

The Insolvency Act 1986

Administrator's progress report

Pursuant to Rule 2.38 of the Insolvency (Scotland) Rules 1986

Name of Company Original Shoe Company Limited (in Administration)	Company number SC191917
--	----------------------------

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

We Richard Dixon Fleming, KPMG LLP, 1 The Embankment, Leeds, LS1 4DW
David Costley-Wood, KPMG LLP, St James Square, Manchester, M2 6DS
Blair Carnegie Nimmo, KPMG LLP, 191 West George Street, Glasgow, G2 2LJ

Joint Administrator(s) of the above company attach a progress report for the period

(b) Insert dates

from	to
19 August 2009	11 February 2010

Signed

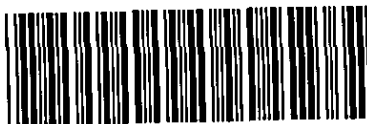
Joint Administrator

Dated 15 February 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 searchers of the public record

c/o John Barkwith, KPMG LLP, St James Square, Manchester, M2 6DS	
	Tel 0161 838 4689
DX Number	DX Exchange



S96Y3HNC

SCT

19/02/2010

834

COMPANIES HOUSE

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

Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF
DX 235 Edinburgh / LP 4 Edinburgh-2

FRIDAY



**Original Shoe Company Limited (in
Administration)**

**Report to Creditors pursuant
to Rules 2.42 and 2.47 of the
Insolvency (Scotland) Rules
1986**

Final Report

KPMG LLP

12 February 2010

This report contains 10 pages

Appendices contain 7 pages



Original Shoe Company Limited (in Administration)
Report to Creditors pursuant to Rules 2.42 and 2.47 of the Insolvency (Scotland) Rules 1986
KPMG LLP
12 February 2010

Notice: About this Report

This Report has been prepared by Richard Dixon Fleming, David James Costley-Wood and Blair Carnegie Nimmo the Joint Administrators of Original Shoe Company Limited, solely to comply with their statutory duty to report to members and creditors under the Insolvency (Scotland) Rules 1986, and to provide an account of their acts and dealings and of the conduct of the Administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This Report has not been prepared in contemplation of it being used, and is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in Original Shoe Company Limited.

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

Any person that chooses to rely on this Report for any purpose or in any context other than under the Insolvency (Scotland) Rules 1986 does so at their own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of this Report to any such person.

Richard Dixon Fleming is authorised to act as an Insolvency Practitioner by the Insolvency Practitioners Association. David Costley-Wood is authorised to act as an Insolvency Practitioner by the Institute of Chartered Accountants in England and Wales. Blair Carnegie Nimmo is authorised to act as an Insolvency Practitioner by Institute of Chartered Accountants in Scotland.

The appointments of the Joint Administrators are personal to them and, to the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability to any person in respect of this Report or the conduct of the Administration.



Contents

1	Glossary	4
2	Statutory information	5
3	Introduction	5
4	Progress of the Administration to 11 February 2010	5
5	Receipts	6
5.1	Leasehold property	6
5.2	Rates refunds	6
5.3	Pre-appointment funds	6
5.4	Bank interest	6
5.5	Sundry refunds	6
6	Payments	6
6.1	Administrators' fees and expenses	6
6.2	Agents' and valuation fees	7
6.3	Legal fees and expenses	7
6.4	Other property expenses	7
6.5	Professional services	7
6.6	Trading expenses	7
7	Joint Administrators' Fees	7
8	Creditors	9
8.1	Secured creditors	9
8.2	Preferential creditors	9
8.3	Unsecured creditors	9
9	Outstanding matters	9
10	Conclusion of the Administration	10



Original Shoe Company Limited (in Administration)
Report to Creditors pursuant to Rules 2.42 and 2.47 of the Insolvency (Scotland) Rules 1986
KPMG LLP
12 February 2010

Appendices

- 1 Joint Administrators' abstract of receipts and payments account to 11 February 2010
- 2 Statutory abstract of receipts and payments account to 11 February 2010
- 3 Joint Administrators' time costs to 11 February 2010
- 4 Joint Administrators' charge out rates and category 1 expenses
- 5 Joint Administrators' original proposals



1 Glossary

Joint Administrators	Richard Dixon Fleming of KPMG LLP, 1 The Embankment, Neville Street, Leeds, LS1 4DW, David Costley-Wood of KPMG LLP, St James Square, Manchester, M2 6DS and Blair Carnegie Nimmo of KPMG LLP, 191 West George Street, Glasgow G2 2LG.
Administration	The Administration Order granted by the Court of Session, Parliament Square, Edinburgh in respect of Original Shoe Company Limited dated 19 February 2009.
Company / OSC	Original Shoe Company Limited (in Administration)
Qube	Qubefootwear Limited (in Administration)
JJB	JJB Sports plc
Lifestyle	Collective term for Original Shoe Company Limited and Qubefootwear Limited (both in Administration)
Barclays	Barclays Bank plc
HBoS	Halifax Bank of Scotland plc
Kaupthing	Kaupthing Singer & Friedlander Ltd (in Administration)
Agents	Fox Lloyd Jones LLP / Sanderson Weatherall
Legal Advisers / S&W	Shepherd & Wedderburn LLP
King Sturge	King Sturge International LLP
RoT	Retention of Title
KPMG GSS	KPMG LLP Global Sustainability Services (HSE services)
SIP	Statement of Insolvency Practice
Act	Insolvency Act 1986
EC Regulations	Council Regulations (EC) No. 1346/2000



2 Statutory information

Date of appointment	19 February 2009
Company registered number	SC191917
Previous registered office	56/58 Argyle Street, Glasgow, Lanarkshire, G2 8AF
Present registered office	KPMG LLP, 191 West George Street, Glasgow, G2 2LJ
Appointor	The Directors of the Company

In accordance with Paragraph 100(2) of Schedule B1 Insolvency Act 1986 the functions of the Administrators are being exercised by either, both or all of the Administrators.

3 Introduction

Further to my report dated 22 September 2009, I write to provide my final report on the outcome of the Administration in accordance with Rules 2.42 and 2.47 of the Insolvency (Scotland) Rules 1986.

The original proposals agreed by the creditors are attached at Appendix 5. In accordance with Rule 2.42 the outcome of this Administration is detailed in this, my final report. There have been no notable amendments to, or deviations from, these proposals.

An abstract receipts and payments account for the period 19 August 2009 to 11 February 2010 is attached at Appendix 1. Funds totalling £1,300,087 were held as at 11 February 2010. All funds including VAT receivable and payable, as well as PAYE and NIC arising in the trading period will be transferred to the Liquidation.

4 Progress of the Administration to 11 February 2010

All outstanding matters can now be dealt with from within the Liquidation. As such, in accordance with the proposals set out in previous reports, the Joint Administrators are now seeking to convert this case to a Creditors Voluntary Liquidation. This will also enable the distribution of funds to preferential and unsecured creditors.

I comment on the receipts and payments for the period below.



5 Receipts

5.1 Leaschold property

A total of £7,360 was received in respect of leasehold property. An amount of £6,360 was received from Northgate Ltd with respect to a license to occupy the Kilmarnock store leasehold premises. A £1,000 premium was also received in relation to the assignment of the Gateshead property lease.

5.2 Rates refunds

The Company pre-paid rates on a number of its leasehold properties and refunds of £51,135 have been received during the period in respect of various properties.

5.3 Pre-appointment funds

An amount of £184,663 was received from Barclays bank, which was being held in escrow, in respect of pre-appointment sales receipts.

5.4 Bank interest

Interest totalling £777 was received during the period on funds held in the Joint Administrators bank account.

5.5 Sundry refunds

Sundry refunds of £4,879 were received during the period. The majority of this balance is in respect of a refund on an overpayment to Barclaycard prior to the Administration.

6 Payments

6.1 Administrators' fees and expenses

To date KPMG LLP have incurred time costs of £830,442 representing 3,387 hours at an average rate of £245. Pursuant to Statement of Insolvency Practice 9, a detailed analysis of these costs is attached at Appendix 3. To date KPMG LLP have drawn fees of £700,000 against these costs, all of which has been drawn in the period. Joint Administrators' Fees are detailed further in section 7 below. In accordance with the fee resolution passed by creditors, outstanding Administrators' fees in the sum of £130,442 will be drawn from within the Liquidation.



Expenses of £8,626 have been paid out of the Administration. An analysis of expenses incurred is attached at Appendix 4.

6.2 Agents' and valuation fees

A total of £11,674 was paid during the period to agents in relation to the valuation and marketing of leasehold property and EPOS systems.

6.3 Legal fees and expenses

Legal fees amounting to £57,284 and expenses of £7,470 were paid to legal advisors during the period in relation to their advice regarding the release of charges, validity of charges, leasehold property and sale of assets.

6.4 Other property expenses

A total of £573 was paid in the period in relation to site security and lease assignment expenses.

6.5 Professional services

Charges of £8,580 have been paid during this period in relation to professional services, specifically relating to assisting employees through the redundancy process.

6.6 Trading expenses

Trading expenses totalling £215,617 were paid in the period in respect of the Company's trading period. This includes rates of £110,004, hire purchase and leasing payments of £2,402, repairs and maintenance of £5,392, third party IT costs of £41,233, stock transportation costs of £43,006, advertising costs of £1,399 and third party labour costs of £11,299.

7 Joint Administrators' Fees

To date, the Joint Administrators have been engaged in:

- attending and securing the Company's various premises;
- attending the Company's premises to close stores, make redundancies and supervise stock movement from closed to open stores;
- dealing with ongoing site maintenance e.g. store break-ins, health and safety inspections and security matters;



Original Shoe Company Limited (in Administration)
Report to Creditors pursuant to Rules 2.42 and 2.47 of the Insolvency (Scotland) Rules 1986
KPMG LLP
12 February 2010

- dealing with employee matters;
- realising the Company's assets;
- dealing with creditor claims and queries;
- reporting to unsecured creditors;
- corresponding with our HSE (Health, Safety & Environment), VAT and Corporation Tax teams;
- collecting the Company books and records;
- reviewing the potential for lease premiums;
- liaising with the landlords and managing agents; and
- statutory issues associated with the Administration.

The Joint Administrators fixed the basis of their remuneration with reference to time properly spent in this matter. The Joint Administrators anticipate that there will be funds available for distribution to unsecured creditors.

The Joint Administrators therefore called a meeting of creditors via correspondence in which the following proposals were approved:

- The Joint Administrators will be authorised to draw fees on account from the assets of Original Shoe Company Limited from time to time during the period of the Administration. Fees will be based on time properly spent at KPMG LLP charge out rates set out in Appendix 4 that reflect the complexity of the assignment. Also, the Joint Administrators will seek approval to draw disbursements from time to time; and
- That the costs of KPMG LLP in respect of Realisations and Recoveries Group, GSS, Pension, Tax and VAT advice provided to the Joint Administrators be based upon time costs and shall be paid out of the assets of Original Shoe Company Limited.

The Joint Administrators' time costs to 11 February 2010 are £830,442. A total of 3,387 hours have been spent working on the Administration to 11 February 2010, at an average rate of £245 per hour. To date expenses totalling £8,626 have been incurred.

An analysis of the Joint Administrators' costs to date in accordance with the provisions of SIP 9 is attached at Appendix 3.

A creditors' guide to fees can be found at:

[http://www.r3.org.uk/uploads/sip/SIP9_v5_April_2007\(1\).pdf](http://www.r3.org.uk/uploads/sip/SIP9_v5_April_2007(1).pdf), however, if you are unable to access this guide and would like a copy please contact John Barkwith.

The Joint Administrators have instructed KPMG LLP GSS, Pension, Corporation Tax and VAT specialists to carry out assessments of the Company's position. Time in relation to these matters is also included in the analysis at Appendix 3.



8 Creditors

8.1 Secured creditors

As detailed in the previous report, the Joint Administrators have investigated the various securities in place over the Company and have concluded that, due to the Company being insolvent when the securities were taken, they are invalid. As such, the Joint Administrators do not believe the Company has any secured creditors.

8.2 Preferential creditors

There are no wages or salary arrears and preferential claims will therefore consist of claims in respect of holiday pay and outstanding pension contributions.

We anticipate that a dividend of 100p in the £ will be available for the preferential creditors, however, the exact timing and amount of any dividend remains uncertain.

8.3 Unsecured creditors

The Joint Administrators anticipate that it is likely that there will be funds of around £900,000, less other Liquidation costs and outstanding trading costs, available to enable a distribution to unsecured creditors. The dividend to unsecured creditors will be heavily dependent on the amount of total landlord claims proved in the Liquidation. The exact timing of any dividend remains uncertain.

9 Outstanding matters

The Joint Administrators' proposals have now been completed. The following matters remain outstanding, however they can be finalised in the Creditors Voluntary Liquidation.

- Settlement of any outstanding costs of the Administration;
- Assignment of remaining property leases;
- Payment of PAYE and NIC contributions relating to the trading period;
- Settlement of any outstanding VAT;
- Finalisation of trading costs; and
- Agreement and payment of preferential and unsecured creditors where applicable.



10 Conclusion of the Administration

The Joint Administrators' proposals have been completed.

The Company will be placed into creditors' voluntary liquidation on the filing of this report along with form 2.25B(Scot) at Companies House.

In accordance with the Joint Administrators' original proposals, David James Costley-Wood, Richard Dixon Fleming and Blair Carnegie Nimmo will be appointed as Joint Liquidators.

David Costley-Wood
Joint Administrator



Original Shoe Company Limited (in Administration)
Report to Creditors pursuant to Rules 2.42 and 2.47 of the Insolvency (Scotland) Rules 1986
KPMG LLP
12 February 2010

Appendix 1

Joint Administrators' abstract of receipts and payments account from 19 August 2009 to 11 February 2010

Original Shoe Company Ltd (In Administration) Administrators' Trading Account		
Statement of Affairs	From 19/08/2009 To 11/02/2010	From 19/02/2009 To 11/02/2010
POST-APPOINTMENT SALES		
Sales	NIL	1,488,268.58
	NIL	1,488,268.58
OTHER DIRECT COSTS		
Direct labour	NIL	354,349.09
Direct expenses	NIL	67.70
	NIL	(354,416.79)
TRADING EXPENSES		
Rent	NIL	3,495.25
Rates	110,003.87	135,782.00
Bank charges & interest	NIL	19,705.92
HP/Leasing payments	2,402.48	2,402.48
Hire of equipment	292.15	292.15
Repairs and maintenance	5,392.00	6,172.92
Sundry expenses	589.60	11,734.87
Third Party IT costs	41,233.37	41,233.37
Stock transportation costs	43,095.85	43,005.85
Advertising	1,399.20	1,399.20
Third Party Labour costs	11,298.77	11,298.77
	(215,617.29)	(276,522.78)
TRADING SURPLUS/(DEFICIT)	(215,617.29)	857,329.01



Original Shoe Company Limited (in Administration)
Report to Creditors pursuant to Rules 2.42 and 2.47 of the Insolvency (Scotland) Rules 1986
KPMG LLP
12 February 2010

Original Shoe Company Ltd
(In Administration)
Administrators' Abstract of Receipts & Payments

Statement of Affairs	From 19/08/2009 To 11/02/2010	From 19/02/2009 To 11/02/2010
ASSET REALISATIONS		
Leasehold property	7,360.27	7,360.27
Tills/EPOS Systems	NIL	63,053.30
Furniture & equipment	NIL	3,474.23
Voucher refunds	NIL	6,695.25
Rates refunds	51,135.00	105,875.80
Pre-appointment funds	184,662.52	1,214,357.87
	<u>243,157.79</u>	<u>1,400,816.72</u>
OTHER REALISATIONS		
Bank interest, gross	776.84	3,150.39
Sundry refunds	4,879.14	5,584.78
Trading Surplus/(Deficit)	<u>(215,617.29)</u>	<u>857,329.01</u>
	<u>(209,961.31)</u>	<u>866,064.18</u>
COST OF REALISATIONS		
Statement of affairs work	NIL	195.00
Administrators' fees	700,000.00	700,000.00
Administrators' expenses	8,626.04	8,626.04
Inrecoverable VAT	NIL	1.92
Agents'/Valuers' fees	11,673.90	46,383.90
Legal fees	57,284.45	202,847.17
Legal expenses	7,470.22	9,657.69
Registers of Scotland	NIL	15.00
Data removal costs	NIL	173.92
Statutory advertising	NIL	136.68
Other property expenses	573.00	573.00
Insurance of assets	NIL	16,869.26
Professional Services (Employees)	8,580.00	30,956.25
Bank charges	70.91	265.32
	<u>(794,278.52)</u>	<u>(1,016,701.15)</u>
	<u><u>(761,082.04)</u></u>	<u><u>1,250,179.75</u></u>
REPRESENTED BY		
Trade debtors		1,877.63
Floating ch. VAT rec'd		133,702.55
Floating charge current		1,300,086.83
Floating ch. VAT payable		(472.58)
PAYENIC		(67,350.60)
Floating ch. VAT control		(117,664.38)
		<u><u>1,250,179.75</u></u>

Appendix 2

Statutory abstract receipts and payments account from 19 August 2009 to 11 February 2010

ABSTRACT OF RECEIPTS AND PAYMENTS - 19/08/2009 to 11/02/2010 Appendix to Form 2.24
Original Shoe Company Ltd Page 1

RECEIPTS		£
Brought forward from previous Abstract (if Any)		2,726,287.88
Leasehold property		7,360.27
Rates refunds		51,135.00
Pre-appointment funds		184,662.52
Bank interest, gross		776.84
Sundry refunds		4,879.14
Floating ch. VAT control		117,664.38
Carried forward to		3,092,766.03
* continuation sheet / next abstract		
PAYMENTS		£
Brought forward from previous Abstract (if Any)		658,028.87
Rates		110,003.87
HP/Leasing payments		2,402.48
Hire of equipment		292.15
Repairs and maintenance		5,392.00
Sundry expenses		589.60
Third Party IT costs		41,233.37
Stock transportation costs		43,005.85
Advertising		1,399.20
Third Party Labour costs		11,298.77
Administrators' fees		700,000.00
Administrators' expenses		8,626.04
Agents/Valuers' fees		11,673.90
Legal fees		57,284.15
Legal expenses		7,470.22
Other property expenses		573.60
Professional Services (Employees)		8,580.00
Bank charges		70.01
Floating ch. VAT receivable		118,296.52
Floating ch. VAT payable		9,458.00
Carried forward to		1,792,679.20
* continuation sheet / next abstract		

* Delete as appropriate

* The receipts and payments must separately be added up at the end of each Abstract and then carried forward from one abstract to the next. The receipts and payments must be added up at the end of the period and the total must be carried forward to the next abstract.



Original Shoe Company Limited (in Administration)
Report to Creditors pursuant to Rules 2.42 and 2.47 of the Insolvency (Scotland) Rules 1986
KPMG LLP
12 February 2010

Appendix 3

Joint Administrators' time costs from 19 August 2009 to 11 February 2010

Original Shoe Company Limited (in Administration)

Reporting period: 19-08-09 to 11-02-10

SIP 9 Compliance fees worksheet

Consolidated time spent by grade	Partner/Director	Management	Administrators	Support	Total Hours	Total Cost £	Average Rate £
Activity							
Administration & planning							
Appointment related formalities	0.10	0.00	0.00	0.00	0.10	£31.50	£315.00
Statutory Receipts & Payments	0.00	0.00	1.00	0.00	1.00	£165.00	£165.00
Strategy documents	3.30	2.00	0.00	0.00	5.30	£2,531.50	£479.07
Closure & related formalities	2.00	0.00	0.00	0.00	2.00	£1,318.00	£659.00
Checklist & reviews	1.20	0.00	20.70	0.00	21.90	£4,333.50	£197.88
Fees & WIP	0.00	0.00	4.20	2.20	6.40	£1,176.00	£183.75
General cashflowing	0.00	0.00	14.20	3.40	17.60	£2,700.00	£153.41
Reconciliations	0.00	0.00	3.40	2.10	5.50	£1,122.50	£204.09
Post appointment VAT	0.00	1.70	26.50	0.00	28.20	£5,600.50	£198.60
Post appointment CT	8.60	29.20	57.50	0.00	95.30	£27,423.50	£287.75
Post appointment PAYE	0.00	0.00	4.00	0.00	4.00	£680.00	£170.00
	15.20	34.40	133.50	7.70	190.80	£47,083.00	£246.77
Realisation of assets							
Leasehold property	1.40	8.30	53.90	0.00	63.60	£20,226.50	£318.02
Stock & WIP	0.00	0.00	8.00	0.00	8.00	£1,800.00	£225.00
Debtors	0.00	0.00	7.00	0.00	7.00	£330.00	£47.14
Cash & investments	0.00	0.00	3.00	0.00	3.00	£675.00	£225.00
Rent	0.00	0.00	2.00	0.00	2.00	£330.00	£165.00
Other assets	1.00	0.00	0.00	0.00	1.00	£515.00	£515.00
	2.40	8.30	66.90	0.00	77.60	£23,876.50	£307.57
Trading							
Sales	2.00	0.00	0.00	0.00	2.00	£1,030.00	£515.00
Purchases & costs	0.00	0.00	8.00	0.00	8.00	£1,320.00	£165.00
	2.00	0.00	8.00	0.00	10.00	£2,350.00	£235.00
Creditors							
Creditor correspondence	0.00	14.60	60.00	0.00	74.60	£15,011.00	£199.61
Reports to creditors	0.70	3.50	49.50	0.00	53.70	£10,228.00	£190.47
Employee correspondence	0.00	14.00	0.00	0.00	14.00	£1,450.00	£103.57
	0.70	32.10	110.10	0.00	142.90	£26,689.00	£186.67
Total hours/cost	19.30	78.40	350.50	7.70	455.90	£102,028.50	£223.93
Fees drawn							
B/f			0.00		2,523.21	£727,113.30	£287.99
In the period			£700,000.00		453.90	£102,028.50	£223.93
C/f			£700,000.00		2,523.21	£829,141.80	£324.11

Notes

All staff who have worked on this assignment, including cashiers and secretarial staff, have charged time directly to the assignment and are included in the analysis of time spent. The cost of staff employed in central administration functions is not charged directly to the assignment but is reflected in the general level of charge out rates.



Appendix 4

Joint Administrators' charge out rates and category 1 expenses

	Restructuring	Tax	VAT	Pensions
	£	£	£	£
Partner	515	595	865	745
Director	440	535	775	670
Senior Manager	405	375-470	545-680	470-590
Manager	320	255-305	370-435	320-385
Administrator	225	185-220	270-315	235-275
Assistant administrator	165	85-185	120-235	110-235

Category 1 expenses

Expense name	Expense amount £
Mileage	5,449.72
Stationary	3.95
Telecommunications	472.24
Bordereau	352.00
Train costs	563.60
Other travel	1,013.70
Hotels	96.81
Lunches/Meals	565.76
Sundry	108.26
Total	8,626.04

Appendix 5

Joint Administrators' original proposals

The Joint Administrators propose the following:

- to continue to do all such things reasonably expedient and generally exercise all their powers as contained in Schedule 1 to the Act as Joint Administrators as they, in their discretion, consider desirable in order to maximise realisations from the assets of the Company;
- to seek an extension to the Administration period if deemed necessary by the Joint Administrators pursuant to paragraph 76 of schedule B1 to the Act;
- when it is considered that no further distributions to creditors will be made and that the Joint Administrators have concluded their duties, to take the necessary steps to move the Company from Administration to Dissolution, pursuant to paragraph 84 of Schedule B1 to the Act. If the Joint Administrators consider that a distribution will be made to unsecured creditors of the Company, to take the necessary steps to move the Company into Creditors' Voluntary Liquidation pursuant to paragraph 83 of Schedule B1 to the Act;
- if Creditors' Voluntary Liquidation is deemed appropriate, the Joint Administrators will seek the appointment of Richard Dixon Fleming, David Costley-Wood and Blair Carnegie Nimmo of KPMG LLP as Liquidators of Original Shoe Company Limited. In accordance with paragraph 83(7) of Schedule B1 to the Act and Rule 2.117(3) of the Insolvency Rules 1986, creditors may nominate a different person as the proposed liquidator, provided that the nomination is made after the receipt of the proposals and before the proposals are approved;
- if one of the criteria set out in paragraph 79(2) of schedule B1 to the Act apply to the Company, to make an application to court to end the Administration and, if deemed appropriate, to petition the court for the winding up of the Company. If appropriate, the Joint Administrators will, at the same time, apply to be appointed as Joint Liquidators under Section 140(1) of the Act;
- that the Administrators are discharged from liability in respect of any action of theirs as Administrators pursuant to paragraph 98(1) of Schedule B1 to the Act on the agreement of each secured creditor (and the requisite majority of preferential creditors if the Joint Administrators think that there will be a distribution to them) being received and upon registration of the notice given pursuant to paragraph 84 of Schedule B1 to the Act, and;
- in the event that Richard Dixon Fleming, David Costley-Wood and Blair Carnegie Nimmo are appointed Joint Liquidators then they will be allowed to act jointly and severally.

In relation to Joint Administrators' fees:

- that in the event that no creditors' committee is formed, or if no determination of the creditors' committee is reached, the Joint Administrators will seek approval from



Original Shoe Company Limited (in Administration)
Report to Creditors pursuant to Rules 2.42 and 2.47 of the Insolvency (Scotland) Rules 1986
KPMG LLP
12 February 2010

secured creditors (and the requisite majority of preferential creditors if the Joint Administrators think that there will be a distribution to them) in relation to the basis of their remuneration. The Joint Administrators will be authorised to draw fees on account from the assets of Original Shoe Company Limited from time to time during the period of Administration based on time properly spent at KPMG LLP charge out rates that reflect the complexity of the assignment. Also, the Joint Administrators will seek approval to draw disbursements from time to time; and

- that the costs of KPMG LLP in respect of RRG, HSE, Pension, Tax and VAT advice provided to the Joint Administrators be based upon time costs and shall be paid out of the assets of Original Shoe Company Limited.