

**District of: Newfoundland and Labrador**

**Division No: 01 – Newfoundland and Labrador**

**Court No: 22375 & 22376**

**Estate No: 51-2440230 & 51-2440231**

**Supreme Court of Newfoundland and Labrador**

**IN THE MATTER OF THE NOTICE OF INTENTION  
TO MAKE A PROPOSAL OF:  
BRITISH CONFECTIONERY COMPANY LIMITED  
AND  
BRITISH BAZAAR COMPANY LIMITED**

**Third Report of the Licensed Insolvency Trustee pursuant to  
sections 50.4(7)(b)(ii) and 50.4(9) of the *Bankruptcy and  
Insolvency Act* ("BIA")**

**February 26, 2019**

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## 1. INTRODUCTION AND BACKGROUND

- 1.1 British Confectionery Company Limited ("Confectionery") was incorporated in Newfoundland and Labrador on February 27, 1962. The shares of Confectionery are wholly owned by British Confectionery Company 1982 Limited ("1982").
- 1.2 British Bazaar Company Limited ("Bazaar") was incorporated in Newfoundland and Labrador on May 4, 1992. The shares of Bazaar are wholly owned by Confectionery.
- 1.3 1982 was incorporated in Newfoundland and Labrador on December 23, 1982 and was previously owned by David Connolly Sr. In September 2017, 1982 was purchased by BMC Holdings Inc., a company wholly owned by Blair Connolly (son of David Connolly Sr.).
- 1.4 In February 2018, BMC Holdings Inc. sold 50% of its interest in 1982 to Carosielli Enterprises Inc., which operates as Bingo Servi-Jeux ("Servi-Jeux").
- 1.5 Confectionery and Bazaar (referred to collectively herein as "British" or the "Company") represent the primary operating entities of the group. Confectionery operates a manufacturing facility out of leased premises located at 465 East White Hills Road, St. John's, Newfoundland and Labrador. This facility specializes in the production of specialty paper products; specifically, break-open lottery and promotional products.
- 1.6 Bazaar is a wholly owned subsidiary of Confectionery which owns and administers customer contracts for the purchase of break-open lottery and promotional products. To fulfill these contracts, Bazaar purchases tickets directly from Confectionery. Outside of the purchase and sale of tickets from Confectionery, there appears to be no other significant economic activity within Bazaar.
- 1.7 As noted in British's consolidated externally prepared financial statements, a significant portion of revenue is generated from two customers: Atlantic Lottery Corporation ("ALC") and British Columbia Lottery Corporation ("BCLC"). According to these financial statements, during fiscal 2017, these customers represented approximately 64% of total revenue.
- 1.8 On October 31, 2018, Confectionery, Bazaar and David Connolly Sr. received a demand for repayment of outstanding amounts owing and a notice of intention to enforce security from the Bank of Montreal ("BMO").
- 1.9 On November 5, 2018, Confectionery and Bazaar filed Notices of Intention to Make a Proposal pursuant to section 50.4 of the BIA (the "NOI Filing"). Deloitte Restructuring Inc. ("Deloitte") consented to act as the Licensed Insolvency Trustee (the "Proposal Trustee") under the NOI Filing.
- 1.10 On December 4, 2018, the Supreme Court of Newfoundland and Labrador (the "Court") granted an order extending the stay of proceedings from December 5, 2018 up to and including January 18, 2019 (the "First Extension Order").
- 1.11 In addition, on December 4, 2018, the Court granted an order pursuant to Section 7.02 of the *Rules of the Supreme Court, 1986*, consolidating the administration of Confectionery and Bazaar's proceedings.
- 1.12 On January 15, 2019, the Court granted an order extending the stay of proceedings from January 18, 2019 up to and including March 5, 2019 (the "Second Extension Order").

- 1.13 In addition, on January 15, 2019 the Court granted an order providing an administration charge covering the professional fees of the Proposal Trustee, counsel to the Proposal Trustee and counsel of the Company (the "Administration Charge").

## **2. TERMS OF REFERENCE**

- 2.1 In preparing this Third Report, the Proposal Trustee has relied upon financial information of the Company, discussions with the Company's management ("Management") and BoyneClarke LLP, the Company's legal counsel.
- 2.2 The financial information of the Company has not been audited, reviewed or otherwise verified by the Proposal Trustee as to its accuracy or completeness, nor has it necessarily been prepared in accordance with generally accepted accounting principles and the reader is cautioned that the Third Report may not disclose all significant matters about the Company. Additionally, none of our procedures were intended to disclose defalcations or other irregularities. Were we to perform additional procedures or to undertake an audit examination of the financial statements in accordance with generally accepted auditing standards, additional matters may have come to our attention. Accordingly, the Proposal Trustee does not express an opinion or provide any other form of assurance on the financial or other information presented herein. The Proposal Trustee may refine or alter its observations as further information is obtained or brought to its attention after the date of the Third Report.
- 2.3 The Proposal Trustee assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction or use of the Third Report. Any use which any party makes of the Third Report, or any reliance or decisions to be made on the Third Report, is the sole responsibility of such party.
- 2.4 All dollar amounts identified in the Third Report are expressed in or converted to Canadian dollars.
- 2.5 The purpose of the Third Report is to provide the Court with the following:
  - (i) A summary of the activities of the Company since the date of the Second Report.
  - (ii) An update regarding the Company's search for alternative financing.
  - (iii) An update regarding the Company's search for a strategic buyer or partner.
  - (iv) A summary of the activities of the Proposal Trustee since the date of the Second Report.
  - (v) A review of the actual cash flows for the period of January 5, 2019 to February 15, 2019 (the "Second Extension Cash Flow").
  - (vi) An update regarding invoices of the Proposal Trustee and legal counsel of the Company;
  - (vii) A review of the Company's statement of projected cash flow for the period of February 16, 2019 to May 3, 2019 (the "Third Extension Cash Flow").
  - (viii) The Company's request for an extension order (the "Extension Order").

### **3. COMPANY'S ACTIVITIES**

- 3.1 Since the date of the Third Report, the Company's activities have included, but were not limited to:
- (i) working with the Proposal Trustee to satisfy information requests from BMO, other creditors and stakeholders.
  - (ii) working internally to review and improve operations including realignment of roles and responsibilities, hiring a new plant manager and commissioned sales staff in the US.
  - (iii) working with the Proposal Trustee in order to execute a formal search process for potential alternative lenders, and strategic buyers. Activities related to the administration of these search processes have included, but were not limited to:
    - a) working with the Proposal Trustee to finalize the confidential information memorandums ("CIM") and financial projections prepared to support the search processes;
    - b) working with the Proposal Trustee to develop appropriate distribution lists for both search processes;
    - c) holding numerous discussions with interested parties;
    - d) providing additional due diligence information in order to assist interested parties in their evaluation of the opportunity; and
    - e) scheduling and executing a site visit with an interested party.
  - (iv) finalizing contract negotiations regarding a long-term service agreement with BCLC.
  - (v) working with the Proposal Trustee to monitor actual cash flows and reporting on variances to the Second Extension Cash Flow.

### **4. SEARCH FOR ALTERNATIVE FINANCING**

- 4.1 On January 17, 2019, pursuant to the proposed search process described in the Second Report of the Proposal Trustee, the Proposal Trustee distributed a one page teaser and non-disclosure agreement to thirty-five institutions including chartered banks, boutique lenders and investment funds.
- 4.2 After reviewing the teaser and non-disclosure agreement, twelve institutions executed the non-disclosure agreement and were provided with copies of the CIM.
- 4.3 After reviewing the information contained within the CIM, eight of the twelve institutions indicated that they were not interested in pursuing the opportunity at this time leaving four institutions to conduct further due diligence.
- 4.5 From January 21 to February 15, 2019, the Company and the Proposal Trustee held numerous discussions with representatives from the remaining institutions in order to answer any outstanding questions and provide further information regarding the opportunity.

- 4.6 As a result of the process discussed herein, the Company has received three term sheets and one expression of interest outlining potential financing arrangements as at the date of the Third Report.
- 4.7 The term sheets and expression of interest received to date contemplate different combinations of term and revolving debt and constitute offers from both boutique lenders and traditional financial institutions.
- 4.8 As of the date of the Third Report, the Proposal Trustee is working with the Company in order to evaluate the viability of the remaining term sheets and to determine their adequacy to fund a proposal to creditors.
- 4.9 In addition to the search process discussed herein, on January 24, 2019 the Company held a meeting with representatives from the Newfoundland and Labrador ("NL") provincial government's Department of Finance. The purpose of this meeting was to discuss potential financing options in order to support the Company's search for an alternative lender.
- 4.10 Following discussions with representatives from the NL Department of Finance, the Company held further discussions with members of the Department of Tourism Culture Industry and Innovation ("TCII"), specifically representatives from Business Investment Corporation ("BIC"). During these discussions, the Company presented a restructuring plan whereby BIC would provide financing and restructure its existing debt in order to support a proposal to the Company's creditors.
- 4.11 On February 15, 2019, the Company and the Proposal Trustee received correspondence from BIC representatives indicating that the restructuring plan would be presented to the Board of Directors of BIC for consideration.
- 4.12 Since receiving the correspondence, the Proposal Trustee and the Company have provided additional information to BIC in order to assist with their evaluation. As at the date of this report, the Company has been advised that the restructuring plan will be presented to the Board of Directors of BIC during their meetings on March 19, 2019 at which time a decision regarding the refinancing will be made.
- 4.13 As outlined in the section above, considerable progress has been made to date towards sourcing the funds necessary to make a proposal to its creditors. However, additional time is required in order to clarify the terms of a proposal, hold further discussions with key financial stakeholders and to determine if adequate funds are available to fund a proposal.
- 4.14 In order to provide the Court and the senior secured creditors with the necessary information to make a decision on the Company's request for an additional extension, copies of term sheets received to date and communications received from representatives from BIC have been provided by way of a confidential addendum to the Third Report (the "Confidential Addendum"). In order to protect the confidentiality of the participants and the competitiveness of the lender search process, these documents will not be made public.

## **5. SEARCH FOR STRATEGIC BUYER OR PARTNER**

- 5.1 During the week ending January 25, 2019, pursuant to the proposed search process described in the Second Report of the Proposal Trustee, the Proposal Trustee distributed a one page teaser and non-disclosure agreement to fourteen parties identified by Management. These parties included gaming industry participants, print industry participants, and potential private investors.

- 5.2 After reviewing the teaser, nine parties executed non-disclosure agreements and were provided with copies of the CIM.
- 5.3 During the weeks following the release of the CIM, the Proposal Trustee and the Company held numerous discussions with the interested parties in order to answer questions and provide additional information.
- 5.4 As a result of the process, two interested parties submitted expressions of interest on February 15, 2019. Both expressions of interest constituted offers to purchase all or substantially all of the assets of the Company.
- 5.5 Furthermore on February 20, 2019, one of the interested parties conducted a site visit of the Company's production plant and held further discussions with Management.
- 5.6 As outlined in the section above, considerable progress has been made to date towards locating a potential strategic partner interested in supporting a proposal to the Company's creditors. However, additional time is required in order to clarify the terms of a proposal, hold further discussions with key financial stakeholders and to determine if adequate funds are available to fund a proposal.
- 5.7 In order to provide the Court and the senior secured creditors with the necessary information to make a decision on the Company's request for an additional extension, copies of expressions of interest received to date have been provided by way of a confidential addendum to the Third Report (the "Confidential Addendum"). In order to protect the confidentiality of the participants and the competitiveness of the investor search process, these documents will not be made public.

## **6. PROPOSAL TRUSTEE'S ACTIVITIES**

- 6.1 Since the date of the Second Report, the Proposal Trustee's activities have included, but were not limited to:
  - (i) monitoring actual cash flow and reporting on variances to the Second Extension Cash Flow;
  - (ii) administering both the lender and strategic buyer search processes including but not limited to:
    - a) tracking correspondence with interested parties;
    - b) fulfilling information requests provided by interested parties;
    - c) holding discussions with interested parties and Management; and
    - d) assisting Management with the preparation of various financial information in order to support the processes.
  - (iii) reviewing discussion papers received to date from potential lending sources;
  - (iv) reporting to the Court and the Service List pursuant to the Administration Charge Order; and
  - (v) conducting discussions with Management regarding potential restructuring options.



## 7. ACTUAL CASH FLOW

- 7.1 The Company previously filed with the Court the Second Extension Cash Flow pursuant to Section 50.4(2)(a)(b)(c) of the BIA for the 13-week period January 5, 2019 to April 5, 2019.
- 7.2 The Proposal Trustee has prepared a reconciliation of the actual cash flow for the six-week period January 5, 2019 to February 15, 2019 as compared to the Second Extension Cash Flow (the "Cash Flow Reconciliation"), which is contained within Appendix A to the Third Report.
- 7.3 The Proposal Trustee offers the following commentary with respect to material variances contained within the Cash Flow Reconciliation:
- (i) The \$112 thousand unfavorable variance related to the collection of existing accounts receivable is both timing and permanent in nature. Approximately \$64 thousand of the presented variance relates to a currency conversion error whereby receivables anticipated to be received in United States dollars ("USD") were converted to Canadian dollars twice. The remaining \$47 thousand variance is timing in nature and primarily relates to the slower than anticipated collection of one significant USD account receivable.
  - (ii) The \$404 thousand unfavorable variance related to the collection of new sales is timing in nature and primarily attributable to production delays resulting from technical problems and supply chain delays. Additional information regarding these variances is provided below:
    - a) Approximately \$291 thousand of the reported variance relates to the production of ALC related product as further described below:
      - During the period, the Company had projected to produce three games for ALC including one large game representing approximately \$340 thousand in total revenue. During production of this game a shipment of paper required to make the game was delayed. According to Management this delay was partially attributable to slower than anticipated receipts and the Company's current cash-on-delivery payment terms with paper suppliers. Furthermore, once the paper was received the Company experienced a number of technical problem which further delayed the production schedule. As at the date of this report, these technical problems have been resolved.
      - As a result of these delays, the final payment, estimated to be approximately \$170 thousand, has been delayed until the week ending March 8, 2019, three weeks later than originally projected.
      - In addition to the production delay described above, further delays were experienced due to delayed payments associated with two smaller ALC games. During the week ending February 15, 2019, a deposit for one game was received (approximately \$86 thousand). This deposit was originally anticipated to be received the week ending February 1, 2019. Payments related to the second game are anticipated to be received during the weeks February 22 and March 15, 2019 approximately four weeks later than originally anticipated.
    - b) The remaining timing variance related to new production sales anticipated to be received from nine smaller customers and Management has incorporated these variances into the Third Extension Cash Flow discussed further herein.
  - (iii) The \$22 thousand unfavorable variance related to other inflows relates to \$25 thousand of insurance proceeds, which was anticipated to be received during the

period. Management is working with the insurance provider and these proceeds are still anticipated to be received the week ending March 15, 2019.

- (iv) The \$274 thousand favorable variance related to materials and other is timing in nature and primarily attributable delayed payments to suppliers resulting from delayed inflows and production delays discussed in detail above.
- (v) The \$38 thousand favorable variance related to rent and rent related charges are both timing in nature. The rent payment for the month of February was made on Monday February 18, 2019, three days later than originally anticipated.
- (vi) The favorable variance related to general and administrative expenditures primarily consists of the following:
  - a) An approximate \$5 thousand variance related to lower than anticipated hiring and training costs.
  - b) An approximate \$14 thousand variance related to estimated accounting services required during the projection period. The majority of these services were anticipated in relation to the Company's December 31 year-end and have not yet been incurred by the Company.
  - c) An approximately \$7 thousand variance related to services rendered by Dawson Printing Equipment. A \$5 thousand USD payment was made to this supplier on February 18, 2019.
  - d) An approximate \$5 thousand variance related to estimated IT support services. These services relate to the Company's promotional product program with Chevron. An invoice has been received from this supplier and is projected to be paid during the period covered by the Third Extension Cash Flow.
  - e) An approximate \$8.5 thousand variance related to utilities. Invoices have been received related to utilities and is projected to be paid during the period covered by the Third Extension Cash Flow.
  - f) An approximate \$4 thousand variance related to the final payment on a leased company vehicle and estimated costs associated with repairs of other Company vehicles.
  - g) An approximate \$3 thousand timing variance related to the payment of EDC premium.
  - h) An approximate \$1.9 thousand variance related to cleaning and environmental services. An invoice have been received from this supplier and is projected to be paid during the period covered by the Third Extension Cash Flow.
  - i) An approximate \$12 thousand unfavorable variance related to weekly consumable purchases from Heidelberg Graphic Equipment Ltd.
- (vii) The \$61 thousand positive variance related to professional fees is both timing and permanent in nature. As at February 15, 2018, the Proposal Trustee had two outstanding invoices with the Company for a total balance owing of \$34 thousand. Additional legal counsel of the Company also had one outstanding invoice representing a balance of \$9 thousand. On Monday February 18, 2019, the Company made two payments to professionals in order to settle BoyneClarke invoice in full and reducing the balance owing to the Proposal Trustee to \$22 thousand. Payment of this outstanding invoice has been incorporated into the Third Extension Cash Flow. The remaining permanent variance of \$18 thousand relates to lower than anticipated professional fees incurred during the period.

7.4 Additionally, the Proposal Trustee would like to advise the Court that as at the date of the Third Report, all payments to Servi-Jeux have been properly supported by third party invoices.

## **8. CASH FLOW STATEMENTS**

8.1 On February 26, 2019, pursuant to Section 50.4(2) (a) (b) (c) of the BIA, the Company filed the Third Extension Cash Flow, along with the statutory declarations with the Official Receiver. A copy of the Third Extension Cash Flow is enclosed as Appendix B.

8.2 The Third Extension Cash Flow has been prepared by Management for the purpose described in the notes to the Third Extension Cash Flow, using the probable and hypothetical assumptions set out in the notes.

8.3 The Proposal Trustee's review of the Third Extension Cash Flow consisted of inquiries, analytical procedures and discussions on the information provided by Management of the Company. The Proposal Trustee's involvement with respect to the hypothetical assumptions was limited to evaluating whether they were consistent with the purpose of the Third Extension Cash Flow. The Proposal Trustee has also reviewed the supporting documentation provided by Management of the Company for the probable assumptions and the preparation and presentation of the Third Extension Cash Flow.

8.4 Based on our review and the foregoing reserves and limitations, nothing has come to the attention of the Proposal Trustee that causes us to believe that, in all material respects:

- (i) the hypothetical assumptions are not consistent with the purpose of the Third Extension Cash Flow;
- (ii) as at the date of this Third Report, the probable assumptions developed by the Company are not suitably supported and consistent with the plans of the Company or do not provide a reasonable basis for the Third Extension Cash Flow, given the hypothetical assumptions; or
- (iii) the Third Extension Cash Flow does not reflect the probable and hypothetical assumptions.

8.5 Since the Third Extension Cash Flow is based on assumptions regarding future events, actual results will vary from the information presented, even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Proposal Trustee does not express an opinion to whether the projections in the Third Extension Cash Flow will be achieved.

8.6 The Third Extension Cash Flow has been prepared solely for the purpose described in the notes to the Third Extension Cash Flow, and readers are cautioned that the Third Extension Cash Flow may not be appropriate for other purposes.

8.7 The Proposal Trustee has reviewed the Third Extension Cash Flow and offers the following commentary:

- (i) As previously indicated during the Trustee's First and Second Report, a significant portion of the revenues projected to be received during the period covered by the Third Extension Cash Flow are related to the existing contract with ALC. These revenues have been projected based on a production schedule maintained by ALC and Management's expectations regarding timing of the demand for games.
- (ii) The Second Extension Cash Flow also includes revenues generated from BCLC. On February 19, 2019, the Company received a new long-term service agreement (5

years, with a 5 year option to extend) with BCLC. Management anticipate that this contract will be mutually signed in the near future and Management are currently projecting four games to be produced during the projection period.

- (iii) Collection of existing accounts receivable represents the receipt of outstanding accounts as at February 12, 2019. The collection of these amounts is based on Management expectations taking into consideration prior interactions with customers. Historically, sales to ALC do not result in the generation of an accounts receivable balance as payment for these games is often received during the week the game is shipped.
- (iv) Other inflows anticipated to be received during the period include new sales with customers other than ALC and BCLC. Sales to these customers represent smaller purchases of tickets and are not traditionally governed by long-term service agreements.
- (v) Cost of goods sold consists primarily of expenditures on paper, ink, glues, transportation costs and labor. Due to the niche nature of the paper being provided, the majority of paper suppliers have required payment for product prior to it being shipped to the Company. One paper supplier has refused to sell paper directly to the Company and this supply of paper is purchased by Servi-Jeux, and subsequently sold to the Company.
- (vi) Outside of the professional fees associated with the restructuring, significant general and administrative expenses consist primarily of wages and related expenditures to non-production staff, monthly rent and related charges, utilities, supplies, licensing fees and insurance premiums. These costs have been projected based on historical rates taking into consideration the effects of the stay of proceeding.
- (vii) As at February 21, 2019, the Company had outstanding post filing accounts payable balances with suppliers totaling approximately \$223 thousand. The majority of this balance relates to purchases made on the Company's behalf by Servi-Jeux (approximately \$105 thousand) and 95% of the balance is either current or less than 60 days aged. Payment of these accounts payable balances have been included in the Third Extension Cash Flow.
- (viii) Based on the outcomes presented in the Third Extension Cash Flow, it is not anticipated at this time that the Company will require debtor-in-possession financing during the period contemplated in the Third Extension Cash Flow.

## **9. INVOICES OF INSOLVENCY PROFESSIONALS**

- 9.1 Pursuant to the Administration Charge order granted by the Court, the Proposal Trustee and legal counsel of the Company have been rendering invoices to the Company on a bi-weekly basis and informing the Court and the Service list when these invoices remain outstanding for longer than five days. Copies of the letter submitted to the Court in this regard are enclosed herein as Appendix C.
- 9.2 As at the date of the Third Report, the amount of professional invoices outstanding secured by the Administration Charge is approximately \$22 thousand. Based on the outcomes presented in the Third Extension Cash Flow, the outstanding invoice of the Proposal Trustee will be paid during the week ending March 1, 2019.

## **10. STAY EXTENSION APPLICATION**

- 10.1 As discussed in previous reports of the Proposal Trustee, the ability of the Company to file a viable proposal is dependent on being provided the necessary time to source alternative financing and/or an equity investment. Since the date of the Second Report, significant progress has been made in order to achieve this desired outcome, however, additional time is required in order to finalize negotiations with interested parties.
- 10.2 The Proposal Trustee is of the opinion that the Company has acted and is acting in good faith and with due diligence in connection with the efforts to date related to the preparation of a restructuring plan and a proposal to creditors.
- 10.3 The Proposal Trustee believes that a 45 day extension will enhance the prospect of the Company filing a viable proposal to its creditors. As described herein, to date the Company has received formal expressions of interest from both parties interested in providing alternative financing, and parties interested in purchasing the assets of the business. However, additional time is required to explore these restructuring alternatives and bring forth a proposal to the Company's creditors.
- 10.4 The Trustee notes that the Company's customers and suppliers have continued to support the Company since the NOI Filing. Business has continued as anticipated by the Company and as presented in the cash flow projection filed to date, subject to the variances as discussed herein. The Proposal Trustee is of the opinion that no creditor would be materially prejudiced by the extension as requested by the Company.
- 10.5 In the absence of an extension, the Company will not be in a position to file a proposal before March 5, 2019 and as such, will be deemed bankrupt. The Proposal Trustee is of the view that more time is required to negotiate with interested parties and to allow the Company to assess its options in drafting a proposal which the Proposal Trustee believes will result in a higher return to the Company's creditors as compared to a liquidation scenario in the event the Company is deemed bankrupt.
- 10.6 Based on the foregoing, the Proposal Trustee supports the Company's application for an Order extending the amount of time for the Company to file a proposal to its creditors.

## **11. CONCLUSION**

- 11.1 The Third Report has been prepared to provide this Court with information regarding the activities of the Company since the date of the Second Report, an update regarding the search for alternative financing, an update regarding the search for a strategic buyer or partner, the activities of the Proposal Trustee since the date of the Second Report, a review of the Second Extension Cash Flow, an update regarding invoices of restructuring professionals, a summary of the Third Extension Cash Flow and its outcomes, and a review of the Company's Application for an Extension Order pursuant to s. 50.4 (7) of the BIA.

### **DELOITTE RESTRUCTURING INC.**

Acting in its capacity as

Licensed Insolvency Trustee under the Notice of Intention to Make a Proposal of British Confectionery Company Limited and British Bazaar Company Limited and not in its personal capacity.

Per:



**Mathew Harris, FCPA, FCA, CIRP, LIT**  
Senior Vice President

**APPENDIX A – CASH FLOW RECONCILIATION**

British Confectionery Company Limited and British Bazaar Companies Limited																					
Variance Analysis - Consolidated Statement of Projected Cash Flows																					
For the period January 5 to February 15, 2019																					
Week ending (Friday)	1/11/2019			1/18/2019			1/25/2019			2/1/2019			2/8/2019			2/15/2019			Cumulative		
	Projected	Actual	Variance	Projected	Actual	Variance	Projected	Actual	Variance	Projected	Actual	Variance	Projected	Actual	Variance	Projected	Actual	Variance	Projected	Actual	Variance
<b>Cash inflows</b>																					
Collection of existing accounts receivable	30,659	8,777	(21,883)	33,646	33,458	(187)	84,795	35,837	(48,958)	106,359	24,815	(81,544)	-	16,772	16,772	14,778	38,564	23,786	270,238	158,224	(112,014)
New production	8,400	8,769	369	326,046	9,352	(316,694)	104,235	311,546	207,311	86,000	30,276	(55,724)	29,160	23,977	(5,183)	329,042	95,265	(233,777)	882,883	479,186	(403,697)
Other	-	10,000	10,000	-	28,334	28,334	26,000	(9,903)	(35,903)	25,000	-	(25,000)	-	97	97	-	-	-	51,000	28,528	(22,472)
<b>Total inflows A</b>	<b>39,059</b>	<b>27,546</b>	<b>(11,514)</b>	<b>359,692</b>	<b>71,145</b>	<b>(288,547)</b>	<b>215,030</b>	<b>337,481</b>	<b>122,450</b>	<b>217,359</b>	<b>55,091</b>	<b>(162,268)</b>	<b>29,160</b>	<b>40,846</b>	<b>11,686</b>	<b>343,820</b>	<b>133,830</b>	<b>(209,990)</b>	<b>1,204,121</b>	<b>665,938</b>	<b>(538,183)</b>
<b>Cash outflows</b>																					
Cost of goods sold																					
Compensation	40,000	19,209	20,791	-	9,524	(9,524)	45,000	51,962	(6,962)	-	1,200	(1,200)	45,000	40,711	4,289	-	599	(599)	130,000	123,205	6,795
Materials and other	-	-	-	118,500	18,300	100,200	106,248	120,462	(14,214)	10,000	15,514	(5,514)	109,248	26,274	82,974	116,248	5,711	110,537	460,244	186,261	273,983
Overhead expenses																					
Compensation	25,950	12,462	13,488	-	6,179	(6,179)	25,950	33,710	(7,760)	-	-	-	25,950	26,411	(461)	-	-	-	77,850	78,762	(912)
Compensation related expenditures	-	-	-	13,000	13,626	(626)	817	-	817	-	1,508	(1,508)	13,000	-	13,000	-	12,974	(12,974)	26,817	28,108	(1,291)
Rent	-	-	-	33,913	33,913	-	5,000	-	5,000	-	-	-	-	-	-	33,913	-	33,913	72,826	33,913	38,913
General and administrative	8,481	6,825	1,656	58,015	12,561	45,455	25,520	14,260	11,260	16,750	43,246	(26,496)	18,014	12,509	5,505	23,043	26,304	(3,261)	149,823	115,704	34,118
Sales taxes payable (refund)	-	-	-	-	-	-	-	-	-	(5,876)	5,524	(11,400)	-	-	-	-	(2,466)	2,466	(5,876)	3,059	(8,934)
<b>Total outflows from operations</b>	<b>74,431</b>	<b>38,496</b>	<b>35,934</b>	<b>223,428</b>	<b>94,102</b>	<b>129,326</b>	<b>208,535</b>	<b>220,394</b>	<b>(11,859)</b>	<b>20,874</b>	<b>66,992</b>	<b>(46,118)</b>	<b>211,212</b>	<b>105,905</b>	<b>105,307</b>	<b>173,204</b>	<b>43,122</b>	<b>130,081</b>	<b>911,684</b>	<b>569,012</b>	<b>342,672</b>
<b>Professional Fees</b>																					
BoyerClarke - Company Counsel	-	-	-	10,000	-	10,000	11,500	-	11,500	-	-	-	11,500	-	11,500	-	9,116	(9,116)	33,000	9,116	23,884
Deloitte Restructuring Inc. - Proposal Trustee	-	-	-	24,214	-	24,214	25,000	24,214	787	-	-	-	25,000	-	25,000	-	12,559	(12,559)	74,214	36,772	37,441
	-	-	-	34,214	-	34,214	36,500	24,214	12,287	-	-	-	36,500	-	36,500	-	21,675	(21,675)	107,214	45,888	61,325
<b>Total outflows B</b>	<b>74,431</b>	<b>38,496</b>	<b>35,934</b>	<b>257,642</b>	<b>94,102</b>	<b>163,540</b>	<b>245,035</b>	<b>244,608</b>	<b>427</b>	<b>20,874</b>	<b>66,992</b>	<b>(46,118)</b>	<b>247,712</b>	<b>105,905</b>	<b>141,807</b>	<b>173,204</b>	<b>64,797</b>	<b>108,407</b>	<b>1,018,897</b>	<b>614,900</b>	<b>403,997</b>
<b>Weekly cash flow (A-B)</b>	<b>(35,371)</b>	<b>(10,951)</b>	<b>24,421</b>	<b>102,050</b>	<b>(22,957)</b>	<b>(125,007)</b>	<b>(30,005)</b>	<b>92,873</b>	<b>122,877</b>	<b>196,485</b>	<b>(11,901)</b>	<b>(208,386)</b>	<b>(218,552)</b>	<b>(65,059)</b>	<b>153,493</b>	<b>170,616</b>	<b>69,033</b>	<b>(101,584)</b>	<b>185,224</b>	<b>51,038</b>	<b>(134,186)</b>
<b>Opening cash balance</b>	<b>46,271</b>	<b>46,346</b>	<b>75</b>	<b>10,900</b>	<b>35,395</b>	<b>-</b>	<b>112,950</b>	<b>12,438</b>	<b>(100,512)</b>	<b>82,945</b>	<b>105,311</b>	<b>22,365</b>	<b>279,430</b>	<b>93,410</b>	<b>(186,021)</b>	<b>60,879</b>	<b>28,351</b>	<b>(32,528)</b>	<b>46,271</b>	<b>46,346</b>	<b>75</b>
<b>Projected ending cash balance</b>	<b>10,900</b>	<b>35,395</b>	<b>24,495</b>	<b>112,950</b>	<b>12,438</b>	<b>(100,512)</b>	<b>82,945</b>	<b>105,311</b>	<b>22,365</b>	<b>279,430</b>	<b>93,410</b>	<b>(186,021)</b>	<b>60,879</b>	<b>28,351</b>	<b>(32,528)</b>	<b>231,495</b>	<b>97,384</b>	<b>(134,111)</b>	<b>231,495</b>	<b>97,384</b>	<b>(134,111)</b>



**APPENDIX B – THIRD EXTENSION CASH FLOW**

**District of** Newfoundland and Labrador  
**Division No.** 01 – Newfoundland and Labrador  
**Court No.** 22375 & 22376  
**Estate No.** 51-2440230 & 51-2440231

The management of British Confectionery Company Limited and British Bazaar Company Limited (the "Insolvent Companies") has developed the assumptions and prepared the attached statement of projected cash flow of the Insolvent Companies, as of the 25<sup>th</sup> day of February 2019, consisting of weekly cash flows for the period February 16<sup>th</sup> to May 3<sup>rd</sup>, 2019.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in Note A, and the probable assumptions are suitably supported and consistent with the plans of the Insolvent Companies and provide a reasonable basis for the projection. All such assumptions are disclosed in Note B.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in Note A, using a set of hypothetical and probable assumptions set out in Note B. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at St. John's, Newfoundland and Labrador this 25<sup>th</sup> day of February, 2019.

**British Confectionery Company Limited and British Bazaar Company Limited**

Per:



**Blair Connolly**  
President

**District of** Newfoundland and Labrador  
**Division** 01 – Newfoundland and Labrador  
**Court No.** 22375 & 22376  
**Estate No.** 51-2440230 & 51-2440231

**Note A:**

The statement of projected cash flow is being filed pursuant to *Bankruptcy and Insolvency Act s. 50.4(2)* in association with the Notice of Intention to Make a Proposal by British Confectionery Company Limited and British Bazaar Company Limited (collectively the "Insolvent Companies") using the probable and hypothetical assumptions set out in Note B.

**Note B:**

The following assumptions were used by Management in the preparation of the statement of projected cash flow of the Insolvent Companies:

Operating Inflows

- Collection of existing accounts receivable is projected based on the books and records of the Insolvent Companies as at February 12, 2019. The collection of these amounts is based on Management expectations taking into consideration existing payment terms with customers.
- New production represents the collection of amounts relating to games currently approved by customers which have not yet been produced and new orders anticipated by the Insolvent Companies. Amounts related to new production are projected to be collected based on existing contract terms with customers, the current production schedule of the Insolvent Companies and Management expectations. Further information regarding the collection of these amounts, which reflects the past experience of Management, is outlined below:
  - Production deposits – certain customers provide the Insolvent Companies with deposits prior to the production of games. These deposits are assumed to be received during the week the game is approved by the customer.
  - Residual balance – for customers who provide deposits, the residual balance is projected to be received during the week following the fulfillment of the order.

Non-operating Inflows

- Other inflows include the following:
  - Insurance proceeds in relation to a fire which occurred during late fiscal 2017. This claim has been presented to the insurance provider, however, the amount of the claim which will be accepted and subsequently paid is unknown at this time. The amount included in the projections represents a conservative estimate taking into consideration potential reductions in the claimed amount by the insurer.

## Operating Outflows

- Cost of goods sold during the projection period is comprised of the following:
  - Compensation and related expenditures including all statutory remittances. The amounts incorporated into the projection are based on current employment levels and management's expectations during the period covered by the projection.
  - Materials and other expenditures represent the anticipated cost of paper products, ink, plates, and other consumables used in production. These estimates are based on Management's experience and estimates received from key suppliers taking into consideration the current production schedule.
- Overhead expenses during the projection period is comprised of the following:
  - Compensation and related expenditures consist of wages payable to administrative and sales staff, including all statutory remittances.
  - Rent represents monthly rent expense associated with the Insolvent Companies' production facility. Additional costs included in this amount includes costs related to snow clearing, property maintenance and various municipal taxes. The majority of additional costs are charged on a quarterly basis.
  - General and administrative expenses are based on historical amounts taking into account the effect of the stay of proceedings.

## Due diligence and other fees

- Due diligence and other fees are estimated based on financing offers received to date and the associated due diligence fees anticipated to be incurred by Management. These costs include up-front fees paid to potential financial institutions and fees associated with necessary asset appraisals.

## HST/PST Payments (Refunds)

- Government sales taxes payable and receivable are estimated based on projected sales, expenses anticipated during the period covered by the projections and actual cash inflows and outflows observed during the prior projection period.

## Professional fees

- Professional fees are based on estimates provided by the various professional service firms involved in the administration of this estate.

Dated at St. John's, Newfoundland and Labrador this 25<sup>th</sup> day of February, 2019.

**British Confectionery Company Limited and British Bazaar Company Limited**

Per:

  
**Blair Connolly**  
President

# Deloitte.

**District of** Newfoundland and Labrador  
**Division No.** 01 – Newfoundland and Labrador  
**Court No.** 22375 & 22376  
**Estate No.** 51-2440230 & 51-2440231

The attached consolidated statement of projected cash flow of British Confectionery Company Limited and British Bazaar Company Limited (collectively the “Insolvent Companies”), consisting of weekly projections through the week beginning February 16, 2019 to the week ending May 3<sup>rd</sup>, 2019 has been prepared by the management of the Insolvent Companies for the purpose described in Note A, using the probable and hypothetical assumptions set out in Note B.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied to us by the management and employees of the Insolvent Companies. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by management for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

- (a) the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the Insolvent Companies or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the probable and hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in Note A, and readers are cautioned that it may not be appropriate for other purposes.

Dated at Halifax, NS this 25<sup>th</sup> day of February, 2019.

**DELOITTE RESTRUCTURING INC.**

Acting in its capacity as  
Trustee under the Notice of Intention to Make a Proposal of  
British Confectionery Company Limited and British Bazaar Company Limited  
and not in its personal capacity

Per:




**Mathew Harris, FCPA, FCA, CIRP, LIT**  
Senior Vice President


British Confectionery Company Limited and British Bazaar Companies Limited  
 Consolidated Statement of Projected Cash Flows  
 For the period February 16 to May 3, 2019

Week ending (Friday)	1 2/22/2019	2 3/1/2019	3 3/8/2019	4 3/15/2019	5 3/22/2019	6 3/29/2019	7 4/5/2019	8 4/12/2019	9 4/19/2019	10 4/26/2019	11 5/3/2019	Total
<b>Cash inflows</b>												
Collection of existing accounts receivable	14,984	116,225	51,598	31,605	17,236	-	14,814	-	-	-	-	246,260
New production	86,883	-	261,875	110,000	222,140	148,520	229,800	174,000	-	236,500	288,387	1,768,115
Other	97	-	-	25,000	-	-	-	-	-	-	-	25,097
<b>Total Inflows A</b>	<b>101,963</b>	<b>116,225</b>	<b>313,473</b>	<b>166,605</b>	<b>239,376</b>	<b>148,520</b>	<b>244,414</b>	<b>174,000</b>	<b>-</b>	<b>236,500</b>	<b>288,387</b>	<b>2,039,472</b>
<b>Cash outflows</b>												
Cost of goods sold												
Compensation	41,701	-	45,000	-	45,000	-	45,000	-	45,000	-	45,000	266,701
Materials and other	9,541	34,250	89,998	33,250	81,488	89,498	32,250	59,248	3,000	89,498	171,496	713,627
Overhead expenses												
Compensation	26,661	-	27,150	-	30,854	-	30,854	-	30,854	-	30,854	177,227
Compensation related expenditures	-	817	21,990	-	5,817	-	13,000	-	-	5,817	13,000	60,441
Rent	33,913	-	-	64,913	-	-	-	-	33,913	-	-	132,739
General and administrative	33,911	34,985	78,784	29,643	33,338	10,750	50,886	16,132	31,800	11,250	34,414	363,892
Due diligence and other fees	-	-	35,000	-	-	-	-	-	-	10,000	-	45,000
Sales taxes payable (refund)	-	1,950	14,183	-	-	1,981	14,201	(2,334)	-	-	-	29,960
<b>Total outflows from operations</b>	<b>145,727</b>	<b>72,002</b>	<b>320,084</b>	<b>127,806</b>	<b>206,506</b>	<b>102,229</b>	<b>188,191</b>	<b>73,047</b>	<b>144,567</b>	<b>118,565</b>	<b>294,764</b>	<b>1,789,487</b>
<b>Professional Fees</b>												
BoyneClarke - Company Counsel	9,116	-	18,000	-	-	11,000	-	11,000	-	11,000	-	60,116
Deloitte Restructuring Inc. - Proposal Trustee	12,559	21,965	10,678	25,000	-	25,000	-	25,000	-	25,000	-	145,201
<b>Total outflows B</b>	<b>167,401</b>	<b>93,967</b>	<b>348,762</b>	<b>152,806</b>	<b>206,506</b>	<b>138,229</b>	<b>188,191</b>	<b>109,047</b>	<b>144,567</b>	<b>152,565</b>	<b>294,764</b>	<b>1,994,804</b>
<b>Weekly cash flow (A-B)</b>	<b>(85,438)</b>	<b>22,258</b>	<b>(35,289)</b>	<b>13,799</b>	<b>32,869</b>	<b>10,291</b>	<b>58,223</b>	<b>64,953</b>	<b>(144,567)</b>	<b>83,935</b>	<b>3,633</b>	<b>44,668</b>
<b>Opening cash balance</b>	<b>93,587</b>	<b>28,149</b>	<b>50,406</b>	<b>15,117</b>	<b>28,916</b>	<b>61,785</b>	<b>72,077</b>	<b>130,300</b>	<b>195,253</b>	<b>50,886</b>	<b>134,621</b>	<b>93,587</b>
<b>Projected ending cash balance</b>	<b>28,149</b>	<b>50,406</b>	<b>15,117</b>	<b>28,916</b>	<b>61,785</b>	<b>72,077</b>	<b>130,300</b>	<b>195,253</b>	<b>50,886</b>	<b>134,621</b>	<b>138,255</b>	<b>138,255</b>

British Confectionery Company Limited and British Bazaar Companies Limited

Per:   
 Blair Connolly  
 President

**DELOITTE RESTRUCTURING INC.**  
 Acting in its capacity as Licensed Insolvency Trustee under  
 the Notice of Intention to Make a Proposal of British Confectionery  
 Company Limited and British Bazaar Companies Limited and not  
 in its personal capacity.

Per:   
 Mathew Harris, FCPA, FCA, CIRP, LIT  
 Senior Vice President

**British Confectionery Company Limited and British Bazaar Companies Limited**  
**Consolidated Statement of Projected Cash Flows**  
**For the period February 16 to May 3, 2019**

Week ending (Friday)	1 2/22/2019	2 3/1/2019	3 3/8/2019	4 3/15/2019	5 3/22/2019	6 3/29/2019	7 4/5/2019	8 4/12/2019	9 4/19/2019	10 4/26/2019	11 5/3/2019	Total
<b>Cash inflows</b>												
Collection of existing accounts receivable	14,984	116,225	51,598	31,605	17,236	-	14,614	-	-	-	-	246,260
New production	86,883	-	261,875	110,000	222,140	148,520	229,800	174,000	-	236,500	298,397	1,768,115
Other	97	-	-	25,000	-	-	-	-	-	-	-	25,097
<b>Total inflows A</b>	<b>101,963</b>	<b>116,225</b>	<b>313,473</b>	<b>166,605</b>	<b>239,376</b>	<b>148,520</b>	<b>244,414</b>	<b>174,000</b>	<b>-</b>	<b>236,500</b>	<b>298,397</b>	<b>2,039,472</b>
<b>Cash outflows</b>												
Cost of goods sold												
Compensation	41,701	-	45,000	-	45,000	-	45,000	-	45,000	-	45,000	266,701
Materials and other	9,541	34,250	99,998	33,250	91,498	89,498	32,250	59,248	3,000	89,498	171,496	713,527
Overhead expenses												
Compensation	26,661	-	27,150	-	30,854	-	30,854	-	30,854	-	30,854	177,227
Compensation related expenditures	-	817	21,990	-	5,817	-	13,000	-	-	5,817	13,000	60,441
Rent	33,913	-	-	64,913	-	-	-	-	-	33,913	-	132,739
General and administrative	33,911	34,985	76,784	29,643	33,338	10,750	50,886	16,132	31,800	11,250	34,414	363,892
Due diligence and other fees	-	-	35,000	-	-	-	-	-	-	10,000	-	45,000
Sales taxes payable (refund)	-	1,950	14,163	-	-	1,981	14,201	(2,334)	-	-	-	29,960
<b>Total outflows from operations</b>	<b>145,727</b>	<b>72,002</b>	<b>320,084</b>	<b>127,806</b>	<b>206,506</b>	<b>102,229</b>	<b>186,191</b>	<b>73,047</b>	<b>144,567</b>	<b>116,565</b>	<b>294,764</b>	<b>1,789,487</b>
<b>Professional Fees</b>												
BoyneClarke - Company Counsel	9,116	-	18,000	-	-	11,000	-	11,000	-	11,000	-	60,116
Deloitte Restructuring Inc. - Proposal Trustee	12,559	21,965	10,678	25,000	-	25,000	-	25,000	-	25,000	-	145,201
	21,675	21,965	28,678	25,000	-	36,000	-	36,000	-	36,000	-	205,317
<b>Total outflows B</b>	<b>167,401</b>	<b>93,967</b>	<b>348,762</b>	<b>152,806</b>	<b>206,506</b>	<b>138,229</b>	<b>186,191</b>	<b>109,047</b>	<b>144,567</b>	<b>152,565</b>	<b>294,764</b>	<b>1,994,804</b>
<b>Weekly cash flow (A-B)</b>	<b>(65,438)</b>	<b>22,258</b>	<b>(35,289)</b>	<b>13,799</b>	<b>32,869</b>	<b>10,291</b>	<b>58,223</b>	<b>64,953</b>	<b>(144,567)</b>	<b>83,935</b>	<b>3,633</b>	<b>44,668</b>
<b>Opening cash balance</b>	<b>93,587</b>	<b>28,149</b>	<b>50,406</b>	<b>15,117</b>	<b>28,916</b>	<b>61,785</b>	<b>72,077</b>	<b>130,300</b>	<b>195,253</b>	<b>50,686</b>	<b>134,621</b>	<b>93,587</b>
<b>Projected ending cash balance</b>	<b>28,149</b>	<b>50,406</b>	<b>15,117</b>	<b>28,916</b>	<b>61,785</b>	<b>72,077</b>	<b>130,300</b>	<b>195,253</b>	<b>50,686</b>	<b>134,621</b>	<b>138,255</b>	<b>138,255</b>

**British Confectionery Company Limited and British Bazaar Companies Limited**

Per:

**Blair Connolly**  
 President

**DELOITTE RESTRUCTURING INC.**

Acting in its capacity as Licensed Insolvency Trustee under the Notice of Intention to Make a Proposal of British Confectionery Company Limited and British Bazaar Companies Limited and not in its personal capacity.

Per:



**Mathew Harris, FCPA, FCA, CIRP, LIT**  
 Senior Vice President

**APPENDIX C – LETTERS TO THE COURT AND SERVICE LIST**



February 6, 2018

Via email: michellehillier@supreme.court.nl.ca

Hon. Justice Sitting in Chambers  
Supreme Court of Newfoundland and Labrador  
General Division Courthouse  
309 Duckworth Street  
P.O. Box 937  
St. John's NL A1C 5M3

Dear Lord/Lady:

**Subject: Administration Charge Order**

Pursuant to Subsection 11 and 12 of the Administration Charge Order (the "Order") approved by Justice Burrage on January 15, 2019, the Proposal Trustee rendered accounts to British Confectionery Company Limited and British Bazaar Company Limited (collectively, the "Company") on Tuesday, January 29, 2019. The Proposal Trustee would like to advise the Court and the Service List that as of close of business on Tuesday, February 5, 2019, our invoice has not been paid.

The Proposal Trustee has reviewed and discussed the recent cash flow activities of the Company with Management, and have been advised that the delayed receipt of a significant account receivable has forced the Company to delay the payment of the Proposal Trustee's invoice. According to Management, this delay is a timing issue and it is anticipated that this account will be received prior to close of business on Friday, February 8, 2019 at which time all accounts of the Proposal Trustee will be made current.

**DELOITTE RESTRUCTURING INC.**

Acting in its capacity as Licensed Insolvency Trustee under the Notice of Intention to Make a Proposal of British Confectionery Company Limited and British Bazaar Company Limited and not in its personal capacity.

**Per:**



**Mathew Harris, FCPA, FCA, CIRP, LIT**  
Senior Vice President

cc. Service List

February 11, 2018

Via email: michellehillier@supreme.court.nl.ca

Hon. Justice Sitting in Chambers  
Supreme Court of Newfoundland and Labrador  
General Division Courthouse  
309 Duckworth Street  
P.O. Box 937  
St. John's NL A1C 5M3

Dear Lord/Lady:

**Subject: Administration Charge Order**

Pursuant to Subsection 11 and 12 of the Administration Charge Order (the "Order") approved by Justice Burrage on January 15, 2019, the Proposal Trustee rendered accounts to British Confectionery Company Limited and British Bazaar Company Limited (collectively, the "Company") on Tuesday, January 29, 2019. Additionally BoyneClarke LLP, legal counsel of the Company, also rendered an account on Friday, February 1, 2019. The Proposal Trustee would like to advise the Court and the Service List that as of close of business on Friday, February 8, 2019, these accounts remain unpaid.

As noted in its letter to the Court on February 6, 2019, the delayed receipt of a significant account receivable forced the Company to delay the payment of professional fee invoices, however, it was anticipated that a payment would be received prior to close of business on Friday, February 8, 2019. This payment was not received as contemplated, however, Management have advised the Proposal Trustee that the payment is in transit by way of courier and a tracking number has been provided to the Proposal Trustee.

**DELOITTE RESTRUCTURING INC.**

Acting in its capacity as Licensed Insolvency Trustee under the Notice of Intention to Make a Proposal of British Confectionery Company Limited and British Bazaar Company Limited and not in its personal capacity.

**Per:**



**Mathew Harris, FCPA, FCA, CIRP, LIT**  
Senior Vice President

cc. Service List

February 20, 2019

Via email: michellehillier@supreme.court.nl.ca

Hon. Justice Sitting in Chambers  
Supreme Court of Newfoundland and Labrador  
General Division Courthouse  
309 Duckworth Street  
P.O. Box 937  
St. John's NL A1C 5M3

Dear Lord/Lady:

**Subject: Administration Charge Order**

As noted in its letter to the Court on February 11, 2019, both the Proposal Trustee and BoyneClarke LLP were waiting payment for outstanding professional services rendered to British Confectionery Company Limited and British Bazaar Company Limited (collectively, the "Company"). As of Monday February 18, 2018 both of these invoices have been paid by the Company.

Pursuant to Subsection 11 and 12 of the Administration Charge Order (the "Order") approved by Justice Burrage on January 15, 2019, the Proposal Trustee rendered accounts to British Confectionery Company Limited and British Bazaar Company Limited (collectively, the "Company") on Tuesday, February 12, 2019. The Proposal Trustee would like to advise the Court and the Service List that as of close of business on Tuesday, February 19, 2019, this account remains unpaid.

**DELOITTE RESTRUCTURING INC.**

Acting in its capacity as Licensed Insolvency Trustee under the Notice of Intention to Make a Proposal of British Confectionery Company Limited and British Bazaar Company Limited and not in its personal capacity.

**Per:**



**Mathew Harris, FCPA, FCA, CIRP, LIT**  
Senior Vice President

cc. Service List