Rule 2.33 **Form F2.18**

The Insolvency Act 1986

Notice of deemed approval of proposals

Name of Company	Company number
Norfolk Spring Limited	694351

(full name of court)

In the
High Court of Justice, Chancery Division,
Companies Court

Court case number
5902 of 2016

(a) Insert full name(s) and address(es) of administrator(s)

We (a) Daniel Francis Butters	Richard Michael Hawes	Paul James Meadows
Deloitte LLP	Deloitte LLP	Deloitte LLP
1 City Square	5 Callaghan Square	Four Brindleyplace
Leeds	Cardiff	Birmingham
West Yorkshire	CF10 5BT	B1 2HZ
LS1 2AL		

(b) Insert name and address of the registered office of company

having been appointed administrators of (b) Norfolk Spring Limited

(c) Insert date of appointment

on (c) 20 September, 2016

(d) Insert name of applicant/appointer

by (d) Court

hereby give notice that

(e) Insert date

having made a statement under paragraph 52(1) of Schedule B1 and no meeting having been requisitioned under paragraph 52(2), of that Schedule,
the proposals sent by me on (e) 3 October 2016
were deemed to have been approved on (e) 13 October 2016

Signed

~~Joint~~ Administrators

Dated 13 October 2016

Presenter's details

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

Alcides Parreira
Deloitte LLP
Four Brindleyplace
Birmingham
B1 2HZ

Tel +44 121 695 5761

DX Number

When completed and signed please send it to the Registrar of Companies at -
Companies House, Crown Way, Cardiff CF14 3UZ DX 33050 Cardiff

Companies House receipt date barcode

WEDNESDAY
A5HX0K0R
A23 19/10/2016 #364
COMPANIES HOUSE

Software Supplied by Turnkey Computer Technology Limited, Glasgow, Scotland

Contacts

Administrators of the Companies

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Website

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Tel +44 121 695 5761

Daniel Francis Butters, Richard Michael Hawes and Paul James Meadows are licensed in the UK to act as Insolvency Practitioners by the Institute of Chartered Accountants in England and Wales

Deloitte.

BMHL Realisations 2016 Ltd (formerly Bernard Matthews Holdings Ltd), BML Realisations 2016 Ltd (formerly Bernard Matthews Ltd), BMF Realisations 2016 Ltd (formerly Bernard Matthews Foods Ltd), BMGE Realisations 2016 Ltd (formerly Bernard Matthews Green Energy Ltd), Norfolk Spring Ltd, Lincs Turkeys Ltd , Mini-Turkeys Ltd and Turners Turkeys Ltd

This Statement of Joint Administrators' Proposals ("the Proposals") has been prepared pursuant to paragraph 49 of Schedule B1 of the Act, which requires that we, as the Joint Administrators, provide creditors with details of our proposals to achieve the purpose of the administrations

The Companies do not have sufficient property to enable a distribution to be made to unsecured creditors, other than under the prescribed part provisions pursuant to section 176A of the Act, ("the Prescribed Part") As such we are not required to convene a meeting of creditors to consider our Proposals unless requested to do so by creditors whose total debts amount to at least 10% of the total debts of each company If you would like us to convene a meeting of creditors, please complete Form 2 21B which is available on the administration website address shown opposite and return it to us by post or email no later than the 13 October 2016 A deposit of £1,000 towards the costs of convening the meeting should be enclosed with the request per rule 2 37(3) of the Insolvency Rules 1986 (as amended) ("the Rules")

In the event that no request for a creditors' meeting is received within the above deadline, our Proposals will be deemed approved and a notice to that effect will be filed at Companies House

To assist the creditors and enable them to decide on whether or not to vote for the adoption of the proposals, the following information is included in the report

- background of the Companies and the wider corporate group of which they are part (the "Group"),
- the circumstances giving rise to the appointment of the Administrators,
- the progress of the administrations to date, and,
- the Administrators' proposals for achieving the objective of the administrations (Appendix E)

Yours faithfully
For and on behalf of the Companies Administrators

Deloitte.

BMHL Realisations 2016 Ltd (formerly Bernard Matthews Holdings Ltd, "BMHL"), BML Realisations 2016 Ltd (formerly Bernard Matthews Ltd, "BML"), BMF Realisations 2016 Ltd (formerly Bernard Matthews Foods Ltd, "BMF"), BMGE Realisations 2016 Ltd (formerly Bernard Matthews Green Energy Ltd, "BMGE"), Norfolk Spring Ltd ("NSL"), Lincs Turkeys Ltd ("Lincs"), Mini-Turkeys Ltd ("MTL") and Turners Turkeys Ltd ("TTL") – All in Administration (together "the Companies")

Registered Office: c/o Deloitte LLP, Four Brindleyplace, Birmingham, B1 2HZ

ADMINISTRATORS' STATEMENT OF PROPOSALS PURSUANT TO PARAGRAPH 49 OF SCHEDULE B1 OF THE INSOLVENCY ACT 1986 (AS AMENDED) ("the Act").

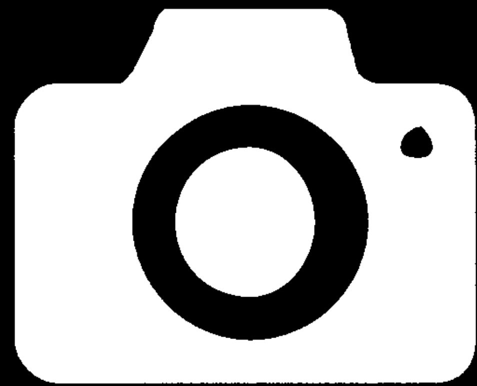
Daniel Francis Butters, Richard Michael Hawes and Paul James Meadows ("the Administrators") were appointed Joint Administrators of the Companies on 20 September 2016. The affairs, business and property of the Companies are managed by the Administrators. The Administrators act as agents of the Companies and contract without personal liability. All licensed Insolvency Practitioners of Deloitte LLP ("Deloitte") are licensed in the UK to act as Insolvency Practitioners.

For the purposes of paragraph 100(2) of Schedule B1 of the Act, the Administrators confirm that they are authorised to carry out all functions, duties and powers by either of them jointly and severally.

3 October 2016

Contents

Executive Summary



Executive Summary

A copy of the SIP 16 letter (giving background to the sale of the Companies business and assets) is available on the website: www.deloitte.com/uk/bernardmatthews

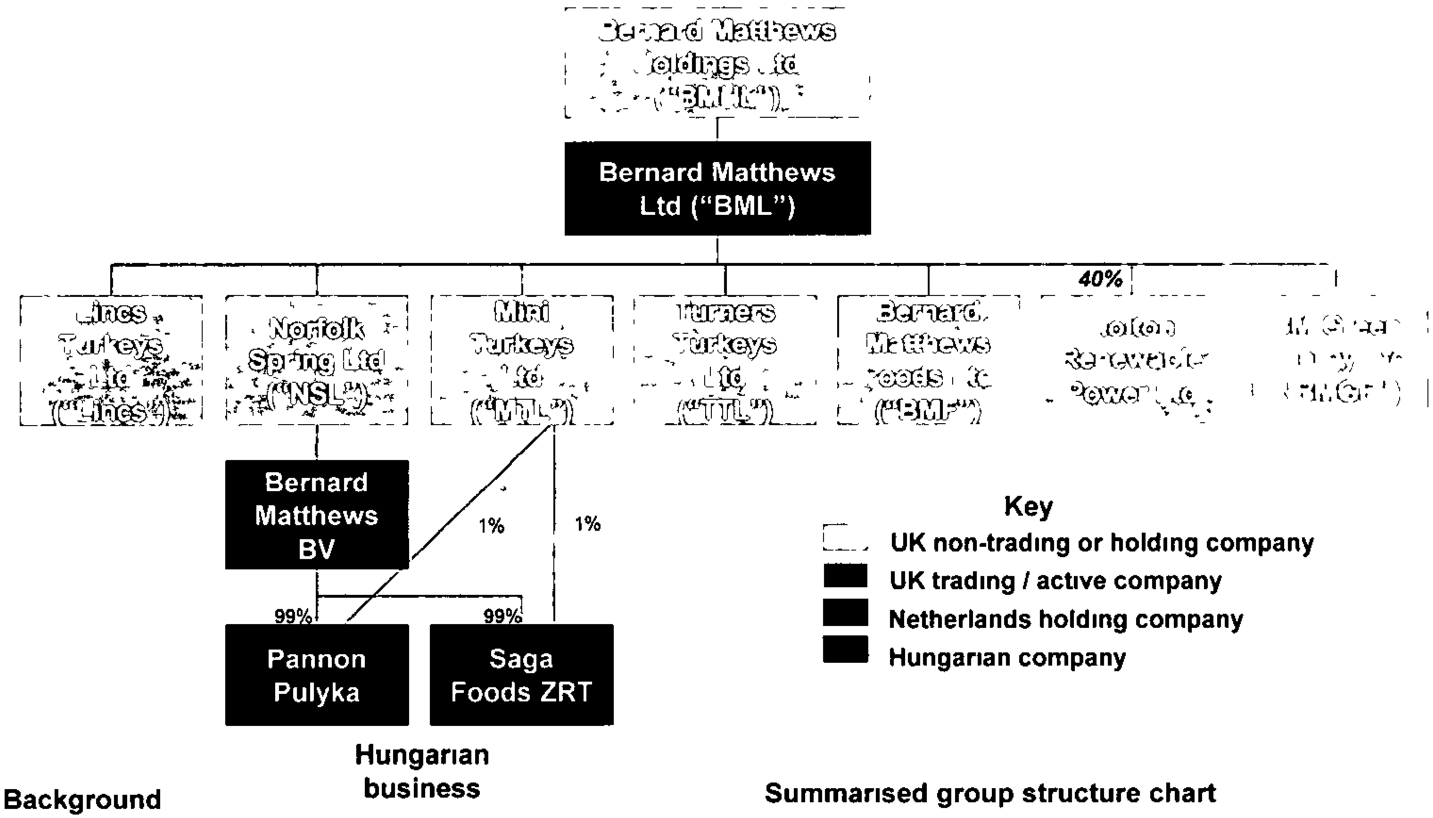
Secured creditors will not be repaid in full.

The Prescribed Part will be at its maximum level of £0.6m in BML.

Topic	Summary
Purpose of the administrations	• The purpose of the administrations will be to achieve a better result for the Companies' creditors as a whole than liquidations
Pre-pack	• The business and assets were sold ("the Sale") on 20 September 2016 to two purchasers Amber Residential Developments Ltd (who has now become Bernard Matthews Foods Ltd after purchasing the trading name) and Amber Real Estate Investments (Industrial) Ltd ("the Purchasers") as detailed in our SIP 16 Statement dated 22 September 2016 which is available on the website set up for the Companies at www deloitte com/uk/bernardmatthews
Administrators' strategy	• The Companies ceased trading on 20 September 2016 following the Sale • A total of £87 5m has been realised following the Sale • The strategy undertaken has transferred the employees to BML avoiding redundancy claims in the administration and maintaining jobs • We envisage a maximum Prescribed Part in BML of £0 6m • Enhanced returns to the secured creditors and the resultant reduction in secured creditor claims in all Companies under the cross guarantees
Initial meeting of creditors	• As there is no prospect of any funds being returned to unsecured creditors (other than by way of the Prescribed Part), we will not be convening a creditors' meeting, unless required to do so Please refer to Page 12 for further details
Estimated timescale	• On current information the duration of the administrations are not likely to exceed 12 months following which it is anticipated that the Companies will most likely be moved to dissolution
Fees estimate	• We intend to seek approval to fix the basis of our fees as a set fee of £790k across the Companies (of which £40k is assumed to be the element attributable to the Prescribed Part for the agreement and payment of claims) Further details of the fee split between each company is provided on page 15 • We have provided an outline of the work we propose to undertake and our anticipated costs at page 26
Estimated outcomes	On current information, we anticipate the following outcome for each category of creditor • Secured creditors – The secured creditors will not be repaid in full • Preferential creditors – Preferential claims will be minimal and relate to employees who had left prior to the Joint Administrators appointment, these claims will be paid in full • Unsecured creditors – There will be a distribution for unsecured creditors via the Prescribed Part in BML (the main trading company) No other Companies will have any distribution to unsecured creditors (and there are a limited number of external creditors in those companies)
Proposals	• Our proposals for managing the business and affairs of the Companies can be found on page 11

Background

Background
The Company/Group



Background

Bernard Matthews is the leading supplier of turkeys and turkey products in the UK, with operations also based in Hungary The business is a fully vertically integrated business with activities from rearing birds to production and sales to retailers The business operated in the UK from 95 farms across Norfolk, Suffolk and Lincolnshire

The UK group was made up solely of English companies, the majority are either dormant or non-trading The trading entity of the UK Group was Bernard Matthews Ltd

Employees

As at 20 September 2016, the Group employed c 1,800 staff, and utilised more than 200 agency staff These were split between BML c 325 and BMF c 1,475 All employees were transferred to the Purchaser

Summarised group structure chart

A summarised Group structure chart at the date of our appointment is set out above

Entity descriptions

BML was the main trading company of the Group, and owned all Group's assets, other than the majority of the real estate, which was owned by TTL, a direct subsidiary of BML

The majority of the companies are dormant or non-trading

A summary of the directors for each company at the date of the Administrators' appointment is on page 22

Background
Administrators' appointment

The background is summarised herein but is more fully set out in the SIP 16 letter available on the website

www.deloitte.com/uk/bernardmatthews

Circumstances giving rise to the appointment of the Administrators

Reasons for failure & financial distress

In the year to 30 June 2016, the UK Group suffered losses of £27m, caused largely by the declining commodity price for dark meat This led to liquidity strains on the business which were compounded by reductions / withdrawal in credit insurance limits

Accordingly, the directors sought to develop a restructuring plan ("RP") with the support of the Group's major shareholder (Rutland Capital Partners LLP and associated funds, "Rutland") and lenders (Wells Fargo Capital Finance (UK) Ltd ("Wells") and PNC Financial Services UK Ltd ("PNC") (together "the Lenders"))

Steps taken to remedy / turnaround

In tandem with the development of the RP, during late June and July 2016, discussions were held with c 40 parties regarding the sale of the Group During this process, led by PriceWaterhouseCoopers LLP ("PwC"), two offers were received, neither of which was capable of progression given they both required a write off of the majority of the second ranking secured debt

At the end of July 2016, the Group informed the interested parties that given no acceptable offers had been received, it would be progressing its RP, which assumed that the business would be streamlined through a combination of outsourcing, consolidation and the sale of certain assets

However, whilst discussions around the funding of the RP were progressing, an offer was received from the Purchaser for a business and assets acquisition delivered via a pre-packaged insolvency process Given the level of the offer and its relative low risk when compared to the RP, this interest was progressed to establish its deliverability On Friday 26 August 2016 the Group's board agreed to pursue this offer to completion Deloitte was then engaged on 29 August 2016 to assist it in pursuing this offer, and to further explore any alternative interest in the business

When decision to appoint was made

Once the offer had been developed into a transaction capable of being completed (ie limited diligence performed and legal documents agreed), the directors applied for the administration of the Companies with the High Court, and the Administrators were appointed on the 20 September 2016

Involvement of Deloitte pre-appointment

Deloitte was initially engaged by the Lenders and the Group in February 2013 to monitor the Group's short term cash flow forecast This work ended when Rutland invested £25m into the Group in September 2013

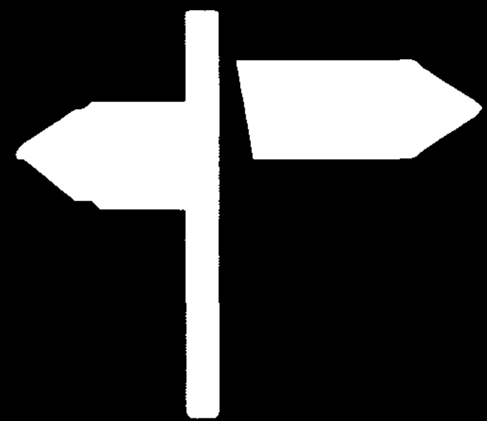
In May 2016, given the increasing liquidity pressures the Group was experiencing, the Lenders re-approached Deloitte This resulted in Deloitte being engaged by the Lenders and the Group on 16 June 2016 to advise the Lenders in relation to the Companies' financial position (including monitoring the cash positon and PwC sales process) and options available to them (including developing a contingency plan for a potential insolvency)

As noted across, a separate engagement to pursue the Purchaser's offer and any other interest in the business was agreed on 29 August 2016

Pre-packaged sale

Following the Administrators' appointment on 20 September 2016, the Companies' business and assets were sold to Amber Residential Developments Ltd, since renamed Bernard Matthews Foods Ltd and Amber Real Estates Investments (Industrial) Ltd Further details regarding the sale process are detailed in our SIP 16 Statement which is available on the website

Post-appointment



Post-appointment
Purpose

Appointment of the Administrators

Daniel Francis Butters, Richard Michael Hawes and Paul James Meadows, of Deloitte were appointed Administrators of the Companies (other than BMGE) by the High Court on 20 September 2016, following an application by the Companies' directors

For BMGE, the Administrators were appointed by Alan Jamieson, director, of Great Witchingham Hall, Great Witchingham, Norwich, Norfolk NR9 5QD (acting on authority of the BMGE's board of directors) on 20 September 2016, following the filing of a Notice of Appointment of Administrators by BMGE's directors

Paragraph 71 application

Simultaneous with the appointment process, the Administrators applied for, and were granted, an order under paragraph 71 of Schedule B1 of the Insolvency Act 1986 allowing the Sale to complete and the Companies' assets to be sold free of fixed charge security

Purpose of the administrations

The Companies have significant levels of borrowing (secured debt) which would need to be restructured in order to rescue the business as a going concern which was not possible

Accordingly, the purpose of the administrations was to achieve a better result for creditors as a whole than would be obtained through an immediate liquidation of the Companies The Sale has achieved this given

- The preservation of employment in BML avoiding employee redundancy claims
- The Prescribed Part being maximised in BML at £0 6m
- The enhanced returns to the secured creditors and the resultant reduction in secured creditor claims in all Companies under the cross guarantees

Post-appointment
Administrators' strategy

How the affairs and business of the Companies have been managed and financed since appointment, and the Administrators' intended strategy if their proposals are approved

Sale of business and asset realisations

As detailed in our letter of 22 September 2016 the business and assets of the Companies were sold on 20 September 2016 Other than proceeds from the Sale and cash held in the Companies' bank accounts at administration, we are not aware of any other assets of the Companies which can be realised

The details of the sale are confidential, however, we have shown the consideration received in the receipts and payments account on page 25

We are working to agree creditors' claims and to complete our obligations under the sale agreement with the Purchasers

- BML sold all its assets, being the UK business, property, plant and machinery, motor vehicles, stock, debtors, intellectual property, licenses and its shares in Holton Renewable Power (40% interest) and Bernard Matthews BV (Hungarian entities)
- TTL sold all its assets comprising real estate assets, being 48 freehold farms and factories
- MTL sold all its assets comprising its 1% shareholding in the Hungarian entities owned
- BMFL sold all its assets comprising operating licenses (eg environmental permits for each farm) held in its name
- BMHL was a party to the sale contract in order to release intercompany debts due to it by Bernard Matthews BV
- Lincs granted the Purchasers a license to occupy its 15 leasehold properties used in the business
- BMGEL surrendered its interests in leases in relation to the green energy income streams

Excluded assets

- All third party assets, including finance lease assets and stock subject to valid retention of title claims
- Any cash held in the Companies' accounts We are currently seeking confirmation of any amounts held in the pre appointment accounts
- The proceeds of any insurance claims other than in relation to the properties sold, and
- Tax losses and reclaims (these are not expected to realise any value in the administrations)

Further work

Under the terms of the Sale agreement a licence to occupy 15 Lincs properties and 11 BML properties has been granted by the Administrators, the licence has been granted for 5 months in order for the Purchasers to assign the leases To date funds of £180k have been received for the first month of the licence

Under the terms of the Sale agreement the Administrators agreed to help facilitate the Purchasers' payroll for up to 4 weeks post completion To date funds of £957k have been received and paid out for this purpose

Receipts and payment account

A receipts and payments account for each company detailing asset realisations achieved and costs paid up to 30 September 2016 is provided on page 25

The Administrators' proposals

Our proposals for the administrations include

- continuing to manage the affairs and any remaining assets of the Companies and the settlement of all administration expenses,
- assessing the affairs of the Companies and reviewing and reporting on the conduct of its directors and, where required, providing assistance to any regulatory authorities with any investigation into the affairs of the Companies or its management,
- continuing with enquiries into the conduct of the directors of the Companies and continuing to assist any regulatory authorities with any investigation into the affairs of the Companies,
- agreement of the claims of any secured, preferential and unsecured creditors against the Companies unless we conclude, in our reasonable opinion, that the Companies will have no assets available for distribution,
- distributing funds to any secured and preferential creditors and, where applicable, to unsecured creditors under the Prescribed Part as and when their claims are agreed and funds permit, and to make distributions to unsecured creditors, other than out of the Prescribed Part, if the court gives permission following an appropriate application, and
- that, following the realisation of assets and resolution of all matters in the administration, and as quickly and efficiently as is reasonably practicable, we will implement the most appropriate exit route to formally conclude the administrations, this may include moving the Companies to dissolution or placing the Companies into compulsory liquidation

The Administrators' proposals continued

We will seek specific approval from the secured (and any preferential creditors) to fix the basis of and the ability to draw our remuneration and expenses, including pre administration costs and expenses, and for BMGE, to agree the time of our discharge on conclusion of the administration

For the Companies other than BMGE, as the Administrators were appointed by the Court, an application for the Administrators discharge will be made to the Court on conclusion of the administrations

Please refer to Appendix E on page 28 for further details

Post-appointment
Outcome for creditors

Claims process

Unsecured creditors are invited to submit their claims to us by completing a proof of debt form which is available on the administration website and which should be sent to the address on page 1, marked for the attention of Alcides Parreira

Estimated outcome for creditors

Secured creditors

According to company records the Group had secured debt as at the date of our appointments totalling £108 6m, comprising, in the following order of priority of distributions in the administrations

- First secured £46 6m owing to Wells and PNC, who benefit from first ranking security Of this, £10 3m was guaranteed (see below),
- Second secured £43 6m owing to Rutland Fund II LLP, Rutland II CCLP (together with Rutland Capital Partners LLP, "Rutland") and Alan Jamieson, who benefit from second ranking security (recoveries under the second lien are capped at £50m),
- Third secured Rutland and three relatives ("the Family") of Mr Bernard Matthews (deceased) in relation to any calls made under the £10 3m of guarantees provided to the Lenders, plus £0 9m of accrued interest, and
- Fourth secured £17 5m for the Bernard Matthews Pension Scheme ("the Pension Scheme"), who benefit from fourth ranking security

The security is supported by fixed and floating charge debentures granted by BML and cross guaranteed by all the Companies

Based on currently available information, we expect

1 First secured have been repaid in full (£46 6m),
2 Second secured to be repaid £39m of which £34m has been distributed to date,
3 Third secured the guarantees have not been called but no distribution will be made in relation to the £0 9m of accrued interest, and
4 Fourth secured no repayment will be made

Preferential creditors

Preferential creditors consist of amounts owed to employees for arrears of wages, holiday pay and pension contributions

All employees were transferred to the Purchasers who agreed to pay certain pre administration employee liabilities

The only employee claims expected are related to monies owed to employees who had already left the Companies prior to the administrations, these claims are expected to be no more than £30k and will be paid in full

Unsecured creditors and Prescribed Part

Based on initial information provided to date by the Directors BML has c 900 trade creditors owed approximately £24m (the estimated balance sheet implies this may increase by £15m in due course) In addition to which BML had intercompany liabilities of £59m, and a pension scheme liability in excess of £20m

We anticipate the only distributions to unsecured creditors will be under the Prescribed Part in BML

The Prescribed Part is an amount set aside for unsecured creditors from asset realisations that would otherwise be paid to secured creditors under their floating charge, (referred to as the net property), as set out under section 176A of the Act It applies only where the charge was created on or after 15 September 2003

The Prescribed Part is calculated as a % of the net property and is subject to a statutory maximum of £600k per company

Based on current information, we anticipate BML will have net property in excess of £2 985m, and as such the maximum Prescribed Part of £600k will be available for distribution to unsecured creditors, after deduction of the associated costs, which chiefly comprise our costs for agreeing creditors' claims and distributing the funds Currently estimated to be c £40k Given the potential quantum of the Pension Scheme claim (estimated at c £55m at December 2013), the dividend rate is likely to be less than 1p in the £

We do not expect to make an application to court to dis-apply the Prescribed Part, on the grounds the costs of making the distribution are disproportionate to the benefits to creditors

Post-appointment
Extensions & exit routes

Exit routes

In accordance with the provisions of the Act, all administrations automatically come to an end after one year, unless an extension is granted by the court or with consent of the creditors

There are several possible exit routes from administration Based on current information, we consider the following exit routes may be appropriate

- *Dissolution* – If there is no further property which might permit a distribution to the Companies creditors, we may file notice to that effect with the Registrar of Companies and the Companies will be dissolved three months later
- *Compulsory Liquidation ("WUC")* – where there is a possibility, but no certainty, of recoveries being made or matters such as property to disclaim or further enquiries to be made, it may be appropriate to ask the court to end the administration and to make an order to wind up the Companies

Please note

- Any creditors' committee appointed in the administration will become a liquidation committee
- For the purposes of section 231 of the Act the liquidators will each be authorised to carry out all functions, duties and powers either jointly or severally

Discharge of Administrators' liability

Pursuant to paragraph 98 of Schedule B1 of the Act, the Administrators' discharge of liability in respect of their actions as administrators takes effect at the specific time appointed by the court, the creditors (either via the creditors' committee or by meeting) or, in specific circumstances, by the secured (and preferential) creditors

In this case, for the Companies other than BMGE, we will request approval from the court, and for BMGE (as for that company we were not appointed by the court) we will request approval from the secured creditors that we will be discharged from liability as at the date the Registrar of Companies registers the Administrators' final progress report (or such other time as the court sees fit)

Remuneration and Expenses

Remuneration and Expenses

Creditors' Guide to Administrators' Remuneration

A Creditors' Guide to Administrators' Remuneration" is appended to SIP 9 and is provided on the administration website and also available for download at **www.deloitte.com/uk/sip-9-england-and-wales**

Should you require a paper copy, please send your request in writing to the Administrators at the address on page 1 and this will be provided to you at no cost.

Basis of Administrators' remuneration

Pursuant to Rule 2 106 of the Rules, the basis of the Administrators' remuneration may be fixed

- by reference to time properly given by the insolvency practitioners and their staff in attending to matters as set out in the Fees Estimate,
- as a percentage of the value of the property with which the Administrators have to deal,
- as a set amount,
- or, any combination of the above

There will be no funds available to the unsecured creditors other than under the Prescribed Part provisions

Therefore, in accordance with Rule 2 106(5A) of the Rules and in the absence of a creditors' committee, we will seek to fix the basis of our remuneration as a set amount by approval of each secured creditor and 50% of any preferential creditors who respond to an invitation to consider approval We consider a fixed fee to be an appropriate basis given the nature of the assignment

Estimate of work required – Set Amount (Fixed Fee)

Based on previous appointments of this nature and having regard to the likely number and grades of staff required to fulfil these obligations, we intend to seek approval to draw a fixed fee of £790k, broken down as follows

- BML £610k (including £40k attributable to the Prescribed Part)
- BMH £20k
- BMGE £20k
- BMF £20k
- Lincs £30k
- TTL £50k
- NSL £20k
- MTL £20k

Full details of the work anticipated to be performed are provided at Appendix D

Given no value was ascribed by the Purchaser to BMHL, Lincs, BMF, BMGE, in order to enable these companies to enter administration and assign / transfer their licences and intercompany debts (which were required by the Purchaser), Rutland, in its capacity as the second secured creditor, will bear the costs of the administration of those companies and this will not impact the Prescribed Part for unsecured creditors in BML which will remain at its maximum of £0 6m)

Administrators' Expenses

We anticipate that the following expenses will be incurred for the duration of the appointments

- Specific Penalty Bond– mandatory insurance cover for each company to protect the estate in the event of loss £230 per company
- Statutory Advertising - we are required to give notice by advert in the London Gazette of the following matters our appointment, proposed distributions to unsecured creditors We estimate costs in this regard will be £500
- Legal Costs – we have instructed Reed Smith LLP to assist in the following matters
    - Assist with the licence to occupy and assignment / surrender of leases where required – estimated fee of up to £40k plus VAT (split between BML and Lincs) The level of fees will depend on the level of work required and some of which is likely to be chargeable to the Purchaser
    - A contingency for general legal assistance of up to £40k is estimated

    We may also consider using another firm, Eversheds LLP, to assist in certain matters as deemed appropriate

All professional costs will be reviewed and analysed in detail before payment is approved

Remuneration and Expenses
Pre-administration costs

Pre-administration costs

Pre-administration costs are defined as the remuneration charged and expenses incurred by the Administrators (or other person qualified to act as such) before the Companies entered into administration but with a view to them doing so

Approval of pre-administration costs

Determination of whether and to what extent the unpaid pre-administration costs are approved for payment shall be by the secured creditors and 50% of any preferential creditors who respond to an invitation to consider approval

Statement of pre-administration costs

The Administrators have incurred pre-administration time costs of £34,320, as detailed on the next page, which remain unpaid

In relation to the preparation work for the administrations, this included

- Concluding negotiations with the Purchaser in relation to the legal documents required to complete the Sale,
- Consideration of the tax implications of the Sale,
- Preparing supporting documents for the Court hearing on 20 September 2016 in relation to the administration appointments and the paragraph 71 application,
- Considering the administration strategy if the Court failed to grant the paragraph 71 order,
- Attendance at court on 20 September 2016,
- Planning appropriate employee and creditor notifications across the Companies

• This work needed to be undertaken prior to the appointments to ensure a planned and co-ordinated approach was taken to the Court hearing to enable the Sale to be completed shortly after the administration appointments

Statement of pre-administration costs

Fees

We have incurred pre-administration time costs of £34,320 as detailed on the next page, which we are seeking approval to draw

Legal costs

Reed Smith LLP assisted with planning for the administrations, negotiating the final Sale agreement and placing the Companies into administration In respect of this work, time costs and expenses of £482,000 were incurred This includes Counsel costs of £41,000 incurred principally in dealing with the paragraph 71 application

Hogan Lovells International LLP were instructed to review the security of the secured creditors prior to appointment to ensure that their security was valid when preparing the Court hearing documents Their outstanding costs are £25,300

Stephenson Harwood LLP were engaged by the Pension Scheme Trustees to advise them in respect of the administration appointments and paragraph 71 applications, they had unpaid costs of £35,000 The court ordered that the costs of the Pension Scheme in dealing with the paragraph 71 application be payable as an expense of the administrations

Agent's fees

Biwells LLP valued the Companies' real estate assets as part of our review of the merits of the Sale, their unpaid costs amount to £2,500

In order to sell the real estate assets, the Administrators instructed GVA Grimley LLP to prepare Energy Perform Certificates (which are a legal requirement as part of the sale of a property), their unpaid costs amount to £75,000

VAT

All amounts noted above are exclusive of VAT which should be recoverable in the administrations

Pre-administration costs

Analysis of pre-administration costs

Classification of work	Partners & Directors	Managers	Assistant Managers	Total hours	Value £	Avg rate £/h
Preparation for appointment - sign off and court attendance	18 5	-	-	18 5	16,135	872
Preparation for appointment - information gathering	-	4 0	9 0	13 0	5,075	390
Negotiations	18 5	-	-	18 5	13,110	709
Total hours	37 0	4 0	9 0	50 0	34,320	686
Unpaid fees					34,320	

Additional information

Transactions with connected parties

SIP 13 requires the administrators to review transactions (or other dealings) with the directors and/or connected parties in the two years prior to and during the administration The SIP 13 guidance requires the disclosure of transactions other than those in the ordinary course of business

Transactions within two years prior to the appointment of the Joint Administrators

The Administrators are currently securing the information on transactions that will need to be considered further as part of the Administrators' investigations (see across) Once this work is complete, any transactions identified as not being in the ordinary course of business will be disclosed, along with the Administrators' opinion of whether the transactions give rise to any potential claims by the Companies for the benefit of the administration estates It is anticipated that this work will be complete and commented on in the Administrators' first progress report

Transactions subsequent to the appointment of Administrators

No transactions have been entered into with connected parties subsequent to the administrators appointment

Investigations

As part of our duties, we are obliged shortly after our appointment to review all of the information available to us and conduct an initial assessment of whether there are any matters that might lead to a recovery for the benefit of creditors This initial assessment includes enquiries into any potential claims that may be brought against parties either connected to or who have had past dealings with the Companies

In addition, we are required to consider the conduct of the Directors and any person we consider to have acted as a shadow or de facto director in relation to their management of the affairs of the Companies and the causes of failure and we will submit a confidential report to the Insolvency Service, a division of the Department for Business, Innovation and Skills

Creditors who wish to draw any matters to our attention should contact us using the contact details given on page 1 as soon as possible

Additional information
Case specific matters

EU Regulations

As stated in the administration appointment documents, Council Regulation (EC) No 1346/2000 applies and these are the main proceedings as defined in Article 3(1) of that Regulation

Third party assets

Should you believe that you own or have a claim regarding items that may have been present at the Companies premises at the date of our appointment please contact us as soon as possible

Shareholders

We are not obliged to provide further information or reports to shareholders of the Companies However regular updates will be uploaded to the website set up for the administrations at www deloitte com/uk/bernardmatthews

Due to the insolvency of the Companies and anticipated level of asset realisations compared with the level of creditor liabilities owed by the Companies, there is no prospect of a return being made to the shareholders

Following our appointment, the Companies are no longer able to process transfers of shares, nor re-issue unclaimed dividend cheques

Website

In an effort to reduce the costs of the administration, all communications with creditors, including updates and progress reports, will be posted onto a website, which has been set up specifically for this purpose The web address is www deloitte com/uk/bernardmatthews

A letter will be issued to all creditors each time the website is updated with a statutory notice or report All statutory notices will be retained on the website until its closure three months from the administrations ending

If any person wishes to receive a hard copy of any document uploaded by the Administrators to the above website, they should contact the Administrators via the contact details on page 1 of this report, and hard copies will be provided free of charge

Appendices

Statutory Information

	BMHL Realisations 2016 Limited	BML Realisations 2016 Limited	BMF Realisations 2016 Limited	BMGE Realisations 2016 Ltd	Norfolk Spring Limited	Lincs Turkeys Limited	Mini-Turkeys Limited	Turners Turkeys Limited
Company number	3977289	625299	1831006	06771123	694351	3818982	732091	701295
Registered office	C/O Deloitte LLP, Four Brindleyplace, Birmingham, B1 2HZ							
Previous names	Bernard Matthews Holdings Limited	Bernard Matthews Limited	Bernard Matthews Foods Limited	Bernard Matthews Green Energy Limited	N/A	N/A	N/A	N/A
Court	High Court of Justice, Chancery Division, Companies Court							
Court reference	5897 of 2016	5893 of 2016	5895 of 2016	5907 of 2016	5902 of 2016	5901 of 2016	5896 of 2016	5899 of 2016
Company directors	Robert Burnett Zaliha Williamson Alan Jameson	Robert Burnett Zaliha Williamson Alan Jameson	Robert Burnett Zaliha Williamson Alan Jameson Andrew Ballantyne Andrew Deutsch Tamara Redding Andrew Sherwood Richard Southgate	Robert Burnett Zaliha Williamson Alan Jameson	Robert Burnett Zaliha Williamson Alan Jameson	Robert Burnett Zaliha Williamson Alan Jameson	Robert Burnett Zaliha Williamson Alan Jameson	Robert Burnett Zaliha Williamson Alan Jameson
Company Secretary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Directors' shareholdings	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Director shareholdings

Whilst none of the directors own any shares in the Companies, the following directors all held minority shareholdings (as part of the management incentive plan) in the BM Topco Ltd (the Group's ultimate holding company)

1 Alan Jamieson
2 Robert Burnett
3 Zaliha Williamson
4 Andrew Deutsch
5 Andrew Ballantyne

Appendices
Appendix B

Estimated balance sheet at 20th September 2016

£	BMHL	BML	TTL	LTL	NS	MT	BMF	BMGE	Investment Elimination	Companies Total
Fixed Assets	-	28,828,282	22,629,638	-	-	-	-	-	-	51,457,920
Investments	69,701,387	6,372,314	-	-	-	-	-	-	(69,701,387)	6,372,314
Stock	-	32,603,865	-	-	-	-	-	-	-	32,603,865
Trade Debtors	-	23,373,796	-	-	-	-	-	-	-	23,373,796
Sundry Debtors and Prepayments	14,094	4,955,089	-	-	-	-	-	-	-	4,969,183
Corporation / Deferred Tax	868,840	9,876,840	507,792	213,199	-	-	-	-	-	11,466,671
Total Assets (ex Interco)	**70,584,321**	**106,010,185**	**23,137,430**	**213,199**	**-**	**-**	**-**	**-**	**(69,701,387)**	**130,243,748**
General / Trade Creditors	-	(32,238,536)	-	-	-	-	-	-	-	(32,238,536)
Sundry Creditors	(689,956)	(5,804,920)	-	-	-	-	-	-	-	(6,494,876)
Pension Liability	-	(20,480,000)	-	-	-	-	-	-	-	(20,480,000)
Senior Lenders	-	(46,613,620)	-	-	-	-	-	-	-	(46,613,620)
Finance Leases	-	(6,170,028)	-	-	-	-	-	-	-	(6,170,028)
Total Liabilities (ex Interco)	**(689,956)**	**(111,307,103)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(111,997,059)**
Intercompany										
Net Intercompany Debtors / (Creditors)	6,490,868	(47,376,268)	(5,738,011)	650,567	(20,502,296)	19,977	7,924,428	4,400	-	(58,526,335)
Net Assets / (Liabilties)	**76,385,233**	**(52,673,186)**	**17,399,419**	**863,766**	**(20,502,296)**	**19,977**	**7,924,428**	**4,400**	**(69,701,387)**	**(40,279,646)**
Cross Guaranteed Security										
First Charge Security (Wells + PNC)	(46,613,620)	inc above	(46,613,620)	(46,613,620)	(46,613,620)	(46,613,620)	(46,613,620)	(46,613,620)	-	inc above
Second Charge Security (Rutland)	(43,692,901)	(43,692,901)	(43,692,901)	(43,692,901)	(43,692,901)	(43,692,901)	(43,692,901)	(43,692,901)	-	(43,692,901)
Third Charge Security (Rutland + Family)	(881,237)	(881,237)	(881,237)	(881,237)	(881,237)	(881,237)	(881,237)	(881,237)	-	(881,237)
Fourth Charge Security (Pension Scheme)	(17,500,000)	inc above	(17,500,000)	(17,500,000)	(17,500,000)	(17,500,000)	(17,500,000)	(17,500,000)	-	inc above
Net inc cross guarantee secured debt	**(32,302,525)**	**(97,247,325)**	**(91,288,339)**	**(107,823,992)**	**(129,190,054)**	**(108,667,782)**	**(100,763,330)**	**(108,683,358)**	**(69,701,387)**	**(84,853,785)**

Companies Total

A number of companies inside the wider group did not enter administration However, those companies were dormant and / or holding companies and their only assets were intercompany claims due from the Companies or the investments in the Companies It is expected that those other companies will be dissolved or liquidated in due course

Notes to the estimated balance sheet

The balance sheet has been based on the 30 June 2016 balance sheet (being the last unconsolidated management accounts balance sheet prepared prior to the Administrations) updated for the following information at 20 September 2016

- Trade debtor balances
- Trade Creditor balances
- Stock / inventory balances
- Sale of German subsidiary (completed in August 2016)
- Secured creditor liabilities

Creditors should note that the Pension Liability is the amount calculated in accordance with accounting standards and the final "s75 claim" in the administration may be materially higher than the amount included on the balance sheet

Statement of Affairs for the Companies are currently being prepared which, once finalised, should represent a more accurate picture of the Companies' assets and liabilities and which will be used for the agreement of creditor claims in due course We anticipate the Statement of Affairs will be received before the end of October and at that time will be posted on the insolvency website and filed at Companies House

A list of creditors and balances is included as a separate file on the website Creditors should note that the list of creditor balances is being updated as invoices continue to be received and updated on to BML's ledger A finalised version will be prepared for the Statement of Affairs which will be used for the purpose of agreeing creditor claims

Receipts and Payment Accounts

Administrators' receipts and payments account
20 September 2016 to 30 September 2016

£	Notes	BML	BMH	TT	Lincs	NSL	MTL	BMF	BMGE	Total
Receipts										
Cash at bank		327,362	-	-	-	-	-	-	-	**327,362**
Licence fee	A	128,345	-	-	51,585	-	-	-	-	**179,930**
Shares in subsidiaries		-	-	-	-	2,729,875	6,156	-	-	**2,736,031**
Intercompany loans		263,969	-	-	-	-	-	-	-	**263,969**
Intellectual Property		2,000,000	-	-	-	-	-	-	-	**2,000,000**
Equipment		10,200,000	-	-	-	-	-	-	-	**10,200,000**
Freehold Properties and Group Leases		10,700,000	-	10,999,896	-	-	-	-	-	**21,699,896**
Stock		33,000,000	-	-	-	-	-	-	-	**33,000,000**
Book Debts		17,600,000	-	-	-	-	-	-	-	**17,600,000**
Goodwill		1	-	-	-	-	-	-	-	**1**
Assignment Leases		100	-	-	-	-	-	-	-	**100**
Information Technology		1	-	-	-	-	-	-	-	**1**
Business Records		1	-	-	-	-	-	-	-	**1**
Overage Agreement		1	-	-	-	-	-	-	-	**1**
Third Party Fund Recevied	B	956,891	-	-	-	-	-	-	-	**956,891**
Total receipts		**75,176,671**	**-**	**10,999,896**	**51,585**	**2,729,875**	**6,156**	**-**	**-**	**88,964,183**
Payments										
Distribution to first secured creditor		(36,613,620)	-	(8,000,000)	-	(2,000,000)	-	-	-	(46,613,620)
Distribution to second secured creditor		(30,410,342)	-	(2,899,896)	-	(689,762)	-	-	-	(34,000,000)
Third Party Funds Paid	B	(956,891)	-	-	-	-	-	-	-	(956,891)
Total payments		**(67,980,853)**	**-**	**(10,899,896)**	**-**	**(2,689,762)**	**-**	**-**	**-**	**(81,570,511)**
Balance		**7,195,818**	**-**	**100,000**	**51,585**	**40,113**	**6,156**	**-**	**-**	**7,393,672**
Made up of.										
Cash at bank	C	7,195,818	-	100,000	51,585	40,113	6,156	-	-	7,393,672
Balance in hand		**7,195,818**	**-**	**100,000**	**51,585**	**40,113**	**6,156**	**-**	**-**	**7,393,672**

Notes to the receipts and payments accounts

A – Funds have been received under the terms of the licence agreement with the Purchasers These will be used to pay rent and other costs for the leasehold properties with any excess refunded to the Purchasers in due course

B – Funds to pay employee wages have been received and paid as noted above, these are not asset realisations in BML

C – All funds are banked on an interest bearing account

D – VAT where incurred will be recoverable from HM Revenue & Customs

E – As no Statement of Affairs has yet been received no comparative, estimated to realise figures are available

Administrators' Estimate of Work to be undertaken

Details of work that the we anticipate will be undertaken on these cases is provided below

Statutory Tasks and Administration

- Implementing the strategy detailed within this report
- Notification of appointments for each company
- Case set-up for 8 cases
- Data capture and entry
- Cashiering – 2/3 bank accounts for each company, with monthly bank reconciliations
- Statutory reporting - 1 progress report, potential extension applications, and final report
- Specific issues such as data protection, health and safety
- SIP 13 investigation of transactions with connected parties and SIP 2 investigations and directors conduct and CDDA reporting
- Application to court for discharge of the administrations

Assets

- Conclude the Administrators' obligations under the Sale agreement, including
  - Making payments to landlords and receiving funds from the Purchasers for the 26 licences to occupy (and dealing with surrenders and assignment's of these leases as appropriate),
  - Facilitating wage payments where required by the Purchasers, and
  - Dealing with third party claims (eg retention of tile and hire purchase) matters where necessary,
- Ensure that all cash balances in the Companies' pre appointment bank accounts are transferred
- Ensure all assets are dealt with and realised

Creditors

- Distributions to the secured creditors
- Resolving creditor queries
- Receipt and logging of proof of debt forms
- Discussions with the Pension Scheme and Payments Protection Fund ("PPF")
- Adjudication of claims and dividend payments to the preferential and unsecured creditors

Case specific matters

- File VAT returns as required and receipt of VAT repayments
- Complete and file corporation tax returns as required

Disbursements

Disbursements

We estimate that the following disbursements are likely to be incurred in relation to the administrations

Category 1 disbursements

These are payments made by us direct to third parties and for which no approval is required

Our estimate of Category 1 disbursements is given below, all figures are shown excluding VAT Please note these costs are only expected in BML

Category 1 disbursements

£ (net)	Value
Travel	300
Telephone	100
Postage/Couriers	10,000
Total expenses	**10,400**

Category 2 disbursements

These are costs and expenses initially paid by us and which are not generally made to a third party, for example, reimbursement to staff engaged on the case for their mileage costs These may also include shared or allocated costs Specific approval is required before these costs and expenses can be drawn from the administration estates

Our estimate of Category 2 disbursements (in BML) is given below, all figures are shown exclusive of VAT

Category 2 disbursements

£ (net)	Value
Mileage	250
Website set up	500
Total disbursements	**750**

Mileage is calculated by reference to the mileage properly incurred by the Administrators and their staff, at the prevailing standard mileage rate used by Deloitte at the time when the mileage is incurred (currently up to 45p per mile)

Deloitte charges a fixed cost of £500 for each statutory website set up to cover the costs of setting up and maintaining the website, along with the uploading of statutory notifications, reports and other documents to the website for the duration of the appointment This will be charged to BML

Administrators' proposals

In the absence of a creditors' meeting being requested, our proposals will be deemed approved on Thursday 13 October 2016

We will still need to obtain specific approval for the resolutions given below from the secured creditors and 50% of any preferential creditors who respond to an invitation to consider approval

1 Approval that the basis of the Administrators' remuneration shall be fixed by a fixed fee of £790k plus VAT split between the Companies as follows

- BML £610k of which £40k will be borne from the Prescribed Part fund
- BMH £20k
- BMGE £20k
- BMF £20k
- Lincs £30k
- TTL £50k
- NSL £20k
- MTL £20k

2 Approval that the Administrators' category 1 disbursements and expenses and category 2 disbursements in respect of mileage and statutory websites (as detailed on page 27) be approved and the Administrators be authorised to draw both category 1 and category 2 expenses, (plus VAT where applicable) from the administration estate

3 Approval that the Administrators' pre administration fees of £34,320, and legal / agents fees of £542,300 and £77,500 as detailed on page 16 of the Administrators' proposals be approved and that the Administrators be authorised to draw their pre-administration fees and expenses, plus VAT, from the administration estates

4 In respect of BMGE only, approval that the Administrators be discharged from liability per paragraph 98 of Schedule B1 of the Act immediately upon the registration of the Administrators' final progress report by the Registrar of Companies (Note that for the other Companies the discharge of the Administrators will be requested from the court)

A creditors' committee will not be formed unless we are requested to convene a meeting of creditors for purposes of forming a creditor's committee, please refer to page 1 of the proposals for details of the procedure in this regard

Please note that if you wish to form a creditors' committee, you will also be expected to confirm your willingness to serve or be represented on the creditors' committee, including dealing with any business placed before the creditors' committee throughout the period of the administration and in any follow on liquidation should a creditors' committee be formed.

Appendices
Important notice

Important Notice

This document has been prepared by the Administrators solely to comply with their statutory duty under paragraph 49 of Schedule B1 of the Act to lay before creditors a statement of their proposals for achieving the purpose of the administrations, and for no other purpose It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context

This document has not been prepared in contemplation of it being used, and is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in the Companies

Any estimated outcomes for creditors included in this document are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors

Any person that chooses to rely on this document for any purpose or in any context other than under paragraph 49 of Schedule B1 of the Act does so at their own risk To the fullest extent permitted by law, the Administrators do not assume any responsibility and will not accept any liability in respect of these proposals

The Administrators act as agents of the Companies and contract without personal liability The appointments of the Administrators are personal to them and, to the fullest extent permitted by law, Deloitte LLP does not assume any responsibility and will not accept any liability to any person in respect of this document or the conduct of the administrations

All licensed Insolvency Practitioners of Deloitte LLP are licensed in the UK to act as Insolvency Practitioners

Deloitte.

SIP 16 STATEMENT

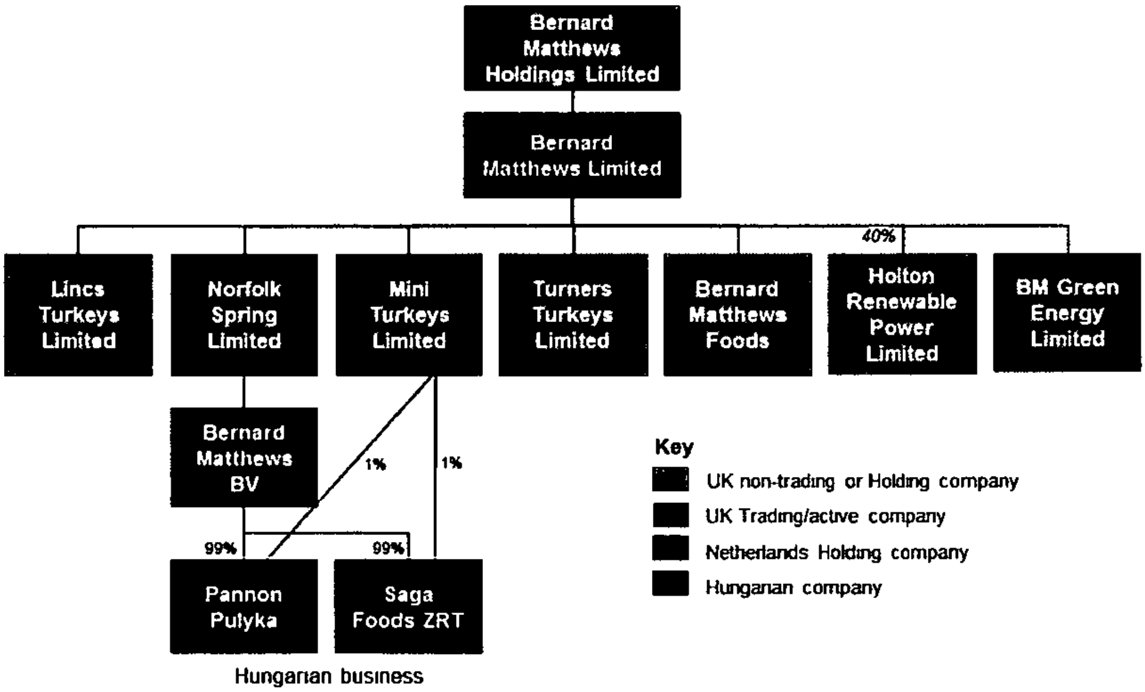
Background information

<u>Group overview</u>

Bernard Mathews is the leading supplier of turkeys and turkey products in the UK, with an operating subsidiary also based in Hungary The business is a fully vertically integrated business with activities from rearing birds through to production and sales to retailers

The business operates in the UK from over 50 farms and 2 factories across Norfolk, Suffolk and Lincolnshire and employed over 1,800 people at the date of administration (in addition to which there were over 200 agency staff)

<u>Summary Group structure ("The Group")</u>



The UK business

The UK group is made up solely of English companies, the majority of which are either dormant or non-trading The trading entity of the UK Group is BML Realisations 2016 Ltd (formerly called Bernard Matthews Ltd ("BML")), which owns all the UK Group's assets other than the majority of the real estate, which is owned by Turners Turkeys Ltd (a direct subsidiary of BML, "TTL") Certain of the other companies also held leasehold properties, operating licences or contractual agreements that formed part of the Transaction

All of the UK Group's business and assets have been sold as part of the Transaction

The Hungarian business

The Hungarian sub-group is ultimately owned by BML and trades as SáGa Foods (SaGa), based in northwest Hungary and employs around 800 staff It produces a range of poultry products which it sells across Central Europe The Hungarian business has been sold as part of the Transaction (via a sale of shares in its intermediary holding company) and has not entered administration

Green Energy business

The Green Energy business is the income the Group derives from certain natural energy / power production operations used within the business (the power assets themselves (wind, solar, and biomass) are owned and operated by third parties) These incomes streams have been sold as part of the Transaction

Background

In 2013 the Group sought additional investment following a period of poor trading performance This culminated in Rutland Capital Partners LLP (with its associated funds, "Rutland") acquiring the majority stake in the Group and injecting £25m into the business The Group subsequently re-branded and restructured its trading operations pursuing a growth strategy However, despite this investment and changes, the Group continued to struggle financially, with sales declining, and losses increasing significantly in the most recent year, as summarised below

	Year ended June 13	Year ended June 14	Year ended June 15	Year ended June 16 (draft)
BML Realisations 2016 Ltd				
Turnover - £'000	346 4	306 8	276 7	276 1
Loss after tax - £'000	(16 4)	(9 3)	(4 3)	(26 9)

Given the continuing losses, further funding of £5m was provided to the Group in late 2015 in the form of additional secured debt guaranteed by Rutland However, the level of losses in FY16 (caused largely by the declining commodity price for dark meat) was unsustainable, and the Group decided to alter its approach and reshape its business through a restructuring plan ("RP"), further details of which are provided below in the "Marketing Process" section

The RP assumed that the excess capacity in the business operations would be reduced (through asset sales) Given this capacity could prove attractive to strategic buyers, and having also received unsolicited approaches from parties interested in acquiring the business in early 2016 (prompted by media speculation on the prospects for the Group), Rutland and the Group appointed the Group's auditors, Price Waterhouse Coopers LLP ("PwC"), to explore a potential for a sale of the business (and run a marketing process) in June 2016, in tandem with progressing the RP

During the course of the sales process, the business operated under liquidity constraints, with minimal headroom available under its banking facilities Further additional debt facilities were provided from June 2016 by the secured lenders, on the back of increased guarantees from Rutland, and the sale of the Group's German subsidiary (which led to an increase in the funding available to the Group of £6m)

This funding requirement was forecast to increase in the autumn of 2016 (as the Group invested in rearing birds for Christmas 2016), prompting the Group to seek financial support from its main customers As a result of these approaches, a funding arrangement was signed with a company connected to the Purchaser and 2 Sisters Food Group on 26 July 2016, which provided the Group with the funds needed to acquire eggs and the increased levels of feed and other materials needed to put birds down on farms in August

Even with this customer funding, the Group continued to face severe liquidity constraints, worsened by publicity about its financial positon and the withdrawal of credit insurance Prior to the administration, the Group was forecasting a funding requirement of approaching £3m before the end of September 2016

Major creditors

At administration the Group had secured debt totalling £108 6m, comprising, in the following order of priority of distributions in the administration

- First secured £46 6m owing to Wells Fargo Capital Finance (UK) Ltd ("Wells") and PNC Financial Services UK Ltd ("PNC") (together "the Lenders"), who benefit from first ranking security Of this, £10 3m is guaranteed (see below),
- Second secured £43 6m owing to Rutland Fund II LLP, Rutland II CCLP (together with Rutland Capital Partners LLP, "Rutland") and Alan Jamieson, who benefit from second ranking security (recoveries under the second lien are capped at £50m),
- Third secured Rutland and three relatives ("the Family") of Mr Bernard Matthews (deceased) in relation to any calls made under the £10 3m of guarantees provided to the Lenders, plus £0 9m of accrued interest, and
- Fourth secured £17 5m for the Bernard Matthews Pension Scheme ("the Pension Scheme"), who benefit from fourth ranking security

The security is supported by fixed and floating charge debentures granted by BML and cross guaranteed by all UK company subsidiaries

The Lenders, Rutland and the Family were consulted with prior to the Transaction and consented to the appointment of Administrators and the Transaction

The Pension Scheme Trustees and the Payment Protection Fund ("PPF") were also consulted with during the marketing process and did not object to the Transaction This is discussed further in the section entitled "Para 71 Application" below

The Administrators commissioned a review, by Hogan Lovells International LLP, of the security arrangements and no concerns were raised as to its validity

Initial introduction

Deloitte LLP ("Deloitte") was initially engaged by the Lenders in February 2013 to monitor the Group's short term cash flow forecast This work ceased on the acquisition by Rutland of the shareholding in the Group in September 2013

Deloitte had no further prior professional relationship with the Group or its directors until 16 June 2016, when Deloitte was engaged by the Lenders and BML to support the Lenders in assessing their options in respect of the Group The scope of Deloitte's 2016 engagement included

- monitoring the marketing process being undertaken by PwC, on behalf of Rutland and BML, and consideration of the implications for the Lenders,
- a review and subsequent monitoring of the Group's short term cash forecasts, and
- the development of contingency plans, including estimated outcomes in the event of an insolvency

Following the receipt of an offer for the business on an insolvent basis (see below) in August 2016, Deloitte were engaged (on 29 August 2016 under a new engagement letter to which both PNC and BML were clients) to assist it in pursuing this offer, and to further explore any alternative interest in the business

Marketing Process – Phase 1

During late June and through July 2016, discussions were held with c 40 parties led primarily by the PwC sector team The parties involved in this process included several inbound approaches, partly driven by press coverage during the marketing process

This process included

- Research, consideration and agreement of a list of potential purchasers,
- Contacting potential parties and introducing the opportunity to them with a pre-agreed script (no-names and named basis),
- Entering into a Non-Disclosure Agreement ("NDA") with those contacted parties that were interested in the proposed opportunity,
- Issuing an "Introductory Teaser" document, and if interest continued, issuing a 97 page information memorandum ("IM") and the provision of a supplementary information pack (112 pages including copy property valuation and pension information), and
- Provision of conference calls and meetings with the Group's senior management ("Management")

The initial marketing process yielded two offers for the business (one of which was from the Purchaser), both of which were expressed as being on a cash free, debt free basis (and as such would have required a write off of certain secured debt) Neither offer was capable of progression given they both required a write off of the majority of the second ranking secured debt

As such, at the end of July 2016 the interested parties were informed that the Group was not progressing further with the marketing process, and was instead pursuing the RP

Restructuring Plan ("RP")

The RP developed by the Group's management assumed the business would be streamlined through a combination of outsourcing, consolidation and a sale of certain assets The RP sought to consolidate the operations of the business to one factory to improve efficiencies whilst selling the chicken farms to a third party

The RP required further financial support from the Lenders and / or Rutland as it would 1) have an additional funding requirement, 2) require proceeds from the sale of secured assets to be absorbed into the business to fund ongoing working capital, thus reducing the Lenders' security pool and 3) carried significant implementation risk (there could be no certainty that the business would become profitable) In order to gauge the views of customers to the proposed RP, the Group met with its key customers in late August 2016 during which the RP was outlined Whilst some customer reaction was positive, a key customer indicated that it would look to resource some of its requirements if the business was not able to demonstrate a more secure financial position

Discussions regarding the basis of financial support for the RP from the Group's secured creditors continued during August 2016

Marketing Process – Phase 2

Whilst the Group was in discussions with third parties in relation to the asset sales and outsourcing arrangements that underpinned the deliverability of the RP, the Purchaser approached Rutland with an offer for an acquisition of the business through a pre-pack administration The offer made represented a significant uplift in recoveries to the secured creditors compared to the two earlier offers submitted in the initial marketing process, and as such the indication of interest was sufficiently credible for further discussions to be held to firm up the interest

These discussions culminated in the Purchaser making an offer on 25 August 2016 for a purchase of the Group's business and assets

The Group's board was appraised of this offer on Friday 26 August 2016 and Rutland informed the board that, given the level of the offer and the perceived risks of the RP, with its additional funding requirement of Rutland, Rutland was unable to further support the RP In the light of this, the board resolved to progress the offer to a sale, whilst maintaining the option of implementing the RP should the offer be withdrawn or reduced

As indicated above, on 29 August, Deloitte was instructed to progress this interest and explore other potential interest in a business and assets sale

The Transaction

A few hours following the Administrators' appointment on 20 September 2016, the Transaction completed with the following assets being sold

- BML sold all its assets being the UK business, property, plant and machinery, motor vehicles, stock, debtors, intellectual property and licenses and the share capital of
    - Holton Renewable Power ("HRP") – BML's 40% interest (albeit this is subject to potential restrictions),
    - Bernard Matthews BV - (being the holding company of the Hungarian entities),
- TTL sold all of its assets comprising real estate assets, being 48 freehold farms and factories,
- MTL sold all of its assets comprising its 1% shareholding in the Hungarian entities owned, and
- BMF sold all of its assets comprising operating licences (eg environmental permits for each farm) held in its name

In addition

- BMHL was a party to the sale contract to receive the benefit of commitments to release intercompany debts due to it by Bernard Matthews BV,
- Lincs granted the Purchaser a licence to occupy its 11 leasehold properties used in the UK business where Lincs was the tenant, and
- BMGE surrendered its interest in leases in relation to the green energy income streams (enabling these interests to be assigned by BML to the Purchaser)

Once the sale agreement completed, the Transaction was effective as at 23 59 on Monday 19 September 2016, with all sales made by the business on 20 September being for the account of the Purchaser

The Transaction consideration is £87 5m and was paid in full on completion

The Joint Administrators' consider the Transaction provided the best result for the Companies' creditors, for the following reasons

- It was consented to by all secured creditors other than the Pension Scheme,
- The Group's attempts to restructure were not deliverable without additional funding (which was not forthcoming due to the significant investment required to normalise working capital and support the business going forward) and the attempts to sell the Group on a solvent basis were unsuccessful,
- The marketing process ran for a period of over 10 weeks and included speaking to over 40 trade parties and 6 appropriate distressed investors, none of whom made an offer that would deliver a better outcome for creditors than the Transaction,
- A post administration sales process would have been highly unlikely to achieve a better price than the Transaction as the impact of insolvent administration could have damaged the business (through loss of customers and damage to supply chain), and the marketing process included a wide range of trade and financial parties, and inbound enquires as a result of the media attention,

- The Transaction provided a material uplift in recoveries compared to the alternative of an administration and potential wind down of the business, with significantly less implementation risk,
- The Transaction preserved the employment of over 1,800 employees who have TUPE transferred to the Purchaser In the trading administration alternative, there would have been no guarantee of saving any employment,
- There was a funding requirement of c £0 8m in the week commencing 19 September 2016 rising to almost £3m by end of September, driving the need to complete the Transaction in a restricted time frame

Taking into account all of the above, and in executing the Transaction, the Administrators believe that they have acted with due regard for creditors' interests, delivering the best available outcome for creditors as a whole in the circumstances

Furthermore, the Transaction represents the best price reasonably obtainable in the circumstances and provides a better outcome (or at least no worse) for all stakeholders / creditors compared to the alternative insolvency outcomes

Sale consideration

The consideration received for the Transaction is £87 5m allocated by the Purchaser as follows

£	Bernard Matthews Limited	Turners Turkeys Limited	Norfolk Spring Limited	Mini Turkeys Limited	Total
Bernard Matthews B V Loan	191,903				191,903
SaGa Foods Loan	3,501				3,501
SaGa Foods Net Trading Debt	68,564				68,564
SaGa Poland Loan	1				1
Shares in Bernard Matthews B V			2,729,875	6,156	2,736,031
Intellectual Property	2,000,000				2,000,000
Equipment	10,200,000				10,200,000
Freehold Properties and Group Leases	10,700,000	10,999,896			21,699,896
Stock	33,000,000				33,000,000
Book Debts	17,600,000				17,600,000
Goodwill	1				1
Assignment Leases	100				100
Information Technology	1				1
Business Records	1				1
Overage Agreement	1				1
TOTAL	**73,764,073**	**10,999,896**	**2,729,875**	**6,156**	**87,500,000**

The Purchaser made a condition of the Transaction that the Companies assigned to the Purchaser any debts due from the Companies to SaGa Foods, Bernard Matthews B V and any of their subsidiaries These intercompany loans and trading balances owed by two subsidiaries Bernard Matthews B V Ltd and SaGa Foods Ltd to BML were acquired at £ for £ value (as shown above) A legacy intercompany loan of c £0 6m dating back to 2002 from BML to SaGa Poland Ltd has been acquired for £1

In return the Purchaser has undertaken that it will ensure SaGa Foods, Bernard Matthews B V and any of their subsidiaries do not make any demand or claim in relation to any of the intercompany debts due from the Companies (or any of the other companies in the Group that are dormant and as such did not enter administration)

In order to effect the Transaction, these intercompany claims have been assigned by the administrators for a number of reasons, which vary by entity providing the release but include

- The company which assigned the balances (e g BML) was a direct beneficiary to the above consideration in respect of the Transaction, and
- The intercompany receivables were owing from Group companies which had no assets other than their intercompany claims (such intercompany claims had minimal or nil value) and no known liabilities other than intercompany claims and the cross guaranteed secured debt

Given no value was ascribed by the Purchaser to BMHL, Lincs, BMF, BMGE, in order to enable these companies to enter administration and assign / transfer their licences and intercompany debts (which were required by the Purchaser), BML (the main beneficiary of the Transaction) has agreed to contribute to the costs of the administration of those companies (this will reduce returns to the secured creditors and will not impact the Prescribed Part for unsecured creditors which will remain at its maximum of £0 6m)

The main items excluded from the Transaction were

- All third party assets, including finance lease assets and stock subject to valid retention of title claims,
- Any cash held in the Companies accounts,
- The proceeds of any insurance claims other than in relation to the properties sold, and
- Tax losses and reclaims (these are not expected to realise any value in the administration)

Marketing of the Business and Assets

As noted above, PwC marketed the business to over 40 strategic and trade parties, and had detailed discussions on a potential acquisition with over 11 of these parties over a period of c 2 months Parties approached included both UK and international trade and strategic purchasers, and included inbound enquires as a result of the media coverage of the sale process The marketing process and list of parties was reviewed by Deloitte and it was concluded that the process represented an appropriate and robust market testing exercise

As part of the Phase 2 sale process, Deloitte held discussions over a period of 3 weeks with 6 specialist (who acquire distressed businesses) financial investors We specifically targeted these 6 parties after reviewing the list of parties that had shown an interest in the opportunity in 2013, and from our knowledge of the specific sector interest and / or the capability to invest into businesses of this size and nature and within the targeted transaction timeline and circumstances

During this Phase 2 process, one party reaffirmed the offer it made during the initial process This was a significantly lower level that was achieved in the Transaction No other formal offers were received

Based on the work performed, we consider that a comprehensive and appropriate marketing exercise targeted at both financial and trade buyers has been conducted within the time available and under the circumstances faced by the Group

The evidence from this marketing process supported the conclusion that the Transaction represents the best price reasonably obtainable in the circumstances for the Group's business and assets

Valuation of the Business and Assets

Due to the business being heavily loss making over a period of years, and the level of secured debt in the Group, the enterprise value of the Group, if valued on typical EBITDA multiple basis, would have been negative (i e of zero value) Furthermore, the marketing process establishing the true value of the Group's business As such, theoretical business valuations were considered to be unnecessary and were not arranged

The Group's real estate has been valued by Bidwells LLP and the Group's plant and machinery has been valued by Lambert Smith Hampton Ltd These valuations were used as part of the development of an indicative break up analysis (discussed further below), the outcome from which would have been significantly less than has been achieved in the Transaction As such, the Administrators consider that market value has been established and achieved

Pre-appointment considerations

A review of the possible courses of actions, comparing the likely outcomes for the various options, was undertaken prior to the Administrators' appointment

Continuing to trade outside of insolvency

The Group had been facing liquidity issues and in the light of the Purchaser's offer for the Group, no further funding was available to the Group to continue to trade outside of insolvency

The RP prepared by the Group (which included the sale of certain of the assets over 12 months) required cash funding (and the utilisation of asset disposal proceeds) which, in the light of the potential to deliver the Transaction, was not available to the Group, and as such it was continued trading was not a viable option for the Group

Refinancing

The Group was unable to refinance due to the level of financing required to repay the existing secured debt and fund the additional working capital requirements of the Group to allow it to continue to trade outside of insolvency

Solvent sale of the business

As part of the initial marketing process, offers were solicited for a sale of the business on a solvent basis i e a sale of the shares in BML

Due to the distress facing the business and the significant investment required to normalise working capital, no offers were received for a sale of the business on a solvent basis that were capable of being delivered (given the large secured debt write off required)

Company Voluntary Arrangement ("CVA")

A CVA was not considered to be a viable solution for the business for the following reasons

- A CVA would have required significant funding to address the working capital needs of the business and such funding was not available,
- A CVA, in this instance, would have sought to compromise the unsecured trade creditors of the business which would likely have had a significant impact on working capital through the process of approving the CVA, which the Group had insufficient funding to meet,
- The Group's capital structure was unstainable and a CVA would not be capable of compromising such secured liabilities,
- Success of such a CVA would have been dependent upon securing the support of a very large and granular creditor base and as such, any CVA would have carried significant implementation risk, and
- The Pension Scheme would have needed to be compromised for the CVA to succeed Whilst this may have been possible over time, the liquidity position of the business did not provide the opportunity for this to be achievable

served on the Pension Scheme (and copied to the PPF) as part of the application process and both the Pension Scheme and the PPF chose not to attend the hearing

Purpose of Administration

The purpose of an administration under The Enterprise Act 2002 is split into three parts

1) To rescue a company as a going concern (in other words, a restructuring which keeps the actual entity intact)
2) If the first purpose is not reasonably practicable (or the second purpose would clearly be better for the creditors as a whole), then the administrators must perform their functions with the objective of achieving a better result for creditors as a whole than would be obtained through an immediate liquidation of the company This would normally envisage a sale of the business and assets as a going concern (or a more orderly sales process than in liquidation)
3) If neither of the first two parts of the purpose are reasonably practicable, the administrators must perform their functions with the objective of realising property in order to make a distribution to secured and/or preferential creditors as applicable

As noted above, the Companies had significant secured and unsecured creditor liabilities and a refinancing of the Companies' debts was not achievable, as key stakeholders had already indicated this was not supported prior to the administrations As such the Administrators concluded that the first option was not possible to achieve

Accordingly, the purpose of the administrations was to achieve a better result for creditors as a whole than would be obtained through an immediate liquidation of the Companies The Transaction has achieved this given

- The preservation of employment in BML avoiding employee redundancy claims
- The Prescribed Part being maximised in BML at £0 6m
- The enhanced returns to the secured creditors and the resultant reduction in secured creditor claims in all Companies under the cross guarantees

Purchaser and Related Parties

The Purchaser was two companies within Boparan Private Office (Amber Residential Developments Ltd – company number 10036286, and Amber Real Estate Investments (Industrial) Ltd – company number 09885767) The Purchaser is a not connected to the Companies

Pre-pack pool and Viability statement

As the Purchaser is not connected to the Companies, a viability statement was not provided, and no approach was made to the pre-pack pool

Dividend Prospects for Creditors

The Lenders will be repaid in full from the Transaction proceeds

Based on current information, and dependent on the level of costs in completing the administrations, the second ranking secured creditors will suffer a shortfall of c£4 5m to £5m

Given the Transaction proceeds are available to the Lenders immediately on completion, the guarantees provided by Rutland and the Family have not been called by the Lenders However the third secured creditors will not recover any of the outstanding interest on their guarantee commitments of £0 9m

Trading insolvency

Given that the options set out above were not considered to be viable, the only available alternative to the Transaction would have been for the Group to enter into an insolvency process with a view to either 1) sale of all or part of the business during the insolvency or 2) implementing an immediate winding down of the business

Sale process in administration A trading administration would likely have resulted in disruption to trading, damaging customer relationships, and loss of supplier support Furthermore, the marketing process (the media coverage of which resulted in inbound approaches) had widely tested the market As such, any interest in the business after an administration process would likely have been at lower values than achieved in the Transaction

Wind down in administration In the event a sale could not be achieved in a very short time frame, the business would have been wound down and broken up resulting in a significant reduction in recoveries to creditors Furthermore, we would comment as follows in respect of a wind down in administration

- The Administrators would have required a £10-15m working capital facility to meet the potential funding requirement to wind down the business (which would take 4-5 months given the age profile of the live birds being reared at administration) Given the ability to secure an improved outcome through the Transaction, we have not received any indications that this funding would be available
- A wind down of the business could have adversely impacted the ability to sell the properties as continuing farming assets, which could have materially reduced the recoveries available to creditors
- A wind down would result in the redundancy of c 1,800 employees, representing a significant additional body of creditors with claims against the Group

Consequently, the Administrators consider that the Transaction represents the best outcome for all creditors and achieved the best price reasonably obtainable in the circumstances

Para 71 Application

The appointment of Administrators was made by the High Court on an application of the directors of the Companies except in the case of BMGEL which was by way of a directors' appointment pursuant to paragraph 22 of the Insolvency Act 1986 Simultaneous with the appointment process, the Administrators applied for, and were granted, an order under paragraph 71 of Schedule B1 of the Insolvency Act 1986 allowing the Transaction to complete and the Group's assets to be sold free of fixed charge security

This application was required because

- The Transaction could not complete without the consent of all secured creditors to the release of their security or a para 71 order, and
- Whilst the first, second and third ranking creditors consented to the Transaction and the release of their security, the fourth ranking secured creditor (the Pension Scheme) did not consent

As part of the pre administration process, the Administrators engaged with the Pension Scheme Trustees (and its advisors) and the Payment Protection Fund ("PPF"), to explain why the Transaction was considered to be in the best interests of all creditors Whilst no objections to the marketing process or the Administrators' views of the alternative outcomes (or indeed offers to fund the RP) were raised, the Pension Scheme was unwilling to consent to the Transaction As such, the para 71 application became necessary in order to complete the Transaction The para 71 application was