



**CORPORATE
RESTRUCTURING**

Our ref: MPB/PXH/LVW/LUC/DUW/PEV004/858619/3

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TO ALL KNOWN CREDITORS

Email address:
jschildrenswear@mcr.uk.com

18 March 2010

Dear Sirs

JS Childrenswear Limited (In Administration)

I refer to my letter dated 23 January 2010 advising of my appointment as Joint Administrator of the Company on 22 January 2010, together with my partner Paul Clark of MCR and Ian Yerrill of Gerald Edelman.

The purpose of an administration is to achieve one of the following hierarchical objectives:

- a) rescuing the company as a going concern, or
- b) achieving a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in Administration), or
- c) realising property in order to make a distribution to one or more secured or preferential creditors.

Pursuant to Paragraph 52(1) of Schedule B1 to the Insolvency Act 1986 a creditors meeting will not be held because the Company has insufficient property to enable a distribution to be made to non-preferential unsecured creditors.

As a creditor you can request that a meeting of creditors be convened. Any request must be made within 12 days and supported by 10% of creditors in value. As there are strict formalities relating to the procedures to be followed, please email jschildrenswear@mcr.uk.com urgently if you wish to make a request.

Please find attached my proposals and report to creditors. A proof of debt form is enclosed at Appendix 6 of the report, which should be completed and sent to this office to lodge your non-preferential unsecured claim against the Company, if you have not already done so.

Cont...

The affairs, business and property of the Company are being managed by the Joint Administrators, Paul Clark and Matt Bond (MCR) and Ian Yerrill (Gerald Edelman), who act as agents for the Company and without personal liability. All are licensed by the IPA.



CORPORATE
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<2>

In the interim, should you have any queries please email jschildrenswear@mcr.uk.com.

Yours faithfully
For and on behalf of
JS Childrenswear Limited

Matt Bond
Joint Administrator

Enc.

The Insolvency Act 1986

Statement of administrator's proposals 2.17B

Name of Company JS Childrenswear Limited	Company number 06806287
In the High Court of Justice Companies Court Birmingham District Registry Birmingham (full name of court)	Court case number 8032 of 2010

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

Matthew Peter Bond and Paul John Clark
 of MCR
 43-45 Portman Square
 London
 W1H 6LY

and Ian Yerrill
 of Gerald Edelman
 Gateway House
 High Point Business Village
 Henwood
 Ashford
 Kent
 TN24 8DH

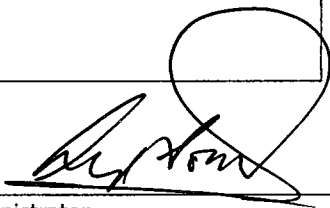
attach a copy of our proposals in respect of the administration of the above company.

A copy of these proposals was sent to all known creditors on

* Delete as appropriate

(b) Insert date

(b) 18 March 2010

Signed  Joint Administrator

Dated 18th March 2010

Contact Details:

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

MCR
 43-45 Portman Square
 London
 W1H 6LY
 Tel: 020 7487 7240

When you have completed and signed this form please send it to the Registrar of Companies at:

Companies House, Crown Way, Cardiff CF14 3UZ

DX 33050 Cardiff

**JS Childrenswear Limited
(In Administration)**

**Joint Administrators' Report to Creditors and Statement of Proposals
For the period from 22 January 2010 to 18 March 2010
pursuant to Paragraph 49 of Schedule B1 to the Insolvency Act 1986**

18 March 2010

Names of Joint Administrators: Paul John Clark of MCR
Matthew Peter Bond of MCR
Ian Yerrill of Gerald Edelman

Date of appointment: 22 January 2010

Date of report: 18 March 2010

Appointed by: John Hardy Shannon
Debenture Holder

Court reference: 8032 of 2010
High Court of Justice
Companies Court
Birmingham District Registry

MCR
43-45 Portman Square
London
W1H 6LY

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DEFINITIONS

JS Childrenswear Limited (In Administration) (Company Number: 06806287);	the Company
Paul John Clark and Matthew Peter Bond of MCR, 43-45 Portman Square, London, W1H 6LY and Ian Yerrill of Gerald Edelman, Gateway House, Highpoint Business Village, Henwood, Ashford, Kent TN24 8DH;	the Joint Administrators
22 January 2010, being the date of appointment of the Joint Administrators;	the Appointment Date
Syed Sabur Ali, the sole director of the Company;	the Director
Habib Alvi Investments Limited, the sole shareholder of the Company;	Habib Alvi
Barclays Bank plc, with whom the Company banked;	Barclays
Bank of Ireland, with whom the Company banked;	Bank of Ireland
Habib Bank AG Zurich, with whom the Company banked;	Habib Bank
Clearwater Corporate Finance, who were instructed to assist in the sale negotiations of the business;	Clearwater
Hilco Appraisal Europe, who were instructed to value the assets of the Company;	Hilco
John Hardy Shannon, the holder of a fixed and floating charge over the Company's assets;	John Shannon
EC Regulation on Insolvency Proceedings 2000;	EC Regulation
The Joint Administrators' firm's internal costs and expenses in dealing with the Administration;	Category 2 Disbursements
Statement of Affairs, documentation to be supplied by the Director outlining the Company's financial position as at the Appointment Date;	SOA
The Insolvency Act 1986;	the Act
The Insolvency Rules 1986 (as amended); and	the Rules
Creditors' Voluntary Liquidation.	CVL

1. INTRODUCTION

- 1.1 Paul John Clark and Matthew Peter Bond of MCR, together with Ian Yerrill of Gerald Edelman, were appointed Joint Administrators of the Company on 22 January 2010 by John Shannon, the holder of a qualifying floating charge pursuant to Paragraph 14 of Schedule B1 to the Act.
- 1.2 In accordance with Paragraph 100(2) of Schedule B1 to the Act the functions of the Joint Administrators are being exercised jointly and severally.
- 1.3 This report sets out the circumstances leading up to the appointment of the Joint Administrators and the steps taken by them to date.
- 1.4 You should complete the proof of debt form attached at Appendix 6 and return this to the Joint Administrators, if you have not already done so, for the attention of Luke Wiseman at MCR.

2. BACKGROUND

- 2.1 Statutory information on the Company and a summary of its financial position is included at Appendix 1.
- 2.2 The Company's principal activity was trading as an independent retailer of childrenswear within the United Kingdom ("UK") and Eire, under the "Adams" brand. The Company also operated from a number of in-store concessions, supplied international franchisees and an e-commerce facility.
- 2.3 As at the Appointment Date the Company operated from 131 leasehold premises in the UK and Eire, operated a number of concession locations in Eire, and also had franchise agreements in 17 international locations.
- 2.4 In January 2007 the Adams brand and operations, which were owned at that time by Myriad Childrenswear Limited, were purchased by John Shannon for approximately £15m. The new business operated under the corporate vehicle Adams Childrenswear Limited.
- 2.5 During the trading period to 31 December 2008, significant losses were incurred by Adams Childrenswear Limited, which resulted in a severe deterioration of its cash position. Accordingly John Shannon, who was both a director and the holder of fixed and floating charges over the assets of the Company, placed Adams Childrenswear Limited into Administration on 31 December 2008.
- 2.6 On 14 February 2009 the administrators of Adams Childrenswear Limited agreed a sale of its business and assets to JS Childrenswear Limited for £4.2m. John Shannon was the sole shareholder of JS Childrenswear Limited at that date.
- 2.7 On 14 February 2009 John Shannon was granted a debenture by the Company in consideration for the total funding he had advanced.
- 2.8 The Company immediately sought to raise external investment to strengthen its working capital facilities. However, the downturn in economic conditions at that time hindered any attempts to locate willing investors and subsequently no external funding could be raised.
- 2.9 On 10 September 2009 John Shannon sold his entire shareholding in the Company to Habib Alvi Investments Limited for approximately £11m. The Joint Administrators understand that the consideration due has yet to be paid in full. However it should be noted that John Shannon retained his security over the Company's business and assets.

3. EVENTS LEADING UP TO THE ADMINISTRATION

- 3.1 Following the transfer of ownership of the Company to Habib Alvi, the business continued to make trading losses, held a relatively limited amount of stock, and was experiencing a working capital shortfall.
- 3.2 During the period leading up to January 2010, many suppliers' terms were stretched, and amounts due to creditors, including HMRC began to increase. The Company began to experience significant creditor pressure and a number of suppliers commenced legal proceedings against the Company.
- 3.3 On 8 January 2010 a repayment of monies contractually payable by the Company to Mr Shannon fell due. This payment was not made and this placed the Company in default.
- 3.4 It is understood that further default events had occurred pursuant to Mr Shannon's debenture including the bringing of a winding up petition against the Company. Under the terms of the debenture such defaults provided Mr Shannon with the option to place the Company into Administration.
- 3.5 In view of the Company's financial and operational position at this date Mr Shannon subsequently took the view that to protect his interests and those of the other creditors the Company should be placed into Administration. Paul John Clark and Matthew Peter Bond of MCR and Ian Yerrill of Gerald Edelman were subsequently appointed Joint Administrators of the Company on 22 January 2010.
- 3.6 The Joint Administrators considered the position prior to accepting the appointment, and having regard to the Insolvency Practitioners Association ethical guidelines, considered that there were no circumstances preventing them from accepting the appointment.

4. PURPOSE OF THE ADMINISTRATION

- 4.1 The purpose of an Administration is to achieve one of the following hierarchical objectives:
- Rescuing the Company as a going concern, or
 - Achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration), or
 - Realising property in order to make a distribution to one or more secured or preferential creditors.
- 4.2 In accordance with Paragraph 49(2) of the Act, the Joint Administrators note as follow:
- 4.2.1 The first objective will not be achieved as there are insufficient assets available to enable the Company to be rescued as a going concern, given the extent of its liabilities;
- 4.2.2 The second objective is likely to be achieved as there is evidence to suggest that the Company's creditors will achieve a better result than if the Company were wound up without first being in Administration;
- 4.2.3 In the event that the second objective is not achieved, it is likely that the Joint Administrators will be successful in achieving the third objective.

5. PROGRESS OF THE ADMINISTRATION TO DATE

5.1 The manner in which the affairs and business of the Company have been managed since the appointment of the Joint Administrators and will continue to be managed and financed is set out below.

Administration trading period

5.2 Immediately upon their appointment the Joint Administrators' and their staff attended the Company's head office in Nuneaton to undertake a review of the Company's financial and operational position.

5.3 Upon completion of this initial review the Joint Administrators maintained the trading operations of the Company in the view that this would assist in retaining and maximising the value of the business and assets of the Company whilst it was marketed for sale.

5.4 In the period following their appointment the Joint administrators have conducted a more detailed analysis of the Company's operations and have continued to review this position on a daily basis. The Joint Administrators to date have closed twelve of the Company's stores and concessions on economic grounds.

5.5 A further four of the Company's stores have also been closed as a result of certain landlords refusing access to the Joint Administrators and the Company's staff. The Joint Administrators have advised the landlords that they are not legally entitled to deny entry of the premises to the Joint Administrators due to the Administration moratorium, and accordingly are pursuing this matter.

5.6 For the period 22 January 2010 to 13 March 2010 Company sales total £6,309,700. The Joint Administrators anticipate that this period of trading will generate a small trading surplus, although the quantum is yet to be determined due to finalisation of trading expenses.

5.7 The Joint Administrators will continue to maintain operations whilst a sale of the business is sought. In the event that a purchaser can not be found, or trading becomes no longer viable, the Joint Administrators will take steps to wind down operations in an orderly basis. The Joint Administrators will notify creditors and employees if this situation changes.

5.8 The Joint Administrators requested upon their appointment from both landlords and relevant rating authorities, that a six week rent and rate free period be granted to assist them in pursuing a sale of the business and assets of the Company, and to prevent closure of stores and redundancies during an early stage of the Administration.

Retention of Title / Suppliers

5.9 There have been minimal retention of title and duress creditors, all of whom have been dealt with by the Joint Administrators. In addition the willingness of suppliers to continue to provide goods and services to the Company has enabled the Joint Administrators to maintain operations whilst a sale is being sought.

Sale of the business and assets

5.10 Immediately following their appointment the Joint Administrators began the process of marketing the business and assets of the Company for sale.

5.11 An initial Business "Lite" Memo was issued to certain parties known to MCR or who had previously experienced interest. An advertisement was also placed in the Financial Times in the week commencing 25 January 2010.

- 5.12 The Joint Administrators instructed corporate finance experts Clearwater to assist with the sale process and to act as a direct liaison with interested parties. To date, the Joint Administrators have received over 100 notifications of interest from various parties. An online data room was also created to provide due diligence materials for those interested parties who had signed confidentiality agreements.
- 5.13 The sale process remains ongoing and the Joint Administrators do not believe it would be beneficial to the process to disclose further information at this time. However, negotiations are at an advanced stage. The Joint Administrators will provide an update to creditors in the event of any material progress.

Book debts

- 5.14 As at the Appointment Date the Company had book debts of £143,412 relating to monies due from franchisees. In addition there are potential rate refunds due to the Company and the Joint Administrators have instructed Twice2Much Ltd to assist in the recovery of these monies.

Investigations

- 5.15 The Joint Administrators' investigations into the Company's affairs are currently ongoing.
- 5.16 The Joint Administrators have a statutory obligation to file a report with the Insolvency Service regarding the conduct of the directors that held office in the three years prior to the Administration. This report must be filed within six months from the Appointment Date and the content of this report is confidential.
- 5.17 The Joint Administrators also have a duty to investigate antecedent transactions which include:
- Transactions at an undervalue, s238 of the Act;
 - Preferences, s239 of the Act; and
 - Transactions defrauding creditors, s423 of the Act.
- 5.18 Should any creditors have information concerning the Company's affairs that they would like to bring to the Joint Administrators' attention, they would invite you to send your comments to them in writing.

Receipts and Payments

- 5.19 A summarised receipts and payments account for the Company is shown at Appendix 2.
- 5.20 A separate receipts and payments account has been prepared for the Administration trading period. This is also attached at Appendix 2.
- 5.21 Please note that this is a cash account and subject to reconciliation.

Joint Administrators' Agents and Solicitors

- 5.22 The Joint Administrators have engaged the following firms to assist with the sale of the Company's business and assets, trading and employment issues, and other statutory matters:

Company	Role	Fee Structure
Hilco Appraisal Ltd	Valuation of the Company's business and assets.	Agreed fee
Retail Agents Ltd	Assistance with trading operations.	Time-costs basis / Agreed cap
Twice2Much Ltd	Assistance with the collection of Rates refunds.	% of Realisations
HBJ Gateley Wareing LLP	Assisting with placing the Company into Administration and other ad hoc legal matters.	Time-costs Basis
Clearwater CF LLP	Assistance with the sale process.	Agreed fee
Payco ERA Ltd	Assistance with employment claims.	Time-costs basis

- 5.23 The Joint Administrators' choice was based on their perception of the experience and ability of the respective firms to perform their work, the complexity and nature of the assignment and the basis of the fee arrangement with those firms.

6. STATEMENT OF AFFAIRS

- 6.1 In accordance with Paragraph 47 of Schedule B1 to the Act the Joint Administrators have requested that the Director provides them with an SOA of the Company.
- 6.2 The Director has failed to provide an SOA to date and the Joint Administrators have issued a further written request to the Director on 24 February 2010, to which no response has been received.
- 6.3 In the absence of a SOA being provided by the Director a schedule of creditors' names and addresses is attached at Appendix 3. This information is based on information from the Company's books and records as at the Appointment Date.
- 6.4 Some creditor amounts shown may differ from the actual amount owed. However, this does not affect your ability to claim for a different amount.
- 6.5 The principal assets of the Company are stock, goodwill, leasehold interests and cash.

7. JOINT ADMINISTRATORS' REMUNERATION

- 7.1 In accordance with Rule 2.106 of the Rules, it is proposed that the basis upon which the Joint Administrators' remuneration should be fixed, is by reference to the time properly given by them and their staff in attending to matters arising in the Administration.
- 7.2 The Joint Administrators will be seeking the subsequent approval of the secured and preferential creditors in respect of their remuneration pursuant to Rule 2.106(5A) of the Rules.
- 7.3 MCRs' time costs for the period 22 January 2010 up to and including 12 March 2010 total £402,820.00. Gerald Edelmans' time costs to 16 March 2010 total £21,634.00. Schedules of these time costs are set out at Appendix 4.

- 7.4 Information regarding the fees of Administrators called "A Creditors' guide to Administrators' fees" can be found on our website at www.mcr.uk.com. Should you require a copy, please contact this office.

8. DIVIDEND PROSPECTS / PRESCRIBED PART

Secured Creditors

John Shannon

- 8.1 John Shannon was granted a debenture on 14 February 2009, which confers fixed and floating charges over the Company, in consideration for monies advanced to the Company.
- 8.2 At the Appointment Date the Company's indebtedness to John Shannon was approximately £6.6m subject to accruing interest and charges.
- 8.3 It is anticipated that there will be insufficient realisations to repay John Shannon in full.

Barclays

- 8.4 Barclays were granted a deed of charge against cash deposits on 11 May 2009 in consideration for monies advanced pursuant to the Company's banking facilities.
- 8.5 At the Appointment Date the Company's accounts with Barclays were in credit and accordingly it is unlikely that there will be any call upon this security.

Habib Bank

- 8.6 Habib Bank was granted a second ranking debenture on 8 December 2009, which confers fixed and floating charges over the Company, in consideration for banking facilities provided to the Company.
- 8.7 At the Appointment Date the Company accounts with Habib Bank were not in deficit and accordingly it is unlikely that there will be any call upon this security.

Preferential Creditors

- 8.8 Although the Joint Administrators are yet to receive notification of the preferential creditors' claims, at this stage, it is uncertain whether there will be sufficient funds available to enable a distribution to preferential creditors, after costs. This will be dependent upon any realisations made from a successful sale of the business and assets of the Company and a trading surplus.
- 8.9 The preferential claims will be employees' claims which are mostly subrogated to the Department for Business Innovation and Skills, following payment by the Redundancy Payments Office.
- 8.10 Since the Appointment Date the Joint Administrators have made 304 redundancies on economic grounds. The Joint Administrators have provided to the relevant bodies details of each redundant employee. Therefore the UK and Eire government redundancy bodies should now be dealing with any claims that those employees have made.

Prescribed Part

- 8.11 Pursuant to section 176A of the Act where a floating charge is created after 15 September 2003 a Prescribed Part of the company's net property shall be made available to unsecured non-preferential creditors.
- 8.12 The Prescribed Part is calculated as a percentage of net property, as follows:-
- | | |
|------------------------------------|---|
| Net property less than £10,000: | 50% unless costs of distribution exceed the benefit |
| Net property greater than £10,000: | 50% up to £10,000 plus 20% thereafter to a maximum of £600,000. |
- 8.13 The maximum value of the ring-fenced proportion of the funds, known as the Prescribed Part, is £600,000.
- 8.14 In this case the Prescribed Part provision does apply as John Shannon's debenture was created after 15 September 2003.
- 8.15 It is unlikely that there will be sufficient funds available for the Prescribed Part provisions to apply.

Non-Preferential Unsecured Creditors

- 8.16 According to the Company's books and records, non-preferential unsecured creditors total £3,512,549 at the Appointment Date. The Joint Administrators have to date received claims of £9,839,875. The non-preferential unsecured creditors can be summarised as follows:

	Company records (£)	Claims (£)
Trade & Expense Creditors	3,512,549	8,720,125
Employee Claims	Nil	Uncertain
HM Revenue & Customs - VAT	Nil	Nil
HM Revenue & Customs – PAYE and NIC	Nil	1,000,000
Revenue Commissioners (Eire)	Nil	119,750
Total	3,512,549	9,839,875

- 8.17 Based upon the currently available information, it is anticipated that there will be insufficient realisations to enable a distribution to the non-preferential unsecured creditors of the Company, other than from the Prescribed Part (if any).

9. EC REGULATION

- 9.1 It is the Joint Administrators' opinion that the EC Regulation apply and these proceedings are main proceedings as defined in Article 3 of the EC Regulation. The centre of main interest of the Company is in England.

10. CREDITORS' MEETING

- 10.1 In accordance with Paragraph 52(1) of Schedule B1 to the Act, a creditors' meeting will not be convened as the Joint Administrators believe that the Company will have insufficient property to enable a distribution to be made to non-preferential unsecured creditors, other than from the Prescribed Part (if any).

