

TO ALL KNOWN MEMBERS AND CREDITORS

21 December 2020

Ref: SJW/HJO/AH/PCF/SAD09E01
Email: slgadministration@uk.ey.com

Dear Sirs

Shearings Hotels Limited (in Administration) (the “Company”)

I write further to the Company entering administration on 22 May 2020 (the “**Date of Appointment**”), with S J Woodward and C P Dempster appointed to act as joint administrators (the “**Joint Administrators**”).

In accordance with Rule 3.93 of the Insolvency (Scotland) (Company Voluntary Arrangements and Administration Rules 2018 (the “**Rules**”), I am now writing to provide creditors with a report on the progress of the administration. This report covers the period from 22 May 2020 to 21 November 2020 (the “**Period**”) and should be read in conjunction with the Joint Administrators’ Statement of Proposals dated 3 July 2020 (the “**Proposals**”).

The Company is part of the Specialist Leisure Group Limited and its subsidiaries (the “**Group**”). As with the Proposals, the progress report of certain entities of the Group (the “**Companies**”) registered in England is prepared separately in accordance with Rule 18.3 of the Insolvency (England and Wales) Rules 2016. However, the affairs and business of the Company are intrinsically linked with the affairs and business of the Companies and therefore we have included reference to the Companies throughout this document.

Statutory information about the Company, the administration and the office holders is given at Appendix A.

Approval of the Proposals

As detailed in the Proposals, we are of the opinion that the Company does not have sufficient property to enable a distribution to be made to unsecured creditors other than by virtue of the prescribed part, dependent on sufficient realisations. Consequently, in accordance with the provisions of paragraph 52(1)(b) of Schedule B1 to the Insolvency Act 1986, a decision of the creditors of the Company on the approval of the Proposals was not sought.

As no request for a decision procedure was received from creditors, on 16 July 2020, the Proposals were deemed to be approved.

Summary of Progress during the Period

I have detailed below the principal workstreams progressed during the Period.

Further specific detail with regard to the receipts and payments received and incurred during the Period is attached at Appendix B. Please note that these accounts do not reflect future estimated realisations or costs including the Joint Administrators remuneration and disbursements.

Asset Realisations

Freehold and Long Leasehold Properties

The Company owns the freehold interest in the Grand Hotel, Exmouth and a long leasehold interest in the Majestic Hotel, Bournemouth.

The Joint Administrators appointed agents, Savills (UK) Limited (“**Savills**”), to market and sell the Company’s interests in these hotels. Savills produced a marketing brochure for each of the properties and distributed these to 810 identified parties, comprising interested parties who had contacted us since our appointment, as well as Savills’ own database of contacts who would be interested in acquiring these types of assets. In addition, a press release was sent out to several separate publications including local, national and market specific press. Both properties were also advertised on Savills and Rightmove websites.

From the 810 identified parties, 54 signed non-disclosure agreements and accessed a data site, 23 unique viewings were held across both properties and a total of 14 offers were received ahead of the initial deadline of 25 September 2020. This deadline was subsequently extended further to 30 September 2020 to exhaust all possible interest in the market.

The Grand Hotel, Exmouth

Following an initial review, the Grand Hotel was taken to market at a guide price of £1,350k. However, despite healthy interest in the property, all of the offers received represented a negative variance to this guide price.

Our consideration of the offers received was assisted by leveraging the sector expertise of both Savills and EY.

The Majestic Hotel, Bournemouth

Following an initial review, the Majestic Hotel was taken to market at a guide price of £1,700k. Similarly to the Grand Hotel, all of the offers received represented a negative variance based on this initial value expectation.

We again leveraged sector expertise at both our agents and EY to appropriately scrutinise these variances.

It is worth noting that this sales process has been conducted in a market that has been significantly disrupted by the evolving nationwide lockdown rules as a result of COVID-19. The feedback we have received from both potential buyers and sector experts is that these assets represented an unnecessary potential risk to many prospective buyers in consideration of a general expectation of more assets of this nature coming to market in coming months.

The Joint Administrators have accepted offers for both properties, however as neither contract has yet exchanged, the details remain confidential.

Subsequent to acceptance of these offers for the respective hotels, a sale of the Majestic Hotel is expected to complete in early January 2021 subject to finalisation of transaction documentation. As at the date of this progress report the terms and conditions regarding the sale of the Grand Hotel remain subject to final negotiations. We will therefore report on the outcome of these sales in our next progress report.

Leasehold Hotels

The Company operated from a further 42 leasehold hotels located throughout the UK, 40 of which were leased from a single landlord (“**Propco**”). Prior to the insolvency, Propco and the Group were under common ownership. However, Propco is not part of the administration process.

Following the appointment of Joint Administrators, Propco agreed to allow the Company a rent-free period in relation to its 40 hotels. This period was intended to allow Propco and the Joint Administrators time to negotiate a sale of, principally, the fixtures and fittings and stock within the hotels, which were owned by the Company. In addition to agreeing a position with regard to these specific assets, negotiations were also progressed with regard to any consideration that could be ascribed to elements owned and/or operated by the Company that Propco identified as being required to ensure operational continuity for its hotels.

Subsequent to the above, on 17 July 2020 we successfully agreed a transaction with Propco for a total consideration of £211k, of which £12k was a realisation in another Group company (detailed in the Companies first progress report). The £199k attributable to the Company can be detailed as follows:

- ▶ **Fixed charge realisations – £72k:** represented by i) £30k for the successful assignment of a lease for 15 car park space in Llandudno (completed outside of the Period, on 5 December 2020 and therefore not shown on the receipts and payments account at Appendix B); ii) £27k for the sale of the intellectual property in various hotel brands; and, iii) £15k for the transfer of a long leasehold interest in staff accommodation at a hotel in Devon.
- ▶ **Floating realisations – £127k:** represented by i) £69k for the sale of fixtures and fittings; ii) £40k for the sale of IT equipment/systems; and, iii) £18k for the sale stock.

Of the two remaining hotels which were leased from third party landlords, one lease has been surrendered and the other has been assigned to a new tenant, with the costs of this assignment being met by the new tenant.

Rates Refunds

During the Period, rates refunds totalling £37k have been received.

We continue to pursue potential realisations from this workstream, with the assistance of business rates specialists within EY looking at the historical rateable value of properties; however, we cannot comment on the likely timing or quantum of future realisations at this time. A further update will be included in our next report.

Insurance Claim

At the Date of Appointment, the Company was in the process of submitting a claim in relation to damage and business interruption caused by a fire at a property adjacent to one of its hotels.

The claim procedure is ongoing, and as such it is too early to comment on the timing and quantum of realisations from this potential asset. We will provide an update in our next report.

Other Matters

Administration Funding

As outlined in the Proposals, prior to the administration, the Group had working capital facilities of £14.33m, provided by Lloyds Banking Group (“**LBG**”). These facilities consisted of a Revolving Credit Facility (“**RCF**”) of £9.33m and an overdraft of £5m. At the Date of Appointment, the RCF was fully drawn and there was c.£1.9m of availability under the overdraft facility.

Prior to the administration, the Joint Administrators agreed with LBG (the secured creditor) that the funds available under the overdraft facility would be made available to the Joint Administrators for the purposes of the administrations of the Group.

Accordingly, shortly following the appointment, LBG transferred £1.9m to the administration bank account of Specialist Leisure Group Limited (the “**Funding**”). The Funding was made available to meet applicable fixed and floating costs across all Group administrations. During the Period, the Company utilised c.£401k of the Funding to meet both fixed and floating costs of the administration.

Taking account of realisations across the Group administrations the Joint Administrators are now in a position to enable the Group to repay the Funding in full. In summary, the level of Funding utilised in respective Group companies will be paid back first from applicable fixed charge realisations in the respective Group companies.

In certain Group companies the fixed charge realisations will be insufficient to meet the level of Funding utilised in said company. Should this be the case, fixed charge realisations will be utilised from other Group companies to ensure repayment of the Funding is made in full on a Group level. This will likely lead to intercompany positions crystallising between several of Group companies.

We currently anticipate that future fixed charge realisations will be sufficient in the Company to meet the level of Funding utilised in light of the proposed sale of the hotel assets discussed in previous sections of this report.

Retention of Title Claims

The Company has received five retention of title claims in respect of items at the Grand Hotel and nine retention of title claims in respect of items at the Majestic Hotel.

These retention of title claims have been reviewed and assets were returned where there was sufficient evidence of ownership. There are no ongoing retention of title claims.

Customer Communications

As previously outlined in the Proposals, holidays booked for c.65,000 customers of the Group, before 22 May 2020, were cancelled and will not be rescheduled. Many of these holidays were expected to have protection under the Group's various bonding arrangements and customers may be able to access other forms of consumer protection or insurance in order to claim a refund.

Shortly following the appointment, the Joint Administrators commenced a communications cascade to customers to assist them in understanding the impact of the Group administrations and their options to claim a refund for their cancelled bookings. The Joint Administrators have worked closely with ABTA, the Civil Aviation Authority, the Confederation of Passenger Transport and Bonded Coach Holidays throughout the Group administrations to remain aligned on messaging to customers.

As part of this communications cascade, the Joint Administrators leveraged a number of the Group's existing communications channels to contact affected customers, notifying them of the appointment and directing them to the Group's website for support and guidance on their next steps, in addition to several other actions as previously reported in the Proposals.

The Joint Administrators will continue to provide updates to customers regarding the administration through the Group's website at www.specialistleisuregroup.com and the Customer FAQs on our dedicated website at www.ey.com/en_uk/ey-slg-administration.

Employees

At the Date of Appointment, the Company had 1,468 employees.

On the Date of Appointment, all except three of these employees were made redundant. These employees were retained to assist the Joint Administrators in their duties.

Total staff costs of £110k have been incurred during the Period (salaries: £97k; pension contributions: £3k; and associated taxes: £10k), which includes an allocation of central employee costs totalling £68k relating to the Company's utilisation of central finance and IT functions.

On 17 July 2020 one member of staff was made redundant and the remaining two were made redundant on 31 July 2020.

The Joint Administrators have engaged ERA Solutions Limited to assist employees who have been made redundant with making their statutory claims.

Investigations

We have undertaken an investigation into the Company's affairs prior to our appointment, pursuant to Statement of Insolvency practice 2 (Investigations by Office Holders) and the Company Directors Disqualification Act 1986, with the necessary confidential returns made to the Insolvency Service on 19 August 2020. No investigations are continuing, and no third-party funding has been provided.

Corporation Tax

The Joint Administrators have instructed EY tax specialists to prepare corporation tax returns for the Company at the Date of Appointment and for subsequent periods during the administration as required. These returns will be prepared and submitted in the due course.

VAT

The Joint Administrators sent notice of their appointment in the prescribed Form VAT769 shortly following appointment. HMRC are experiencing delays in producing VAT returns due to the COVID-19 pandemic and we await the necessary VAT forms in order to file returns for the period since the Joint Administrators' appointment.

Distributions to Creditors

Secured Creditors

Based on the Statement of Affairs of the Company at the Date of Appointment, the Company individually and collectively with the Companies, owed c.£19.6m to its secured creditor, LBG.

We anticipate making a distribution of £7.1m to LBG from fixed charge realisations across the Group shortly following the Period.

Further distributions to LBG are expected, however, it is anticipated that LBG will still suffer a significant shortfall against its overall exposure.

Preferential Creditors

Based on the Statement of Affairs of the Company, at the Date of Appointment preferential creditor claims were estimated to be in the region of £645k.

We do not anticipate there being sufficient floating charge realisations in the administration to facilitate a distribution to preferential creditors.

Unsecured Creditors

Based on the Statement of Affairs of the Company at the Date of Appointment, it is estimated that total unsecured claims will be in the region of £175m.

The Joint Administrators are of the opinion that the Company does not have sufficient property to enable a distribution to be made to unsecured creditors other than by virtue of the prescribed part, dependent on sufficient realisations.

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 prescribed part applies to floating charges created on or after 15 September 2003.

As the Company's floating charges were created after 15 September 2003, the prescribed part applies to the Company.

The Joint Administrators currently estimate that the value of the net property is £nil and therefore do not expect to be able to make a prescribed part distribution to unsecured creditors.

Joint Administrators' Remuneration and Disbursements

The statutory provisions relating to remuneration are set out in Rules 3.95 to 3.101 of the Rules.

In certain circumstances, creditors are entitled to request further information about our remuneration or outlays, or to apply to court if they consider the costs to be excessive (Rule 3.100 of the Rules). Further information is given in 'A Creditors' Guide to Administrators' Fees', a copy of which may be accessed from the web site of the Institute of Chartered Accountants of Scotland at <https://www.icas.com/technical-resources/creditor-guides-to-office-holder-remuneration> or is available in hard copy upon written request to the Joint Administrators.

Remuneration

Our remuneration was fixed on the basis of time properly spent by the Joint Administrators and their staff in dealing with matters arising in the administration by the secured creditor by resolution on 3 August 2020.

Time costs of £1,019k have been incurred during the Period. An analysis of the time spent in the Period, is attached at Appendix C to this report along with a description of work carried out in the Period and work still to complete. No remuneration has been drawn by the Joint Administrators to date.

Disbursements

The Joint Administrators have incurred a total of £5.3k of category 1 disbursements within the Period. In line with Statement of Insolvency Practice 9 ("SIP9"), it is the Joint Administrators' policy to disclose Category 1 disbursements, as detailed in Appendix D, but not seek approval to draw them.

The Joint Administrators received approval to draw category 2 disbursements from the secured creditor by resolution on 3 August 2020. No category 2 disbursements have been incurred during the Period.

Payments to Other Professionals

The table below details the professionals engaged to assist us in the administration, and the cost incurred for each. They were chosen based on their experience in similar assignments.

Name of firm	Nature of service	How contracted to be paid	Total amount paid in the Period (£)
DLA Piper	Legal Advice	Time costs	156,360
ERA Solutions Limited	Employee redundancy advice	Time costs	58,930
Moorcroft Property Management	Property management/holding costs	Time costs	36,234
Knight Frank	Property valuation	Fixed fee	14,000
Addleshaw Goddard	Legal advice	Time costs	2,476
St Davids Commercial	Asset valuation	Fixed fee	350
Savills	Property agents	Percentage of realisations	Nil
Total paid in the Period			268,350

Details of the fees paid in the Period are outlined further in the receipts and payments account attached at Appendix B.

Joint Administrators' Outlays

During the Period the Joint Administrators have incurred outlays totalling £574k plus VAT, a breakdown of which is detailed at Appendix D to this report.

Pre-administration Costs

The Joint Administrators outlined pre-administration costs totalling £251k (Joint Administrators' fees - £133k and legal fees - £118k) in the Proposals, which were approved by the secured creditor on 3 August 2020.

During the Period payments totalling £249k (Joint Administrators' fees - £133k and legal fees - £116k) were made in relation to these unpaid pre-administration costs. This amount is lower than that stated in the Proposals after accounting for the final allocation of legal costs on receipt of finalised invoices across the Group.

Remaining Work

The Joint Administrators will continue to carry out their statutory duties and to deal with matters in order to achieve the objectives of the administration, as set out in the Proposals. Future tasks will include, but may not be limited to, the following:

- ▶ continue to realise Company assets including finalising remaining hotel sales, business rates refunds and the business interruption insurance claim as set out earlier in this report;
- ▶ completion of any tax obligations including preparation and submission of corporation tax and VAT returns to HMRC as required;
- ▶ continue to correspond with employees, customers and trade creditors of the Company as required;
- ▶ participate in reconciliation of Group intercompany positions in consideration of utilisation and repayment of the Funding;
- ▶ continued completion of statutory reporting; and
- ▶ any such actions the Joint Administrators consider, in their reasonable opinion, are necessary and/or expedient to fulfil the purpose of the administration and to bring it to a conclusion.

The End of the Administration

The administration will automatically come to an end 12 months after the Date of Appointment. The administration can be extended by a period up to 12 months with consent of creditors or longer by court if necessary.

It is proposed that if at the end of the administration (21 May 2021) the Company has no property which might permit a distribution to its creditors, the Joint Administrators will send a notice to that effect to the registrar of companies. On registration of the notice the Joint Administrators' appointment will come to an

end. In accordance with the provisions of paragraph 84(6) of Schedule B1 to the Insolvency Act 1986 the Company will be deemed to be dissolved three months after the registration of the notice.

Next Report

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

Should you have any remaining questions about the administration, please do not hesitate to contact Soban Memon at this office by emailing at slgadministration@uk.ey.com.

Yours faithfully
for the Company



S J Woodward
Joint Administrator

Enclosed:

- Appendix A Statutory Information
- Appendix B Summary of Receipts and Payments
- Appendix C Joint Administrators' Time Costs
- Appendix D Summary of Joint Administrators' Outlays 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 and 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 Statutory Information

Information about the proceedings, the Company and the office holders, as required by Rule 3.94 of the Insolvency (Scotland) (Company Voluntary Arrangements and Administration) Rules 2018

Name of court:	Court of Session, Scotland
Court reference:	P370/20
Registered name of the company:	Shearings Hotels Limited (in Administration)
Registered office address of the company:	c/o Ernst & Young LLP, Atria One, 144 Morrison Street, Edinburgh, EH3 8EX
Registered number:	SC024759
Country of incorporation (for a company incorporated outside the United Kingdom):	N/A
Date of appointment of the Joint Administrators:	22 May 2020
Details of any changes of administrator:	None
Full names of the administrators:	Samuel James Woodward and Colin Peter Dempster
Office holder number(s):	12030 and 8908
Administrators' address(es):	Ernst & Young LLP, 2 St. Peter's Square, Manchester M2 3EY; and Ernst & Young LLP, Atria One, 144 Morrison Street, Edinburgh, EH3 8EX
Telephone number:	+44 161 333 3294
Name of alternative person to contact with enquiries about the case:	Soban Memon

Appendix B Summary of Receipts and Payments

Statement of affairs estimated to realise (£)	Note		22 May 2020 to 21 November 2020 (£)
		Fixed charge receipts	
		Secured lender funding	67,976.78
		Intellectual property	26,959.00
2,629,900.50		Property	15,000.00
			109,935.78
		Floating charge receipts	
		Secured lender funding	332,611.96
100,000.00		Fixtures and fittings	69,817.98
		IT systems	39,545.00
		Rates refund	37,090.05
5,000.00		Stock	17,722.00
	1	Unallocated receipt	4,000.03
		Bank interest	53.38
			500,840.40
2,734,900.50	*	Total receipts	610,776.18
		Fixed charge payments	
		Property holding costs	36,234.65
		Agents' fees	18,121.00
		Legal fees	6,370.93
			60,726.58
		Floating charge payments	
		Legal fees	152,491.36
		Pre appointment administrators fees	132,814.25
		Pre appointment legal fees	116,331.02
		Employee costs	110,156.52
	2	Other professional fees	58,930.00
		IT suppliers	28,789.08
		Repayment of charity donations	25,301.63
	3	Rent apportionment	20,004.43
		Postage	1,038.00
		Waste disposal costs	408.79
		Bank charges	347.70
		Public notices	94.50
		Security costs	28.80
		Storage costs	16.10
		Sundry expenses	15.00
			646,767.18
	*	Total payments	707,493.76
		Balances in hand	(96,717.58)
		Represented by:	
	4	Cash at bank	196,768.88
	5	VAT receivable / (payable)	76,111.66
	6	Interco balance	(369,598.12)
			(96,717.58)
Notes			
1 Unallocated receipts represent amounts received in the Company's bank accounts awaiting remittance advice.			
2 Other professional fees represent amounts paid to ERA Solutions Ltd in respect of processing employee redundancies.			
3 Rent apportionment across the Group for Head Office lease during the 3 months of occupation during the administration.			
4 All funds are held in interest bearing accounts.			
6 VAT liabilities have been prepared on the basis of VAT invoices raised and settled during the Period.			
5 Interco balances represent amounts due from / (to) other Group companies in respect of amounts invoiced to and paid by certain of the Group companies on behalf of other Group companies and subsequently recharged.			
* This receipts and payments account is shown net of VAT and has been prepared on a cash basis and does not reflect debts not collected or liabilities not paid.			

Appendix C Joint Administrators' Time Costs

Joint Administrators' Time Costs from 22 May 2020 to 21 November 2020

	Staff Grade						Total hours	Total costs (£)	Average rate (£)
	Partner 1	Director	Senior Manager 1	Manager 1	Senior 2	Staff 2			
Administration & Planning	4.4	1.2	2.0	25.9	52.4	4.5	90.4	34,759.3	384.5
Creditors	-	0.9	2.1	54.9	25.6	138.4	221.9	61,994.8	279.4
Customers & Bonds	1.5	3.0	33.5	72.8	354.2	209.6	674.6	204,151.5	302.6
Debtors	-	-	-	-	-	-	-	-	-
Employees	17.5	44.7	103.0	-	149.0	0.8	315.0	156,580.0	497.1
Enquiries & Investigations	-	-	11.5	2.8	35.8	16.8	66.9	22,233.3	332.3
Environmental Issues	-	-	-	-	-	-	-	-	-
General	-	-	-	-	-	-	-	-	-
Immediate Tasks	0.5	-	-	-	24.3	11.0	35.8	9,807.7	274.0
Job Acceptance & Strategy	0.9	-	-	-	6.8	-	7.7	2,837.8	368.5
Legal Issues	-	2.6	-	-	-	-	2.6	1,943.5	747.5
Members	-	-	-	-	-	-	-	-	-
Other Matters	-	0.3	2.2	-	9.0	-	11.5	4,250.1	369.6
Prescribed Part Distribution	-	-	-	-	-	-	-	-	-
Property	2.5	11.8	116.0	402.6	108.5	4.3	645.7	304,536.1	471.6
Public Relations issues	-	-	1.9	-	-	-	1.9	1,159.0	610.0
Realisations of Assets	-	4.5	46.3	-	11.0	5.6	67.4	35,961.8	533.6
Reporting	4.4	3.3	32.0	13.9	6.9	0.7	61.2	34,682.2	566.7
Retention of Title	-	-	0.1	2.0	7.8	-	9.9	3,328.5	336.2
Sale of Business	21.0	40.0	7.3	-	51.8	-	120.1	68,700.3	572.0
Statutory Duties	-	9.0	0.2	12.1	77.9	5.9	105.1	36,908.4	351.2
Trading/Wind Down of Business	-	-	21.0	32.0	18.4	-	71.4	33,361.1	467.2
VAT & Taxation	-	0.1	0.5	1.0	2.3	-	3.9	1,536.4	393.9
Total Hours	52.7	121.4	379.6	620.0	941.7	397.6	2,513.0	1,018,732	405.4
Total Costs (£)	47,430	90,746	231,556	291,866	280,823	76,310			
Average Hourly Rate (£)	900	747	610	471	298	192			

Description of Work Done

Outlined in the table below is supporting narrative explanation as to the work undertaken during the Period. This information is detailed on a category by category basis, aligned to the reporting of time costs in the table above.

This supporting information should be read in conjunction with all sections of this report.

Category of work	Description of work completed in the Period
Accounting and Administration	<ul style="list-style-type: none"> ▶ Case management of statutory tasks and compliance, including maintaining statutory compliance diary and vigilance regarding time costs and potential efficiencies. ▶ Treasury and accounting functions, including: ensuring payments for services are made and recorded appropriately; ensuring receipts from asset realisations are recorded appropriately; ensuring bank accounts are reconciled regularly; and, maintaining appropriate allocation of secured lender funding and intercompany recharges.
Creditors	<ul style="list-style-type: none"> ▶ Written to all the creditors on the Company's records with information on how to make a claim. ▶ Monitoring of mailboxes and corresponding with creditors who were not registered as at the Date of Appointment and had therefore not been provided with information on how to make a claim. ▶ Recording and filing of claims as received. ▶ Several creditors required further dialogue through letters, emails and calls to clarify specific issues such as the administration process and updates on the progress of their claim. ▶ Assisting creditors and their credit insurance with confirmation of debt forms. ▶ Liaising with utility companies (electricity, gas and water suppliers to hotels). Providing closing meter readings where possible in order to minimise claims.
Customers and Bonds	<ul style="list-style-type: none"> ▶ Given the nature of the business, there have been multiple customer queries to resolve through email, letter and phone calls. ▶ The Joint Administrators have worked closely with ABTA, the Civil Aviation Authority, the Confederation of Passenger Transport, Bonded Coach Holidays and the merchant service provider throughout the Group administrations to remain aligned on messaging to customers. ▶ Produced a thorough FAQ to be sent to customers in response to email with easy to follow guidance on their specific queries. ▶ Supporting customers on submitting a claim with Bonded Coach Holidays for cancelled holidays which had coach travel included.

Category of work	Description of work completed in the Period
Employee Matters	<ul style="list-style-type: none"> ▶ Addressing staff immediately upon appointment and making initial redundancies. ▶ Managed the employees who were residing within properties operated by the Company at the Date of Appointment to ensure they were given sufficient time to find alternative accommodation as far as possible. ▶ Liaising with ERA Solutions Limited and providing necessary information for them to be able assist employees in making their claims for redundancy, arrears of pay and holidays. ▶ Provided relevant information to the Redundancy Payment Service so that employees receive payment that is due to them as a result of their redundancy. ▶ Organising for weekly payroll to be paid to retained employees and making claims for furloughed employees in line with government guidance. ▶ Liaising with pension providers and providing necessary statutory forms to allow for any outstanding pension contributions to be claimed from the Redundancy Payment Service.
Enquiries & Investigations	<ul style="list-style-type: none"> ▶ Produced a report on the conduct of directors in the period prior to administration under the Company Directors Disqualification Act 1986 in accordance with statute.
Immediate Tasks	<ul style="list-style-type: none"> ▶ Preparation and execution of immediate strategy to secure the Company's hotels as required. ▶ Took steps to secure books, records, data and intellectual property of the Company, ensuring necessary IT suppliers had been contacted to ensure the continuation of services for IT platforms and servers as necessary to preserve data. ▶ Completion of other work streams requiring immediate attention following appointment in order to effectively execute the strategy outlined in the Proposals.
Job Acceptance & Strategy	<ul style="list-style-type: none"> ▶ Planned the strategy to be undertaken during the administration based on the best outcome for creditors through consultation with management and understanding the business.
Legal Issues	<ul style="list-style-type: none"> ▶ Discussing legal issues with our legal advisors where appropriate on topics such as property matters and other ad hoc concerns. ▶ Review and preparation of sale contracts and other documentation in relation to the sale of assets. ▶ Liaising with the Company's insurers and legal advisors where necessary with regards to ongoing claims: public liability, personal injury and accident and motor claims.
Other Matters	<ul style="list-style-type: none"> ▶ Dealing with assets owned by third parties and assisting with the collection of these assets.
Property	<ul style="list-style-type: none"> ▶ Worked with our appointed agents to realise value in the Company's interests in certain hotels (detailed in the report). ▶ Issued a letter to the respective landlords of leasehold hotels surrendering the tenancy. ▶ Liaising with our appointed property agents to secure hotels we retained an interest in, with ongoing monitoring of any threats to the security of these hotels through the Period. ▶ Calculating the outstanding business rates and council tax costs associated with the occupied hotels to organise for payment to be made or exemptions to be sought. ▶ Provided an undertaking for the costs incurred post appointment due to occupation of properties to several utility providers.
Public Relations	<ul style="list-style-type: none"> ▶ Issued statements to the press notifying our appointment over the Company.
Realisations of Assets	<ul style="list-style-type: none"> ▶ Review of Company records, and execution of realisation strategies in respect of asset categories including rates refunds and insurance matters.
Reporting	<ul style="list-style-type: none"> ▶ Reporting to the secured lender with regard to specific realisation strategies (as applicable). ▶ Updates on secured lender funding in accordance with the funding agreement detailed in this report. ▶ Preparation of the Proposals and six-month progress report.
Retention of Title	<ul style="list-style-type: none"> ▶ Assessment and settlement of claims for retention of title from the Company's suppliers.
Sale of Business	<ul style="list-style-type: none"> ▶ Undertook a marketing process to seek a buyer of the Company's assets and successfully completed the transaction with Propco detailed in this report.
Statutory Duties	<ul style="list-style-type: none"> ▶ Filed appropriate documentation with Companies House notifying the Joint Administrators' appointment. ▶ Statutory advertising of appointment of Joint Administrators and notification of appointment to creditors and members. ▶ Notified the directors of the requirement to prepare the Statement of Affairs and file the necessary forms with the Registrar of Companies. ▶ Completion of Proposals as well as ensuring all documents are appropriately filed in line with the statutory requirements.

Category of work	Description of work completed in the Period
Trading/Wind Down of Business	<ul style="list-style-type: none"> ▶ Producing and monitoring the cash flow forecast post appointment to ensure secured lender funding has been managed appropriately. ▶ Engaged with suppliers that were identified as critical for the purposes of the administration. Issued undertakings for supply so that these services could continue. Arranged payments relating to these undertakings and released undertakings when necessary.
VAT & Taxation	<ul style="list-style-type: none"> ▶ Complexities associated with HMRC administration of the VAT group has involved significant time spent in this area. ▶ Deregistration of the VAT group. ▶ Assessment of the VAT and tax treatment of transactions and agreements entered into during the administration. ▶ Option to Tax enquiries made in relation to the freehold properties ensuring appropriate tax is charged on sale transactions. ▶ Liaising with EY tax specialists to ensure tax obligations are met throughout the Period and planned for moving forwards.

Appendix D Summary of Joint Administrators' Outlays Incurred

Type of Expense	Paid in the Period (£)	Outstanding (£)	Total Expected (£)
Payments made from the estate which are not disbursements (Note 1)			
Property costs	20,004.43	6,897.35	26,901.78
Security holding costs	36,263.45	3,736.55	40,000.00
Insurance	-	24,000.00	24,000.00
IT	28,789.08	18,653.78	47,442.86
Employee costs	110,156.52	-	110,156.52
ERA solutions costs	58,930.00	1,070.00	60,000.00
Hotels costs	-	20,000.00	20,000.00
Legal fees	275,193.31	37,122.87	312,316.18
Agent costs	18,121.00	38,074.00	56,195.00
Storage costs	16.10	983.90	1,000.00
Waste disposal costs	408.79	-	408.79
Public notices	94.50	94.50	189.00
Sundry expenses	15.00	-	15.00
Repayment of charitable donation	25,301.63	-	25,301.63
Bank charges	347.70	-	347.70
	573,641.51	150,632.94	724,274.45
Category 1 disbursements (Note 2)			
Travel costs (exc. Mileage)	-	400.00	400.00
Specific bond	40.00	-	40.00
Postage and printing	5,298.18	764.83	6,063.01
	5,338.18	1,164.83	6,503.01
Category 2 disbursements (Note 2)			
Mileage	-	250.00	250.00
	-	250.00	250.00
Pre-administration costs	249,145.27	-	249,145.27
Total	828,124.96	152,047.77	980,172.73

Notes

- 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.
- 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 disbursements are payments to independent third parties where there is specific expenditure directly referable to the appointment; and
 - ▶ 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.