

TO ALL KNOWN CREDITORS

5 March 2018

Ref: R/SJW/KA/SH/JG/NWM1306

Direct line: 0161 234 6455
Direct fax: 0161 333 3008

Please ask for James Gillie

Dear Sirs

Jones Bootmaker Limited (in Administration) ('the Company')

On 26 February 2018 the Company entered Administration and C P Dempster and I were appointed as Joint Administrators ('the Administrators'). The appointment was made by the Company's Directors under the provisions of paragraph 22(2) of Schedule B1 to the Insolvency Act 1986. I attach formal notice of our appointment for your information.

As licensed insolvency practitioners, we are bound by the Insolvency Code of Ethics when carrying out all professional work relating to the Administration.

Sale of the business

On 26 February 2018, shortly following our appointment, we completed a sale of certain of the Company's business and assets to Pavers Limited ('Pavers' or 'the Purchaser') for a total consideration of c.£4.2m.

In accordance with Statement of Insolvency Practice 16, a detailed explanation of this transaction is set out at Appendix B to our Statement of Proposals enclosed with this letter.

Joint Administrators' Statement of Proposals

A copy of my Statement of Proposals ('the Proposals'), in accordance with paragraph 49 of Schedule B1 to the Insolvency Act 1986, is enclosed.

The Joint Administrators are of the opinion that the Company has insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of the Prescribed Part and consequently, in accordance with the provisions of paragraph 52(1)(b) of Schedule B1 to the Act, they do not intend to seek a decision of the creditors on the approval of the proposals.

The Joint Administrators will be obliged to seek a decision of the creditors, if requested to do so, by creditors of the Company whose debts amount to at least 10% of the total debts of the Company. The request must be delivered within 8 business days of the date on which these proposals are delivered to creditors (or such longer period as the court may allow) and must include the information required by Rule 15.18 of the Insolvency (England and Wales) Rules 2016 ('the Rules').

In accordance with Rule 15.19 of the Rules, the Joint Administrators may require a deposit as security for payment of the expenses associated with convening a decision procedure or deemed consent procedure and will not be obliged to initiate the procedure until they have received the required sum.

In the event that a creditors' decision is not requested and a creditors' committee is not formed, the Joint Administrators will seek to have their remuneration fixed by the Company's secured creditor, and if the Joint Administrators have made or intend to make a distribution to preferential creditors, the preferential creditors in accordance with Rule 18.18(4) of the Rules.

The statutory provisions relating to remuneration are set out in Chapter 4, Part 18 of the Rules. 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 website of the Institute of Chartered Accountants in England and Wales at <http://www.icaew.com/en/technical/insolvency/creditors-guides>, or is available in hard copy upon written request to the Joint Administrators.

As the Joint Administrators propose to seek for their remuneration to be fixed on a time-cost basis, they are required to provide creditors with an estimate of the remuneration to be charged and details of expenses incurred and likely to be incurred. This information can be found at Appendix A.

Creditors' claims

Please note that debts incurred by the Company prior to our appointment will rank as an unsecured claim against the Company. Any sums due to the Company must be paid, in full, and without set-off against any debts incurred by the Company prior to our appointment.

The Directors are required to submit a statement of affairs to us in due course, however at this time you will appreciate that the full financial position of the Company is not yet known. As such, please send me a detailed statement of any sums due to you from the Company.

Certain debts due from the Company may be preferential in accordance with section 386 of the Insolvency Act 1986. If you consider that you have a claim in this category, please advise me immediately. If you hold any security for your claim or if you consider that you have title to any assets in the Company's possession, please forward details to me as soon as possible.

You may be entitled to VAT bad debt relief on debts arising from supplies more than six months old. This procedure does not involve the Administrators and you should submit any claims in this regard directly to HM Revenue and Customs.

Opting out

Under the provisions of Rule 1.39, creditors have the right to elect to opt out of receiving further documents relating to the Administration.

If you do elect to opt out you will still, however receive the following documents:

- ▶ Any which the Insolvency Act requires to be delivered without expressly excluding opted-out creditors;
- ▶ Notice relating to a change in the Administrators, or their contact details;
- ▶ Notice of dividend or proposed dividend; or
- ▶ A notice which the court orders to be sent to all creditors, or all creditors of the particular category to which you belong.

Any election to opt-out will not affect your entitlement to receive dividends, if any are paid.

Unless the Rules provide to the contrary, opting-out will not affect your rights to vote in a decision procedure or participate in a deemed consent procedure, although you would not receive notice of such procedures.

Any opted-out creditors will be treated as opted out in respect of any consecutive insolvency procedure which might follow the Administration.

You may opt-out by delivering an authenticated (e.g. signed) and dated notice to me stating that you are electing to be an opted-out creditor in relation to this Administration. You may at any time revoke this election by delivering to me an authenticated and dated notice stating that you no longer wish to be an opted-out creditor.

Other matters

In accordance with the provisions of the Company Directors Disqualification Act 1986, I am required to make a submission to the Insolvency Service on the conduct of all those who have held office as directors in the three years leading up to the Administration. If there are any matters concerning the conduct of the Company's affairs that you consider may require investigation and consequently should be brought to my attention, please let me have the details, in writing.

Should you have any queries relating to this letter or any other aspect of the Administration, please do not hesitate to contact James Gillie of this office.

Yours faithfully
for the Company



S J Woodward
Joint Administrator

Encs: Appendix A: Fee Estimate and Statement of Expenses
Administrators' Statement of Proposals
Notice of appointment of Administrators

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.

We may collect, use, transfer, store or otherwise process (collectively, 'Process') information that can be linked to specific individuals ('Personal Data'). We may Process Personal Data in various jurisdictions in accordance with applicable law and professional regulations including (without limitation) the Data Protection Act 1998.

Appendix A Fee Estimate and Statement of Expenses

Estimate of remuneration to be charged

The Joint Administrators will seek approval for their remuneration to be fixed on a time cost basis from the Company's secured creditor, and if the Joint Administrators have made or intend to make a distribution to preferential creditors, the preferential creditors, in accordance with Rule 18.18(4) of the Rules. In accordance with Rule 18.16(4) of the Insolvency (England and Wales) Rules 2016, they set out below their estimate of remuneration to be charged.

The estimate of remuneration is £1,049,442 plus VAT. An explanation of how this sum has been arrived at is set out below and a breakdown of the expected costs is attached on the following page(s).

Explanation of the work proposed to be undertaken

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"> ▶ Regular reporting to the Company's secured creditor. ▶ Preparing the Joint Administrators' Statement of Proposals, six monthly progress reports and final report.
Creditors	<ul style="list-style-type: none"> ▶ Receipt and recording of creditor claims. ▶ Correspondence with creditors. ▶ Processing distributions to the secured, preferential and unsecured creditors (as applicable).
Debtors	<ul style="list-style-type: none"> ▶ Discussing and agreeing book debt collection with debtors (if any). ▶ Realising value from book debts and prepayments (if any).
Employee Matters	<ul style="list-style-type: none"> ▶ Writing to employees regarding their redundancy and if appropriate, TUPE related matters. ▶ Dealing with any employee enquiries. ▶ Consultation with employees. ▶ Processing employee claims.
Immediate Tasks	<ul style="list-style-type: none"> ▶ Completion of work streams requiring immediate attention following the appointment, in order to execute the strategy outlined in the Proposals.
Investigations	<ul style="list-style-type: none"> ▶ Investigations into the Company's affairs in accordance with Statement of Insolvency Practice 2 "Investigations by Office Holders". ▶ The Joint Administrators' report on the conduct of the directors under the Company Directors Disqualification Act 1986.
Job Acceptance & Strategy	<ul style="list-style-type: none"> ▶ Matters relating to the appointments and initial planning of the Administration strategy, including meetings with the Company's directors and

	<p>management and formulating and executing the strategy adopted.</p> <ul style="list-style-type: none"> ▶ Considering exit routes from Administration and implementing the most appropriate route.
Legal Issues	<ul style="list-style-type: none"> ▶ Dealing with any ad hoc legal issues.
Members	<ul style="list-style-type: none"> ▶ Liaising with the shareholders (as required).
Other Assets	<ul style="list-style-type: none"> ▶ Realising value from the Company's residual assets. ▶ Assessing, quantifying and seeking to realise value from assets not recorded in the management accounts of the Company at the date of appointment.
Other Matters	<ul style="list-style-type: none"> ▶ Sale of the business and/or assets of the Company to interested parties in pursuance of the Administrators' objectives. ▶ Dealing with any assets owned by third parties. ▶ 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.
Prescribed Part	<ul style="list-style-type: none"> ▶ Calculating the Company's net property and Prescribed Part to be set aside, as appropriate. ▶ Distributing the Prescribed Part to the creditors.
Property	<ul style="list-style-type: none"> ▶ Strategy to realise value from the Company's leasehold interests (if any). ▶ Dealing with landlord enquiries regarding the property interests.
Public Relations	<ul style="list-style-type: none"> ▶ Agreeing and issuing statements to the press as required in pursuit of Administration strategy.
Retention of Title	<ul style="list-style-type: none"> ▶ Assessment and settlement of claims for retention of title from the Company's suppliers (if applicable).
Statutory Duties	<ul style="list-style-type: none"> ▶ Completion of statutory requirements of the Administration, including notifications to creditors and members, advertising the appointment, letter to creditors pursuant to Statement of Insolvency Practice 16, and sending to creditors and filing 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. ▶ Preparing claims for VAT bad debt relief.

Estimate of the Joint Administrators' remuneration for the period to 25 February 2019

	Staff Grade				Total Hours	Time Costs (£)	Average hourly rate (£)
	Partner / Director	Assistant Director	Executive	Analyst			
Accounting & Administration	15.0	50.0	30.0	80.0	175.0	64,205	367
Bank & Statutory Reporting	25.0	60.0	30.0	100.0	215.0	80,476	374
Creditors	5.0	30.0	20.0	100.0	155.0	47,291	305
Employee Matters	40.0	30.0	150.0	10.0	230.0	89,859	391
Immediate Tasks	30.0	60.0	40.0	100.0	230.0	86,627	377
Investigations	5.0	20.0	20.0	80.0	125.0	37,318	299
Job Acceptance & Strategy	25.0	30.0	-	-	55.0	33,333	606
Legal Issues	10.0	30.0	20.0	20.0	80.0	33,998	425
Other Assets	15.0	20.0	20.0	30.0	85.0	33,341	392
Other Matters	30.0	180.0	130.0	140.0	480.0	191,690	399
Prescribed Part	5.0	30.0	20.0	150.0	205.0	57,567	281
Property	15.0	50.0	10.0	250.0	325.0	93,141	287
Public Relations issues	5.0	10.0	-	-	15.0	9,011	601
Retention of Title	10.0	40.0	50.0	20.0	120.0	48,865	407
Statutory Duties	20.0	30.0	30.0	100.0	180.0	59,741	332
VAT & Taxation	19.0	40.0	50.0	120.0	229.0	82,981	362
Total Hours	274.0	710.0	620.0	1,300.0	2,904.0		
Time Costs (£)	174,270	418,836	188,176	268,160		1,049,442	
Average hourly rate (£)	636	590	304	206		361	

Details of expenses incurred and anticipated to be incurred

Expenses comprise sums paid or to be paid to third parties and sums paid or payable to the Administrators' firm in respect of out of pocket expenses and costs which include an element of shared or allocated costs. Expenses expected to be incurred are £2,430,780 plus VAT, albeit a significant portion of these expenses are anticipated to be recovered from the Purchaser pursuant to the terms of the licence to occupy and transitional services clauses entered into as part of the overall transaction referred to in our covering letter and explained in further detail in the Proposals.

The expenses incurred and anticipated to be incurred from the Company's estate can be summarised into the following categories:

Category of expense	Description of expense incurred or to be incurred
Rent – transferring stores	Rent for the stores taken on by Pavers under a licence to occupy agreement.
Expenses to be recovered under TSA	Costs of transitional services provided to Pavers including head office, employee and systems expenses.
Head office costs	Costs of occupation of head office, including employee, rates, systems and utility costs amongst other running costs until closure of the site, which are not covered by the TSA.
Agents' fees	Use of specialists to maximise recovery from the Company's tangible assets.
Legal fees	Legal advice regarding such matters required to maximise realisations from the Company's estate.
Storage	Costs to arrange collection and storage of the Company's books and records, for minimum periods required under legislation.
Insurance	Costs to insure the Company's assets and operations during the Administration period.
Statutory costs	Costs of completing statutory requirements of the Administrations, including advertising and filing costs.
Bank charges	Charges associated with operation of the Company's bank accounts during the Administration.
Corporation tax	Corporation tax which may become payable following the preparation and submission of Corporation tax returns. It is currently too soon to provide an estimate in respect of these costs.

Disbursements

Disbursements comprise of sums paid or to be paid to third parties, or payable to the Joint Administrators' firm in respect of out of pocket expenses and costs which include an element of shared or allocated costs.

Category 1 disbursements

Category 1 disbursements are defined as specific expenditure met by and reimbursed to the office holder's firm, relating to the administration of the insolvent's affairs and referable to payment to an independent third party.

Disbursement	Description of disbursement incurred
Accommodation and subsistence costs	Those costs incurred by the Joint Administrators and their staff in respect of their work on the Administration, whilst operating from or attending various sites operated by the Company or third parties.
Travel costs (excluding mileage)	Those costs incurred by the Joint Administrators, and their staff in respect of their work on the Administration, to travel to various sites operated by the Company, or third parties (excluding mileage cost).
Specific Bond	A form of insurance required by insolvency law.
Postage and printing	Those costs incurred by the Joint Administrators in printing and posting the Joint Administrators' Statement of Proposals and subsequent progress reports and other written communication to all relevant creditors and shareholders.

Category 2 disbursements

Category 2 disbursements are charges made by the office holder's firm that include elements of shared or overhead costs.

Disbursement	Description of disbursement incurred
Mileage	Those costs relating to mileage incurred by the Joint Administrators and their staff in respect of their work on the Administration, whilst operating from or attending sites operated by the Company prior to Administration and third party locations to attend meetings with key stakeholders. Current mileage rates are 45p/mile.

Exceeding estimates of remuneration and expenses

These estimates may be exceeded, in which case an explanation will be provided in the appropriate progress report. The Joint Administrators will only draw remuneration in excess of the estimate with the prior agreement of the approving body, in accordance with Rule 18.30 the Insolvency (England and Wales) Rules 2016.

Estimated Joint Administrators' expenses and disbursements for the period to 25 February 2019

Payments which are not disbursements	£
Rent - transferring stores	2,150,000
Expenses to be recovered under TSA	115,000
Head office costs	23,500
Legal fees	85,000
Agents' fees	15,000
Statutory costs	2,000
Insurance	2,000
Storage	1,000
Bank charges	500
Corporation tax	20,000
	2,414,000
Category 1 disbursements	
Accommodation and subsistence	12,000
Specific penalty bond	1,280
Travel costs (excl. mileage)	1,000
Postage and printing	1,000
	15,280
Category 2 disbursements	
Mileage	1,500
	1,500
	1,500
Total	2,430,780

¹ It is envisaged that any rent to be paid for transferring stores would be recovered under the terms of the licence to occupy agreement with Pavers

² It is envisaged that any Transitional Services Arrangement ('TSA') expenses would be recovered under the terms of the sale agreement with Pavers.

Estimate of return for creditors

We currently estimate the following returns for creditors:

Secured creditors

As at 26 February 2018 Endless, the Company's only known secured creditor, was owed £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 acquisition. It is anticipated that Endless will suffer a shortfall against its pre-appointment debt.

Preferential creditors

We currently estimate preferential creditors' claims to be in the region of £320k, in respect of claims for employees' salaries, holiday pay and pension contributions.

We estimate that total non-preferential claims will be paid in full.

Non-preferential creditors

It is estimated that total non-preferential claims will be in the region of £4.8m.

The level of dividend which will eventually be available to non-preferential creditors is uncertain, but given the shortfall expected to be suffered by the secured creditor we anticipate distributions to non-preferential creditors will be limited to funds set aside pursuant to the prescribed part.