders approached. On 6 April 2018, Wine Rack Ltd, Conviviality Retail Logistics and Conviviality Stores Ltd entered administration and the business and assets were subsequently sold to Bestway Direct Ltd. Creditors of those companies will be contacted separately and therefore this document does not include any further information on these events.</p>
<p>Valuations of the business or the underlying assets</p>	<p>As discussed above, a marketing process was run to determine value in the Group.</p> <p>The majority of the Company's assets were its investments in subsidiary Group entities and various intercompany balances. There were no fixed or tangible assets for which an independent professional valuation was required.</p>

<p>Valuations of the business or the underlying assets (continued)</p>	<p>An insolvency outcome statement was produced to assess the potential break-up value of the Group should a sale not be possible. The recovery to creditors from this transaction generates a better return to secured creditors than an insolvency and break-up of the Group.</p> <p>Most notably, a sale of the shares means that all liabilities of the trading businesses remain in those businesses and transfer to the buyer. In an insolvency break-up scenario of the Group, there would have been no returns to unsecured creditors in respect of the large volume of liabilities, which per the January 2018 management account were £227m in respect of the Matthew Clark business and £24m in respect of Bibendum.</p> <p>In addition, the secured liabilities of the sold group (including Bibendum Wine Limited, Conviviality Group Limited and PLB Group Limited) under: a) the group's secured working capital facilities, which were guaranteed by companies within the wider group; and b) the sold group's guarantee exposure in relation to the term and revolving facilities, were both settled in full in consideration of deferred consideration payments of £102m to be paid by installments over the next 12 months.</p>
<p>The date of the transaction</p>	<p>4 April 2018</p>
<p>The identity of the purchaser(s)</p>	<p>C&C Holdings (NI) Limited, company number NI022259</p>
<p>Any connection between the purchaser(s) and the directors, shareholders or secured creditors of the Company or their associates</p>	<p>C&C Group were a trade supplier to the business. No other connection noted.</p>
<p>Whether the purchaser was independently advised</p>	<p>Yes – the purchaser was advised by Dentons UK and Middle East LLP</p>
<p>The names of any directors, or former directors (or their associates), of the Company who are involved in the management, financing or ownership of the purchaser, or of any other entity into which any of the assets were / will be transferred</p>	<p>Not applicable</p>

Whether the transaction impacts on more than one related company	The transaction transfers the entire shareholding of Matthew Clarke (Holdings) Limited and Bibendum BLB (Topco) Limited (and therefore of their subsidiaries also) to C&C Holdings (NI) Limited.
Whether any directors had given guarantees for amounts due from the Company to a prior financier, and whether that financier is financing the new business	No
Details of the assets involved and the nature of the transaction	<p>The transaction transfers the entire 5,002 ordinary A shares and the 5,002 ordinary B shares of Matthew Clarke (Holdings) Limited and the 2,244,147 ordinary shares Bibendum BLB (Topco) Limited to C&C Holdings (NI) Limited.</p> <p>A settlement of the relevant intercompany balances was also included (although the net intercompany position was £132m owing to the Group).</p> <p>Not included in the transaction were the Company's shareholdings in the Group companies that operated the Retail business (Wine Rack Limited, Conviviality Retail Logistics Limited and Bargain Booze Limited).</p>
The consideration for the transaction, terms of payment, and any condition of the contract that could materially affect the consideration	<p>Amount of consideration:</p> <p>Upfront cash Consideration for the shares was £1 split:</p> <ul style="list-style-type: none"> • £0.40 for the shares in Matthew Clarke (Holdings) Limited • £0.40 for the shares in Bibendum BLB (Topco) Limited • £0.20 for the intercompany balances due to the Company. <p>In addition, the secured liabilities of the sold group (including Bibendum Wine Limited, Conviviality Group Limited and PLB Group Limited) under: a) the group's secured working capital facilities, which were guaranteed by companies within the wider group; and b) the sold group's guarantee exposure in relation to the term and revolving facilities, were both settled in full in consideration of deferred consideration payments of £102m to be paid by <i>installments over the next 12 months</i>.</p> <p>The retained group remains liable for the principal debt under the term and revolving facilities.</p> <p>The business had a £125m short term liquidity need which was the purpose of the initial equity raise. By purchasing the shares of the Matthew Clarke (Holdings) Ltd and Bibendum BLB, the purchaser would need to meet the working capital requirements of the business and meet the related creditor balances. Ultimately the liabilities of the businesses being acquired exceeded the market value of the assets.</p> <p>The purchaser is also providing a new working capital facility to support ongoing operations.</p>

<p>The consideration for the transaction, terms of payment, and any condition of the contract that could materially affect the consideration (continued)</p>	<p>Date paid: 4 April 2018 Amount of any deferred consideration: £102m (for secured creditors) Date(s) on which deferred consideration due: 30 April 2018 - £20m 30 September 2018 - £40m 31 March 2019 - £42m</p> <p>Conditions determining payment of deferred consideration: None Details of security obtained for deferred consideration: Exiting security retained by the secured lenders against the transferred group</p> <p>An illustrative estimated outcome statement in appendix, although this does not include the £102m deferred recovery from the transferred group as this will not flow through the administration.</p> <p>Terms that could materially affect the consideration: There are no terms that could materially affect the consideration received.</p>
<p>Any options, buy-back arrangements or similar conditions attached to the contract of sale</p>	<p>None – no such conditions attach to the contract of sale.</p>
<p>If the sale is part of a wider transaction, a description of the other aspects of the transaction</p>	<p>The sale was not part of any wider transaction that is not outlined above.</p>
<p>Connected party transactions</p>	<p>None – the transaction is not deemed to be a connected party transaction.</p>
<p>Likely outcome for creditors</p>	<p>Secured creditors: Amounts due to the lenders as at the date of the joint administrators' appointment (net of cash at bank) totalled c.£169m. The liability attaching to the transferred group will be settled in full in consideration of a payment of £102m to be paid by them in installments over the next 12 months.</p> <p>Preferential creditors: There are no known preferential creditors as the Company was not an employer.</p> <p>Unsecured creditors: Per the February 2018 management accounts, the Company had accruals of £611k (in respect of finance costs) and a £845k liability in respect of derivative contracts, this is in addition to the intercompany balances due to other group entities. There will be no dividend to unsecured creditors.</p>



<p>The sale and the purpose of administration</p>	<p>The statutory purpose of administration is to achieve one of these objectives:-</p> <ul style="list-style-type: none">(a) rescuing the Company as a going concern, or if that is not possible or if (b) would achieve a better result for the creditors than (a)(b) achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration), or finally, if that is not possible(c) realising the Company's assets to pay a dividend to secured or preferential creditors. <p>In this case, the joint administrators are pursuing objective (b) as it was not possible to rescue the Company as a going concern.</p> <p>The joint administrators confirm that the sale enables the statutory purpose to be achieved given it allows for the survival of the main operating entities within the Group's Direct business, maintaining the position of its customers and suppliers; and a substantial recovery for secured lenders. The transaction also preserves nearly 2000 jobs.</p> <p>The joint administrators also confirm that the outcome was the best available for creditors as a whole in all the circumstances.</p>
---	---



Illustrative Estimated Outcome Statement

Estimated outcome statement £000	Draft FY17 statutory accounts	January 2018 management accounts	February 2018 balance sheet reconciliation	Assumption n High Low		Administration High Low	
Assets subject to fixed charge							
Investments	308,639	308,452	308,452	0%	0%	-	-
Property, plant and equipment	-	-	-	0%	0%	-	-
Goodwill	-	-	-	0%	0%	-	-
Intangible assets	405	821	854	0%	0%	-	-
Fixed charge cash and cash equivalents	-	-	-	100%	100%	-	-
Funding for professional costs						see note	see note
Less fixed charge costs of realisation							
Administration costs						see note	see note
Legal fees						see note	see note
Fixed charge realisation	309,044	309,274				-	-
Less secured facilities (RFF and TAR)						(170,000)	(170,000)
Fixed charge surplus						(170,000)	(170,000)
Assets subject to floating charge							
Derivatives	356	-	-			-	-
Prepayments	758	-	1,146			-	-
Accrued income	543	-	-			-	-
Tax and social security debtor	47	-	-			-	-
Deferred taxation	236	236	236			-	-
Intercompany - amount due from group	86,572	1,243	-			-	-
Assets subject to floating charge	88,512	1,479	1,382			-	-
Less: Costs of realisation							
Administration costs						see note	see note
Legal costs						see note	see note
Net floating charge realisations						-	-
Percentage recovery							
Secured lenders						60%	60%
Unsecured creditors						-	-

Note on secured creditors

The anticipated recovery for secured creditors is based on £102m of deferred consideration to be paid by instalments over the next 12 months.

The secured liabilities of the sold group (including Bibendum Wine Limited, Conviviality Group Limited and PLB Group Limited) under: a) the group's secured working capital facilities, which were guaranteed by companies within the wider group; and b) the sold group's guarantee exposure in relation to the term and revolving facilities, were both settled in full in consideration of £102m of deferred consideration.

As the sale consideration received by us was £1, there will be no distributions to the secured creditors from the administration.

The secured creditors may recover some more of their debt from elsewhere in the Group, however we presently expect that the secured creditors will suffer a significant shortfall overall.

Note on funding administration expenses

The secured lenders are providing sufficient funds to discharge the expenses of the administration. A meeting with the secured creditors is expected imminently to agree the estimated level of costs and funding, however any surplus remaining after costs will be returned to the secured lenders.

Appendix D: Estimated financial position including creditors' details

As the director has not yet given us a statement of affairs for the Company, we set out below the estimated financial position of the Company as at 4 April 2018. Please also refer to our earlier comments.

	Draft FY17 statutory accounts £'000	January 2018 management accounts £'000	February 2018 balance sheet reconciliation £'000	Estimated to realise £'000
ASSETS				
FIXED CHARGE				
Investments in subsidiaries	308,639	308,452	308,452	-
Property, plant and equipment	-	-	-	-
Goodwill	-	-	-	-
Intangible assets	405	821	854	-
Due to secured lenders	(170,000)	(170,000)	(170,000)	(170,000)
Shortfall				(170,000)
FLOATING CHARGE				
Cash and cash equivalents	-	-	-	-
Derivatives	356	-	-	-
Prepayments	758	-	1,146	-
Accrued income	543	-	-	-
Tax and social security debtor	47	-	-	-
Deferred taxation	236	236	236	-
Sundry debtors	-	-	150	-
Intercompany - amount due from group	86,572	1,243	-	-
Estimated total assets available for creditors other than fixed charge holders				Nil
LIABILITIES				
Preferential creditors				-
Estimated deficiency / surplus as regards preferential creditors				-
Estimated prescribed part of net property where applicable (to carry forward)				-
Estimated total assets available for floating charges				-
DEBTS SECURED BY FLOATING CHARGES POST 14 SEPTEMBER 2003				
Shortfall carried down				(170,000)
Estimated deficiency / surplus after floating charges				(170,000)
Estimated prescribed part of net property where applicable (brought down)				-
Total assets available to unsecured creditors				-
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)				
	Apr-17	Jan-18	Feb-18	
Accruals	(949)	-	(611)	
Derivative liabilities	(2,524)	(273)	(845)	
Corporation tax	(15)	-	-	
Trade and other payables	-	(566)	-	
Amounts due to group undertakings	(244,649)	(132,990)	(131,899)	
Estimated deficiency / surplus as regards non preferential creditors				(133,355)
Estimated deficiency / surplus as regards creditors				(303,355)
Called up share capital				-
Estimated total deficiency / surplus as regards members				(303,355)

Known creditor details

Name	Address 1	Address 2	Address 3	Address 4	Address 5	Debt (£)
Barclays Bank Plc	1 Churchill Place	Canary Wharf	London	E14 5HP		See note 1
HSBC Bank Plc	8 Canada Square	London	E14 5HQ			See note 1
HSBC Invoice Finance (UK) Limited	21 Farncombe Road	Worthing	Sussex	BN11 2BW		See note 1
RBS Invoice Finance Limited	250 Bishopgate	London	EC2M 4AA			See note 1
The Royal Bank of Scotland Plc	250 Bishopgate	London	EC2M 4AA			See note 1
National Westminster Bank Plc	135 Bishopgate	London	EC2M 3UR			See note 1
HM Revenue and Customs	Enforcement and Insolvency Service	Durrington Bridge House	Barrington Road	Worthing	BN12 4SE	See note 2
Pushkin Properties Limited	Craigmuir Chambers	PO Box 71	Road Town	Tortola	VG1110 BV	See note 3

Note 1 - the secured lenders are collectively owed c.£169m subject to confirmation once final transactions (e.g. direct debits) and cash balances are agreed. Details of the security for these debts is contained in Appendix C.

Note 2 - no specific liability noted in the February 2018 accounts

Note 3 - landlord to properties in London. Arrears position currently unknown.

Note 4 - Details of the parties to the intercompany balances are awaited and will be shown on the statement of affairs in due course.

Appendix E: Statement of claim

This page has been left intentionally blank

**Conviviality Brands Limited - in Administration
Statement of Claim Form**

Please complete and return this form with supporting documentation as soon as possible to the Joint Administrators at PwC, Central Square, 29 Wellington Street, Leeds, LS1 4DL, marked for the attention of Beth Stoker. Creditors whose claims are secured or preferential (in part or in whole) should provide details of their claim to the above address. However, they need not use this claim form.

1) Name of creditor	
2) Address of creditor for correspondence	
3) Registered number (if creditor is a company)	
4) Total amount of your claim (including VAT) and outstanding uncapitalised interest at the date the administration commenced*	£
5) Total value (including VAT) of any monies owed by you to the company in administration	£
6) Total amount of any payments received by you in relation to the claim after the administrators' appointment	£
7) If the amount in 4) includes outstanding uncapitalised interest, please state amount	£
8) Particulars of how and when the debt was incurred (please attach a continuation sheet if more space is needed)	
9) Particulars of any security held, the value of the security and the date it was given	
10) Particulars of any reservation of title claimed in respect of goods supplied to which the claim relates	
11) Details of any documents by reference to which the debt can be substantiated	
12) Particular matters relating to the company's purchase of goods and services from you or any other matters that you feel should be reviewed (please provide on a separate sheet if needed)	
Signature of creditor or person authorised to act on behalf of the creditor	
Name in block capitals	
Position with or relation to the creditor (e.g. director, company secretary, solicitor)	
Address of person signing (if different from 2 above)	
Date	

For office holder's use only

<i>If applicable</i> Admitted to vote for: £	<i>If applicable</i> Admitted for dividend for: £
Date	Date
Signed	Signed
Name	Name

* You must deduct any trade or other discounts which would have been available to the company but for its administration, except any discount for immediate, early or cash settlement