

**TO ALL KNOWN MEMBERS AND CREDITORS**

16 December 2021

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 2021 to 21 November 2021 (the “**Period**”) and should be read in conjunction with the Joint Administrators’ Statement of Proposals dated 3 July 2020 (the “**Proposals**”), as well as the previous Joint Administrators’ Progress Reports, dated 21 December 2020 and 21 June 2021 (the “**Previous Reports**”).

The Company is part of the Specialist Leisure Group Limited and its subsidiaries (the “**Group**”). As with the Proposals and the Previous Reports, 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 Group are intrinsically linked and therefore we have included reference to the Companies throughout this document.

Statutory information about the Company, the administration and the office holders is detailed in Appendix A.

## **Summary of Progress during the Period**

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

Further 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 in the Period**

### **Rates Refunds**

During the Period, refunds totalling £106k have been received in relation to various historical rateable value challenges. This brings total realisations from this source to £164k.

All potential realisations in this category have now been exhausted.

### **Sundry Income**

The Company received two miscellaneous receipts in the Period relating to prepayments that the Company paid in relation to two freehold properties. The receipts totalled c.£5k and are shown in the receipts and payments account at Appendix B.

### **Bank Interest**

During the Period total bank interest of £58 was received into the Company's fixed and floating bank accounts.

## **Costs incurred in the Period**

### **Property holding costs**

A number of costs have been paid in the Period relating to the Company's freehold properties. The costs paid include; £16k paid to Aon UK Limited in respect of insurance cover; £690 paid to ACS Physical Risk Control Limited relating to an asbestos survey which was necessary to fulfil insurance requirements and utility costs totalling c.£10k paid to Bryt Energy Limited and Pennon Water Services Limited (t/a Source for Business).

We do not expect any further costs to be paid in respect of the freehold properties.

### **Other administrative costs**

The Company paid national insurance contributions for employees that were retained to assist the administrators and during the Period £360 was paid over to H M Revenue and Customs ("HMRC"). No further costs are expected in this regard.

The Company paid storage costs of £962 in the Period to Iron Mountain (UK) PLC.

## **Other Matters**

### **Insurance Claim**

As previously reported, at the Date of Appointment the Company was in the process of submitting a claim in relation to damage caused by a fire at a property adjacent to one of its hotels.

The quantum of the Company's insurance claim has been agreed with the insurer. However, the insurer is presently withholding payment on the basis of an alleged ability to set-off the amount payable against other Group liabilities owed to them. We are in correspondence with the insurer to clarify their claimed set-off rights and to assert the Company's right to be paid the monies.

An update on this matter will be provided in our next report.

### **Corporation Tax and VAT obligations**

Obligations in relation to the submission of corporation tax returns continue in an administration and with the assistance from EY's Tax team, returns for the initial administration period have been submitted. Tax returns for the administration trading period are being prepared and will be submitted in due course.

As detailed in Previous Reports, two fixed charged properties (being the Majestic and Grand Hotels) were sold by the Joint Administrators earlier this year. Following the sale of the Grand Hotel, the purchaser received advice that the sale could be treated as a transfer of a going concern ("**TOGC**"), and as such no VAT would be payable on the sales price.

On the advice of EY VAT specialists, the Joint Administrators did not charge VAT on the subsequent sale of the Majestic Hotel and sought advice from HM Revenue and Customs ("HMRC") on the determination of a TOGC on both transactions. The Joint Administrators are liaising with HMRC on this matter and we await their determination on the TOGC. If the TOGC is successful, the Joint Administrators will refund the VAT element on the Grand Hotel sale. Alternatively, if the TOGC is unsuccessful, the Joint Administrators will take steps to recover the VAT on the Majestic Hotel, against which they hold a charge for the VAT value of the sale price.

We are in the process of finalising the Company's VAT returns for the period of the administration and we will seek the final necessary tax and VAT clearances before formally closing the administration once all required returns have been submitted to HMRC and outstanding work has been completed.

## **Distributions to Creditors**

### **Secured Creditors**

Two distributions have been paid to Lloyds Banking Group ("LBG") in the Period from the Group's fixed charge realisations. The first distribution of £3m was paid on 28 May 2021 and the second of £600k was paid on 18 November 2021. This brings total LBG distributions to £10.7m since our appointment.

A further distribution is dependent on final asset realisations, though it is anticipated LBG will suffer a shortfall against their lending.

### **Preferential Creditors**

As mentioned in the Previous Reports, the Statement of Affairs (“**SoA**”) at the Date of Appointment estimated preferential creditor claims to be c.£645k.

There are insufficient floating charge realisations to enable a distribution to preferential creditors in this matter.

### **Unsecured Creditors**

While the directors’ SoA at the Date of Appointment estimated unsecured claims of c.£175m, unsecured claims lodged to date currently total c.£13.7m.

We continue to respond to creditor queries and provide assistance in registering claims as applicable.

There are insufficient floating charge realisations to enable a distribution to unsecured creditors in this matter.

### **Prescribed Part**

The prescribed part is a proportion of floating charge assets set aside for unsecured creditors pursuant to section 176A of the Insolvency Act 1986. The 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 realised value of the Company’s net property is £nil and as such no distribution will be possible by virtue of the prescribed part.

### **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.

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.

Time costs of £103k have been incurred during the Period, bringing total time cost to date to £1.5m. This exceeds the Joint Administrators' revised fee estimate of £1.2m, however the Joint Administrators' total remuneration is not expected to exceed the revised fee estimate of £1.2m.

## Disbursements

The Joint Administrators have incurred a total of £5 category 1 disbursements during the Period, bringing the total for the administration to £5,287. 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	Amount paid in Period (£)
Fenchurch Law Limited	Review of potential claim (due to the nature of the claim we are unable to disclose further details at this time)	Time cost basis	5,455
JMW Solicitors LLP	Review of Burlington Hotel fire insurance claim	Fixed fee	1,500

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 £34k plus VAT, a breakdown of which is detailed at Appendix D to this report.

## Remaining Work

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

- ▶ completion of tax obligations including preparation and submission of corporation tax and VAT returns to HMRC and finalising the TOGC matter;
- ▶ continue to correspond with employees, customers and trade creditors of the Company as required;
- ▶ 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 Extension and End of the Administration**

Following the decision to extend the administrations by 12 months on 18 May 2021, the administration of the Company is due to automatically end on 21 May 2022. The extension was approved by the secured creditor in accordance with the provisions of paragraph 78 of Schedule B1 to the Insolvency Act 1986.

It is proposed that if at the end of the administration (21 May 2022), 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 the Joint Administrators' staff by emailing [SLGadministration@uk.ey.com](mailto: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 Insolvency Practitioner by The Institute of Chartered Accountants of Scotland.

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

The Joint Administrators may act as data controllers of personal data as defined by the UK General Data Protection Regulation (as incorporated in the Data Protection Act 2018), 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 Administrator's appointment. The Office Holder Data Privacy Notice can be found at [www.ey.com/uk/officeholderprivacy](http://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 administration extension:	Administration extended to 22 May 2022
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:	Tristan Robinson

## Appendix B Summary of Receipts and Payments

### Shearings Hotels Limited

Statement of affairs estimated to realise (£)	Note	22 May 2020 to 21 May 2021 (£)	22 May 2021 to 21 November 2021 (£)	Cumulative Totals (£)
2,629,900.50				
	<b>Fixed charge receipts</b>			
	Property	1,485,006.25	-	1,485,006.25
	Intellectual property	26,959.00	-	26,959.00
	Bank interest	18.82	46.26	65.08
		<b>1,511,984.07</b>	<b>46.26</b>	<b>1,512,030.33</b>
	<b>Floating charge receipts</b>			
100,000.00	Rates refund	58,052.38	105,534.00	163,586.38
	Fixtures and fittings	69,240.00	-	69,240.00
	IT systems	39,545.00	-	39,545.00
5,000.00	Stocks	17,722.00	-	17,722.00
	Sundry Income	-	5,258.09	5,258.09
	Unallocated receipts	4,000.03	-	4,000.03
	Property	577.98	-	577.98
	Bank interest	62.60	11.32	73.92
		<b>189,199.99</b>	<b>110,803.41</b>	<b>300,003.40</b>
<b>2,734,900.50</b>	<b>* Total receipts</b>	<b>1,701,184.06</b>	<b>110,849.67</b>	<b>1,812,033.73</b>
	<b>Fixed charge payments</b>			
	Administrators' fees	150,000.00	-	150,000.00
	Legal fees and disbursements	137,028.13	-	137,028.13
	Property Holding Costs	39,826.50	10,393.67	50,220.17
	Security Costs	49,589.45	-	49,589.45
	Agents' fees and disbursements	48,121.00	-	48,121.00
	SDLT Tax	4,305.00	-	4,305.00
	Professional fees	1,400.00	690.00	2,090.00
		<b>430,270.08</b>	<b>11,083.67</b>	<b>441,353.75</b>
	<b>Floating charge payments</b>			
	Administrators fees - post appointment	250,000.00	-	250,000.00
	Legal fees and disbursements - post appointment	160,991.36	5,455.00	166,446.36
	Administrators fees - pre appointment	132,814.25	-	132,814.25
	Legal fees and disbursements - pre appointment	116,331.02	-	116,331.02
	Employee costs	110,156.52	359.68	110,516.20
	Other professional fees	58,930.00	-	58,930.00
	IT suppliers	39,309.63	-	39,309.63
	Repayment of charity donations	25,301.63	-	25,301.63
	Insurance	-	16,122.90	16,122.90
	Rent apportionment	5,367.33	-	5,367.33
	Storage costs	124.27	962.23	1,086.50
	Postage	1,038.00	-	1,038.00
	Waste disposal costs	408.79	-	408.79
	Bank charges	365.90	4.50	370.40
	Public notices	94.50	-	94.50
	Security costs	28.80	-	28.80
	Sundry expenses	15.00	-	15.00
		<b>901,277.00</b>	<b>22,904.31</b>	<b>924,181.31</b>
	<b>* Total payments</b>	<b>1,331,547.08</b>	<b>33,987.98</b>	<b>1,365,535.06</b>
	<b>Balances in hand</b>	<b>369,636.98</b>	<b>76,861.69</b>	<b>446,498.67</b>
	<b>Represented by:</b>			
	1 Cash at bank			1,206,938.91
	2 Interc balance			(776,854.90)
	3 VAT receivable (payable)			16,414.66
				<b>446,498.67</b>
<b>Notes</b>				
1 All funds are held in interest bearing accounts.				
2 Interc 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 of other Group companies and subsequently recharged.				
3 VAT liabilities have been prepared on the basis of VAT invoices raised and settled during the Period.				
* 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. Any amendments to amounts detailed in the Previous Report are a result of a recategorisation of certain costs following groupwide reconciliation work.				

## Appendix C Joint Administrators' Time Costs

### Joint Administrators' Time Costs from 22 May 2021 to 21 November 2021

	Staff Grade						Total Hours	Total Cost £	Average Rate £	
	Partner	Associate Partner	Director	Assistant Director	Manager	Executive				Analyst
Administration & Planning	1.4	-	-	3.0	13.8	17.4	13.9	49.5	19,437.10	392.7
Creditors	-	-	-	-	1.0	-	11.6	12.6	3,095.20	245.7
Customers & Bonds	-	-	-	-	-	-	12.2	12.2	2,708.40	222.0
Debtors	-	-	-	-	-	-	-	-	-	-
Employees	-	-	0.3	-	8.3	11.8	2.7	23.1	9,120.00	394.8
Environmental Issues	-	-	-	-	-	-	-	-	-	-
General	-	-	-	-	-	-	-	-	-	-
Immediate Tasks	-	-	-	-	-	-	-	-	-	-
Investigation & CDDA	-	-	-	-	-	-	-	-	-	-
Job Acceptance & Strategy	-	-	-	-	-	-	-	-	-	-
Legal Issues	-	-	-	-	12.5	-	-	12.5	6,500.00	520.0
Other Assets	-	-	-	-	-	-	-	-	-	-
Other Matters	-	-	-	-	-	3.0	38.7	41.7	9,606.40	230.4
Property	-	-	-	-	5.0	3.5	7.5	16.0	5,497.50	343.6
Public Relations Issues	-	-	-	-	-	-	-	-	-	-
Reporting	0.2	-	-	-	4.5	-	6.5	11.2	3,985.00	355.8
Retention of Title	-	-	-	-	-	-	-	-	-	-
Sale of Business	-	-	-	-	-	-	-	-	-	-
Statutory Duties	-	-	-	18.5	4.5	12.0	13.0	48.0	21,586.00	449.7
Trading	-	-	-	-	-	-	-	-	-	-
VAT & Taxation	-	-	0.2	-	34.1	6.0	2.7	43.0	21,492.10	499.8
<b>Total Hours</b>	<b>1.6</b>	<b>-</b>	<b>0.5</b>	<b>21.5</b>	<b>83.7</b>	<b>53.7</b>	<b>108.8</b>	<b>269.8</b>		
<b>Time Costs (£)</b>	<b>1,616.00</b>	<b>-</b>	<b>439.00</b>	<b>14,620.00</b>	<b>43,888.00</b>	<b>17,969.50</b>	<b>24,495.20</b>		<b>103,027.70</b>	
<b>Average Hourly Rate (£)</b>	<b>1,010.0</b>	<b>-</b>	<b>878.0</b>	<b>680.0</b>	<b>524.3</b>	<b>334.6</b>	<b>225.1</b>		<b>381.9</b>	

### 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"> <li>▶ Case management of statutory tasks and compliance, including maintaining statutory compliance diary and vigilance regarding time costs.</li> <li>▶ 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.</li> </ul>
Creditors	<ul style="list-style-type: none"> <li>▶ 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.</li> <li>▶ Recording and filing of claims as received.</li> <li>▶ 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.</li> <li>▶ Liaising with utility companies (electricity, gas and water suppliers to hotels). Providing closing meter readings where possible in order to minimise claims.</li> <li>▶ Liaising with local authorities (council tax, business rates etc) in ensuring account details were updated and unsecured claims filed with regards to leased properties vacated post appointment.</li> </ul>
Customers and Bonds	<ul style="list-style-type: none"> <li>▶ Given the nature of the business, there have been ongoing customer queries to resolve through email, letter and phone calls.</li> </ul>

Category of work	Description of work completed in the Period
Employee Matters	<ul style="list-style-type: none"> <li>▶ Liaising with pension providers and providing necessary statutory forms to allow for any outstanding pension contributions to be claimed from the Redundancy Payment Service.</li> <li>▶ Responding to employment tribunal notices and providing information where necessary.</li> <li>▶ Dealing with queries and miscellaneous former employee matters on an ad hoc basis.</li> </ul>
Legal Issues	<ul style="list-style-type: none"> <li>▶ Discussing legal issues with our legal advisors where appropriate on topics such as property matters and other ad hoc concerns.</li> <li>▶ 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.</li> </ul>
Other Matters	<ul style="list-style-type: none"> <li>▶ Dealing with assets owned by third parties and related correspondence.</li> </ul>
Property	<ul style="list-style-type: none"> <li>▶ 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.</li> <li>▶ Finalising and closing undertaking for the costs incurred post appointment due to occupation of properties to several utility providers.</li> </ul>
Reporting	<ul style="list-style-type: none"> <li>▶ Reporting to the secured lender with regard to specific realisation strategies (as applicable).</li> </ul>
Statutory Duties	<ul style="list-style-type: none"> <li>▶ Filed appropriate documentation with Companies House notifying the administration extension.</li> </ul>
VAT & Taxation	<ul style="list-style-type: none"> <li>▶ Complexities associated with HMRC administration of the VAT group has involved significant time spent in this area.</li> <li>▶ Assessment of the VAT and tax treatment of transactions and agreements entered into during the administration.</li> <li>▶ Liaising with EY tax specialists to ensure tax obligations are met throughout the Period and planned for moving forwards.</li> </ul>

## Appendix D Summary of Joint Administrators' Outlays Incurred

Type of Expense	Paid in Previous Periods (£)	Paid in Period (£)	Estimated Future (£)	Total (£)
<b>Payments made from the estate which are not disbursements (Note 1)</b>				
Property costs	45,193.83	11,083.67	-	56,277.50
Security holding costs	49,618.25	-	-	49,618.25
Insurance	-	16,122.90	-	16,122.90
IT	39,309.63	-	-	39,309.63
Employee costs	110,156.52	359.68	-	110,516.20
ERA solutions costs	58,930.00	-	-	58,930.00
Legal fees	298,019.49	5,455.00	12,674.00	316,148.49
Agent costs	49,521.00	-	-	49,521.00
Storage costs	124.27	962.23	41.00	1,127.50
Waste disposal costs	408.79	-	-	408.79
Public notices	94.50	-	-	94.50
Sundry expenses	15.00	-	-	15.00
Repayment of charitable donation	25,301.63	-	-	25,301.63
Bank charges	365.90	4.50	-	370.40
Postage	1,038.00	-	4,360.00	5,398.00
SDLT Tax	4,305.00	-	-	4,305.00
	<b>682,401.81</b>	<b>33,987.98</b>	<b>17,075.00</b>	<b>733,464.79</b>
<b>Category 1 disbursements (Note 2)</b>				
Travel costs (exc. Mileage)	-	-	400.00	400.00
Specific bond	40.00	-	-	40.00
Postage and printing	5,242.78	4.64	-	5,247.42
	<b>5,282.78</b>	<b>4.64</b>	<b>400.00</b>	<b>5,687.42</b>
<b>Category 2 disbursements (Note 2)</b>				
Mileage	-	-	250.00	250.00
	-	-	<b>250.00</b>	<b>250.00</b>
<b>Pre-administration costs unpaid as at date of administration</b>				
	249,145.27	-	-	249,145.27
<b>Total</b>	<b>936,829.86</b>	<b>33,992.62</b>	<b>17,725.00</b>	<b>988,547.48</b>

### Notes to table in Appendix D

- 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.