

TO ALL KNOWN CREDITORS

18 September 2019

Ref: R/SJW/RH/JG/NWM1306/PCF

Direct line: 0161 234 6455
Email: jgillie@uk.ey.com

Please ask for James Gillie

Dear Sirs

JB Realisations Limited (formerly known as Jones Bootmaker Limited) (in Administration) ('the Company')

High Court of Justice, Business and Property Courts in Manchester – Company and Insolvency List (CHD), Number 2173/2018

I write, in accordance with Rule 18.3 of the Insolvency (England and Wales) Rules 2016, to provide creditors with a report on the progress of the Administration. This report covers the period from 26 February 2019 to 25 August 2019 (**'the Period'**) and should be read in conjunction with our previous reports dated 21 March 2019, 21 September 2018 and the Joint Administrators' Statement of Proposals dated 5 March 2018 (**'the Proposals'**). Statutory information about the Company, the Administration and the office holders is given at Appendix A.

Summary of progress since last report

Sale of business and assets

As previously reported, shortly following our appointment we completed a sale of the majority of the Company's business and assets to Pavers Limited (**'Pavers'**) for total consideration of £4.17m, of which £0.95m was deferred and retained by Pavers subject to a number of post-transaction conditions.

At the date of our previous report, it had been agreed that Pavers was entitled to retain £0.7m of this deferred consideration. A balance of £0.25m remains withheld pending the resolution of other post-transaction conditions in relation to tax matters.

We have continued to engage with Pavers and their legal advisors during the Period to seek resolution of these matters.

At this stage, the outcome in relation to these matters remains uncertain. We are therefore unable to provide an accurate realisation estimate and will provide a further update in our next progress report.

Retail stores

At the time of our previous report, 31 of the 40 stores which Pavers had been occupying under a licence to occupy had been transferred to Pavers, and a further 8 had been exited by Pavers.

During the Period, the final remaining property covered by the licence to occupy was transferred to Pavers, to bring the total number of properties transferred to 32.

Licence fee income

During the Period, £27.6k of income was received from Pavers. These funds were used to discharge property-related costs.

Additional property consideration

Under the terms of the sale, additional property consideration totalling £10.0k was payable to the Company. I am pleased to report that this additional consideration has been received during the Period and is included within 'property leases' in the Receipts and Payments account at Appendix B, together with £60.0k of consideration previously reported.

We do not anticipate any further realisations from this source.

Other assets

Rent deposits

At the date of our previous report, rent deposits totalling £279.4k had been realised in connection with stores transferred to Pavers.

During the Period, further rent deposits totalling c.£27.6k have been received.

We do not anticipate any further realisations from this source.

Prepayments

During the Period, a further £37.3k was received in respect of prepayments returned to the Company, taking total realisations to £687.7k.

We do not anticipate any further realisations from this source.

Cash in transit at date of appointment

During the Period, £5.3k was received from JTB Realisations Limited (formerly in Administration) ('JTB') relating to pre-appointment sales withheld by JTB pending reconciliation of the sales ledger.

We do not anticipate any further realisations from this source.

Bank interest

As detailed at Appendix B, £2.6k of bank interest has been received during the Period.

Other

During the Period, £1.2k of additional income was received, relating to transitional services and a contribution to the Administrators' costs by Pavers Limited.

We do not anticipate any further realisations from this source.

Other matters

Taxation

We have instructed EY tax specialists to prepare corporation tax returns for the Company, on an ongoing basis, as required.

Receipts and payments account

A summary of our receipts and payments for the Period is attached at Appendix B. It does not reflect estimated future realisations or costs.

Investigations

No investigations were concluded in the period and none is continuing. No third-party funding has been provided.

Joint Administrators' remuneration

The statutory provisions relating to remuneration are set out in Part 18 of the Insolvency (England and Wales) Rules 2016. Further information is given in the Association of Business Recovery Professionals' publication 'A Creditors' Guide to Administrators' Fees', a copy of which may be accessed from the web site of the Institute of Chartered Accountants in England and Wales at <https://www.icaew.com/en/technical/insolvency/creditors-guides> or is available in hard copy upon written request to me.

In certain circumstances, creditors are entitled to request further information about our remuneration or expenses, or to apply to court if they consider the costs to be excessive (Rules 18.9 and 18.34 of the Insolvency (England and Wales) Rules 2016). Further information is provided in 'A Creditors' Guide to Administrators' Fees' referred to above.

Our remuneration was fixed, on a time-cost basis by a resolution of the Company's secured and preferential creditors on 18 June 2018.

During the Period, we have charged remuneration of £77,290. We have charged total time costs of £1,076,732. Of this amount, £250,000 has been paid to date.

An analysis of the time spent, and a comparison with the fee estimate dated 5 March 2018, is attached at Appendix C to this report.

As previously reported, we anticipate that our remuneration may exceed the fee estimate. The main reason for this is that the fee estimate was based on an assumption that we would be in a position to close the Administration within twelve months of our appointment. However, it became apparent that additional time would be required to realise certain categories of assets, conclude the transfer of retail stores to Pavers and make further distributions to the various categories of creditors. As such, the secured and preferential creditors granted our request for an extension of the Administration for a period of twelve months to 25 February 2020. As a result of this extension, additional time costs have been and will be incurred.

We will not draw remuneration in excess of the fee estimate without the prior approval of the Company's secured and preferential creditors.

Joint Administrators' statement of expenses incurred

During the Period, we have incurred expenses totalling £83,613 (plus VAT). A breakdown of expenses incurred during the Period and to date is provided at Appendix D to this report.

We have detailed below the expenses which have exceeded our initial estimate, along with an explanation as to the reasons that this is the case:

- Rent (transferring stores) – whilst these costs have exceeded our estimate, they were fully recovered from Pavers under licence to occupy arrangements. The costs have exceeded the estimate as a result of extensions to the licence to occupy period granted to Pavers.
- Legal fees – costs have exceeded our initial estimate due to higher volumes and complexities of legal work, particularly in respect of property lease assignments, retention of title claims and post transaction matters.
- Agents' fees – payments in connection with the sale of fixtures, fittings and IT equipment, on a commission basis. Realisations have exceeded expectations from this source, resulting in higher than expected agents' fees.
- Statutory costs – statutory costs have exceeded our initial estimate due to higher than anticipated mail redirection costs in connection with the Company's head office.
- Storage – forecast storage costs in respect of the Company's books and records, in line with applicable retention policies, are expected to exceed our initial estimate due to a higher than forecast volume of records.
- Bank charges – bank charges incurred in connection with the maintenance of the Company's bank accounts have exceeded our initial estimate due to further property payments being made as a result of the additional licences to occupy granted to Pavers.

Pre-Administration costs

On 18 June 2018 we received approval from the secured and preferential creditors to make payment of pre-Administration costs totalling £159,769, as an expense of the Administration.

During the Period £Nil has been paid in respect of these costs. Payments to date total £152,224.

Distributions to creditors

Secured creditor

As at 26 February 2018, Endless LLP, the Company's only known secured creditor, was owed c.£20.0m (stated before associated interest and/or other charges). These amounts relate to the Revolving Credit Facility provided to the Company at the time of its acquisition.

During the Period distributions totalling £0.5m have been paid to Endless LLP, bringing total distributions to date to £3.8m. Of this amount, £3.0m has been paid from floating charge asset realisations, and £0.8m has been paid from fixed charge asset realisations.

We intend to make further distributions to Endless LLP during the Administration; however, it is anticipated that it will ultimately suffer a shortfall against its debt.

Preferential creditors

I am pleased to confirm that during the Period, preferential creditors were paid a distribution of £25.6k, representing a dividend rate of 100 pence in the pound.

Unsecured creditors

As previously reported, total unsecured creditors of the Company were estimated within the Directors' Statement of Affairs to be in the region of £4.6m. We continue to receive claims from unsecured creditors.

We do not anticipate that there will be sufficient surplus funds to enable a distribution to be made to the unsecured creditors of the Company, other than by virtue of the Prescribed Part. We anticipate that we will be in a position to commence a distribution to unsecured creditors in the coming months. Further information in this regard will be sent to creditors in due course.

The Prescribed Part

The Prescribed Part is a proportion of floating charge assets set aside for unsecured creditors pursuant to section 176A of the Insolvency Act 1986 ('the Act'). The Prescribed Part applies to floating charges created on or after 15 September 2003.

As detailed in the Proposals, as the Company's floating charge was created after 15 September 2003, the Prescribed Part applies to the Company.

At this time and based on the current information, we estimate that:

- the value of the Company's net property will be c.£3.6m; and

- the value of the Prescribed Part is £0.6m, this being the maximum amount available to be set aside under Section 176A of the Insolvency Act 1986 (stated before the associated costs of agreeing claims and distributing funds).

Remaining work

We will continue to deal with the Administration in line with the stated objectives outlined in the Proposals. Future tasks will include, but may not be limited to, the following:

- seeking to realise value from all remaining assets;
- making further distributions to the secured creditor;
- dealing with unsecured creditor enquiries;
- distributing amounts due to unsecured creditors under the Prescribed Part;
- finalising the Administration including the payment of all Administration period liabilities;
- preparing and filing corporation tax and VAT returns;
- completion of statutory and reporting requirements of the Administration; and
- any such actions required to be undertaken by the Joint Administrators to fulfil the purpose of the Administration.

Next report

We will report to creditors again at the conclusion of the Administration or in six months' time, whichever is the sooner.

Should you have any further queries in respect of this report, or the Administration in general, please do not hesitate to contact James Gillie of this office on 0161 234 6455.

Yours faithfully
for the Company



S J Woodward
Joint Administrator

- Appendix A Statutory information
- Appendix B Summary of receipts and payments
- Appendix C Joint Administrators' time costs
- Appendix D Summary of Joint Administrators' expenses incurred

S J Woodward is licensed in the United Kingdom to act as an insolvency practitioner by The Institute of Chartered Accountants in England and Wales. C P Dempster is licensed in the United Kingdom to act as an insolvency practitioner by The Institute of Chartered Accountants of Scotland.

The affairs, business and property of the Company are being managed by the Joint Administrators, S J Woodward and C P Dempster, who act as agents of the Company only and without personal liability.

The Joint Administrators may act as data controllers of personal data as defined by the General Data Protection Regulation 2016/679, depending upon the specific processing activities undertaken. Ernst & Young LLP and/or the Company may act as a data processor on the instructions of the Joint Administrators. Personal data will be kept secure and processed only for matters relating to the Joint Administrators' appointment. The Office Holder Data Privacy Notice can be found at www.ey.com/uk/officeholderprivacy.

Appendix A

JB Realisations Limited (formerly known as Jones Bootmaker Limited) (in Administration) ('the Company')

Information about the proceedings, the company and the office holders, as required by Rule 18.3(1) of the Insolvency (England and Wales) Rules 2016

Name of court:	High Court of Justice, Business and Property Courts in Manchester – Company & Insolvency List (CHD)
Court reference:	2173 of 2018
Registered name of the Company:	JB Realisations Limited (formerly known as Jones Bootmaker Limited)
Registered office address of the Company:	c/o Ernst & Young LLP, 2 St Peter's Square, Manchester, M2 3EY
Registered number:	09953318
Country of incorporation (for a company incorporated outside the United Kingdom):	N/A
Date of appointment of the Joint Administrators:	26 February 2018
Details of any changes of Administrator:	None
Full names of the Administrators:	Samuel James Woodward and Colin Peter Dempster
Office holder numbers:	12030 and 8908
Administrators' addresses:	Ernst & Young LLP, 2 St Peter's Square, Manchester, M2 3EY, and Ernst & Young LLP, Atria One, 144 Morrison Street, Edinburgh, EH3 8EX

Name of alternative person to contact with enquiries about the case:

James Gillie

Telephone number:

0161 234 6455

Appendix B

JB Realisations Limited (formerly known as Jones Bootmaker Limited) (in Administration) ('the Company')

Joint Administrators' Summary of Receipts and Payments from 26 February 2019 to 25 August 2019

Statement of affairs estimated to realise (£) ^{1,2}	Period to 25 February 2019 (£)	Period from 26 February 2019 to 25 August 2019 (£)	Total to 25 August 2019 (£)
Fixed charge receipts			
700,000.00	700,000.00	-	700,000.00
102,528.00	102,527.68	-	102,527.68
-	422.89	17.14	440.03
	802,950.57	17.14	802,967.71
Fixed charge payments			
-	(29,331.58)	-	(29,331.58)
-	(5.60)	-	(5.60)
	(29,337.18)	-	(29,337.18)
Distributions to creditors			
	(760,000.00)	-	(760,000.00)
	(760,000.00)	-	(760,000.00)
Floating charge receipts			
2,638,436.00	1,788,435.98	-	1,788,435.98
-	2,247,909.94	27,631.57	2,275,541.51
1,543,089.00	1,555,159.57	-	1,555,159.57
490,000.00	650,407.28	37,274.69	687,681.97
-	279,491.70	27,500.00	306,991.70
455,691.00	392,319.93	5,260.36	397,580.29
437,780.00	337,779.66	-	337,779.66
250,000.00	250,000.00	70,000.00	320,000.00
-	74,043.91	467.16	74,511.07
-	51,303.34	-	51,303.34
-	4,744.31	-	4,744.31
-	5,756.13	2,564.98	8,321.11
1.00	1.00	-	1.00
1.00	1.00	-	1.00
-	19,500.00	750.00	20,250.00
1.00	1.00	-	1.00
	7,656,854.75	171,448.76	7,828,303.51
Floating charge payments			
	(2,243,179.94)	(27,631.57)	(2,270,811.51)
	(393,925.30)	-	(393,925.30)
	(250,000.00)	-	(250,000.00)
	(160,000.00)	-	(160,000.00)
	(122,892.42)	-	(122,892.42)
	(54,593.47)	(55,192.34)	(109,785.81)
	(34,368.15)	(0.02)	(34,368.17)
	(18,285.81)	-	(18,285.81)
	(17,697.33)	-	(17,697.33)
	(15,443.42)	-	(15,443.42)
	(13,704.00)	-	(13,704.00)
	(11,058.65)	-	(11,058.65)
	(9,460.00)	-	(9,460.00)
	(3,912.76)	(28.00)	(3,940.76)
	(1,542.60)	(27.40)	(1,570.00)
	(980.00)	-	(980.00)
	(343.44)	(733.73)	(1,077.17)
	(84.60)	-	(84.60)
	(3,351,471.89)	(83,613.06)	(3,435,084.95)
Distributions to creditors			
	(2,540,000.00)	(500,000.00)	(3,040,000.00)
	-	(25,616.43)	(25,616.43)
	(2,540,000.00)	(525,616.43)	(3,065,616.43)
Balances in hand			
	1,778,996.25	(437,763.59)	1,341,232.66
Represented by:			
			1,339,670.58
			1,562.08
			1,341,232.66

Notes

- This receipts and payments account is shown net of VAT.
- This receipts and payments account has been prepared on a cash basis and does not reflect future estimated receipts and payments.
- Payment of wage arrears to retail store employees. This represented a commercial payment to facilitate the sale of the business and assets. We estimate that this will reduce preferential claims by c.£0.3m which would otherwise have been settled in full as preferential creditor distributions.
- All funds are held in interest bearing accounts.

Appendix C

JB Realisations Limited (formerly known as Jones Bootmaker Limited) (in Administration) ('the Company')

Joint Administrators' time costs for the Period and cumulative since 26 February 2018 and a comparison with the fee estimate dated 5 March 2018

	Staff Grade						Total Hours	Time Cost (£)	Average Hourly Rate (£)
	Partner	Director	Senior Manager	Manager	Executive	Analyst			
Accounting and Administration	-	-	2.9	-	24.7	5.9	33.5	10,893	325
Bank & Statutory Reporting	1.0	-	7.5	-	-	21.5	30.0	9,075	303
Creditors	-	-	1.0	-	2.1	10.2	13.3	3,144	236
Employee Matters	-	2.5	-	-	43.5	-	46.0	12,730	277
Legal Issues	1.0	-	-	-	-	-	1.0	855	855
Other Assets	-	-	16.2	-	-	-	16.2	9,570	591
Other Matters	-	-	-	-	-	7.5	7.5	1,440	192
Property	0.5	-	8.2	-	2.3	2.0	13.0	6,402	492
Statutory Duties	1.0	-	0.7	-	1.5	-	3.2	1,749	547
VAT & Taxation	1.5	5.1	3.5	-	13.5	36.9	60.5	21,432	354
Total Hours	5.0	7.6	40.0	-	87.6	84.0	224.2		
Time Costs (£)	4,943	7,074	23,532	-	27,396	14,345		77,290	
Average Hourly Rate (£)	989	931	588	-	313	171		345	

Note: Time is charged in 6 minute intervals

	Per fee estimate dated 5 March 2018			Actual in this reporting period			Actual to 25 August 2019 (Cumulative)		
	Total hours	Time costs (£)	Average hourly rate (£)	Total hours	Time costs (£)	Average hourly rate (£)	Total hours	Time costs (£)	Average hourly rate (£)
Accounting and Administration	175.0	64,205	367	33.5	10,893	325	481.4	126,517	263
Bank & Statutory Reporting	215.0	80,476	374	30.0	9,075	303	217.6	70,041	322
Creditors	155.0	47,291	305	13.3	3,144	236	391.3	85,018	217
Employee Matters	230.0	89,859	391	46.0	12,730	277	329.4	128,553	390
Immediate Tasks	230.0	86,627	377	-	-	-	249.5	82,408	330
Investigation/CDDA	125.0	37,318	299	-	-	-	33.0	11,010	334
Job Acceptance & Strategy	55.0	33,333	606	-	-	-	63.0	35,430	562
Legal Issues	80.0	33,998	425	1.0	855	855	21.5	11,723	545
Other Assets	85.0	33,341	392	16.2	9,570	591	86.3	39,855	462
Other Matters	480.0	191,690	399	7.5	1,440	192	468.1	193,865	414
Property	325.0	93,141	287	13.0	6,402	492	426.9	139,285	326
Public Relations issues	15.0	9,011	601	-	-	-	9.5	5,025	529
Retention of Title	120.0	48,865	407	-	-	-	117.7	48,163	409
Statutory Duties	180.0	59,741	332	3.2	1,749	547	139.9	45,164	323
VAT & Taxation	229.0	82,981	362	60.5	21,432	354	168.9	54,675	324
Prescribed Part Distribution	205.0	57,567	281	-	-	-	-	-	-
Total	2,904.0	1,049,444	361	224.2	77,290	345	3,204.0	1,076,732	336

Category of work	Description of work to be completed
Accounting & Administration	<ul style="list-style-type: none"> - Overall management of the case, treasury and accounting functions, statutory compliance diaries and time cost reporting.
Bank and Statutory Reporting	<ul style="list-style-type: none"> - Reporting to the Company's secured creditor. - Preparing the Joint Administrators' six monthly progress reports.
Creditors	<ul style="list-style-type: none"> - Receipt and recording of creditor claims. - Correspondence with creditors.
Employee Matters	<ul style="list-style-type: none"> - Writing to employees regarding their redundancy. - Dealing with any employee enquiries. - Processing employee claims. - Distribution to preferential creditors
Legal Issues	<ul style="list-style-type: none"> - Dealing with any ad hoc legal issues.
Other Assets	<ul style="list-style-type: none"> - Realising value from the Company's residual assets as detailed within this report.
Other Matters	<ul style="list-style-type: none"> - Recovery of the Company's physical books and records, and electronic records (including a back-up of company servers and systems). - Liaising with Pavers and relevant suppliers in relation to transitional arrangements.
Property	<ul style="list-style-type: none"> - Managing the transition of the final leasehold property to Pavers. - Dealing with landlord enquiries regarding the property interests.
Statutory Duties	<ul style="list-style-type: none"> - Completion of statutory requirements of the Administration, including notifications to creditors and members and filing documents at Companies House.
VAT & Taxation	<ul style="list-style-type: none"> - Preparing annual corporation tax and quarterly VAT returns, with input from EY VAT and tax specialists. - Assessment of the VAT and tax treatment of transactions and agreements entered into during the Administration.

Appendix D

JB Realisations Limited (formerly known as Jones Bootmaker Limited) (in Administration) ('the Company')

Summary of Joint Administrators' expenses incurred

£	Per estimate dated 5 March 2018	Paid as at 25 February 2018	Paid during this reporting period	Total paid to date	Outstanding	Total
Payments made from the estate which are not disbursements^{1,2}						
Rent – transferring stores ^{3,4}	2,150,000	2,247,910	27,632	2,275,542	-	2,275,542
Retention of title	-	160,000	-	160,000	-	160,000
Expenses to be recovered under TSA ⁴	115,000	74,483	28	74,511	-	74,511
Head office costs ⁴	23,500	22,745	0	22,745	-	22,745
Legal fees	85,000	54,593	55,192	109,786	12,714	122,500
Agents' fees ⁴	15,000	18,434	-	18,434	-	18,434
Statutory costs ⁴	2,000	2,604	-	2,604	500	3,104
Insurance ⁴	2,000	1,095	-	1,095	500	1,595
Storage	1,000	343	734	1,077	4,923	6,000
Bank charges ⁴	500	1,548	27	1,576	930	2,505
Corporation tax	20,000	-	-	-	20,000	20,000
Retail store employee costs	-	393,925	-	393,925	-	393,925
Business rates ⁴	-	903	-	903	-	903
Category 1 disbursements²						
Accommodation and subsistence	12,000	-	-	-	12,000	12,000
Specific penalty bond	1,280	-	-	-	1,280	1,280
Travel costs	1,000	-	-	-	1,000	1,000
Postage and printing	1,000	-	-	-	1,000	1,000
Category 2 disbursements²						
Mileage	1,500	-	-	-	1,500	1,500
Totals	2,430,780	2,978,585	83,613	3,062,198	56,347	3,118,545

Notes

- 1 Statement of Insolvency Practice 9 ('SIP 9') defines expenses as amounts properly payable from the insolvency estate which are not otherwise categorised as office holders' remuneration or distributions to creditors.
- 2 SIP 9 defines disbursements as a type of expense which is met by, and reimbursed to, an office holder in connection with an insolvency appointment. Disbursements fall into two categories, Category 1 and Category 2:
 - a. Category 1 disbursements are payments to independent third parties where there is specific expenditure directly referable to the appointment
 - b. Category 2 disbursements are expenses which are directly referable to the appointment but not a payment to an independent third party. They may include shared and allocated costs.
- 3 Rent – transferring stores: recoverable from Pavers Limited under the licence to occupy granted by the Company.
- 4 Certain expense lines are represented by multiple entries in the receipts and payments account provided at Appendix B.
- 5 Payment of pre-Administration costs are subject to specific approval and are not included in the above analysis.