

AM10 (Scot)

Notice of administrator's progress report



For further information, please refer to our guidance at www.gov.uk/companieshouse

1 Company details

Company number

Company name in full

→ **Filling in this form**

Please complete in typescript or in bold black capitals.

2 Administrator's name

Full forename(s)

Surname

3 Administrator's address

Building name/number

Street

Post town

County/Region

Postcode

Country

4 Administrator's name ^①

Full forename(s)

Surname

① **Other administrator**

Use this section to tell us about another administrator.

5 Administrator's address ^②

Building name/number

Street

Post town

County/Region

Postcode

Country

② **Other administrator**

Use this section to tell us about another administrator.

AM10 (Scot)
Notice of administrator's progress report

6 Period of progress report

From date	d	d	m	m	y	y	y	y
To date	d	d	m	m	y	y	y	y

7 Progress report

I attach a copy of the progress report

8 Sign and date

Administrator's
signature

Signature

X



X

Signature date

d	d	m	m	y	y	y	y
---	---	---	---	---	---	---	---

AM10 (Scot)

Notice of administrator's progress report

Presenter information

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

Contact name

Company name

Address

Post town

County/Region

Postcode

Country

DX

Telephone

Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- The company name and number match the information held on the public Register.
- You have attached the required documents.
- You have signed the form.

Important information

All information on this form will appear on the public record.

Where to send

You may return this form to any Companies House address, however for expediency we advise you to return it to the address below:

The Registrar of Companies, Companies House,
Fourth floor, Edinburgh Quay 2,
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh.

Further information

For further information please see the guidance notes on the website at www.gov.uk/companieshouse or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.gov.uk/companieshouse

TO ALL KNOWN MEMBERS AND CREDITORS

14 June 2022

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 write to provide you with our report on the progress of the administration.

This report covers the period from 22 November 2021 to 21 May 2022 (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, 21 June 2021 and 21 November 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

Bank Interest

During the Period total bank interest of £34 was received into the Company’s fixed and floating bank accounts.

Costs incurred in the Period

As part of the administration, certain costs have been incurred by the Joint Administrators and paid by certain Group entities and recharged across the Group where necessary. These costs are detailed below:

Storage Costs

During the Period £97 has been paid to Iron Mountain UK Plc for off-site storage of the Company's books and records.

Bank Charges

Bank charges totalling £6 have been paid in Period.

Other Matters

Corporation Tax

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 period of the administration and the year ending 2021 have been submitted during the Period. A return for the period ending May 2022 has been prepared and will be submitted outside of this reporting period.

VAT

As previously reported two fixed charged properties (being the Majestic and Grand Hotels) were sold by the Joint Administrators in 2021. Following the sale of the Grand Hotel, the purchaser had received advice that the sales 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 agreed with the purchaser that, if HMRC determined the TOGC to be successful, the Joint Administrators would refund the VAT element on the Grand Hotel sale. Alternatively, if the TOGC was unsuccessful, the Joint Administrators would take steps to recover the VAT on the Majestic Hotel, against which a charge for the VAT value of the sale price was taken in favour of the Joint Administrators.

The Joint Administrators initially wrote to HMRC on 27 April 2021 requesting direction on the TOGC. The Joint Administrators did not receive a determination on the TOGC from HMRC until 1 March 2022.

HMRC agreed that the conditions of a TOGC sale had been met and as such, the Joint Administrators refunded the VAT element from the sale on the Grand Hotel back to the purchaser and removed the charge which was registered against the Majestic Hotel.

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 the end of the administration once all required returns have been submitted to HMRC and outstanding work has been completed.

Distributions to Creditors

Secured Creditors

There have been no distributions to the Company's secured creditor, Lloyds Banking Group ("LBG" or "Secured Creditor") in the Period. Distributions to date to LBG from the Group's fixed charge realisations total £10.7m.

A final distribution is expected, though it is anticipated LBG will still suffer a significant shortfall against its lending.

Preferential Creditors

As mentioned in the Previous Reports, the Statement of Affairs ("**SoA**") at the Date of Appointment showed preferential creditor claims to be in the region of £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 indicated unsecured claims in the region of £175m, unsecured claims lodged to date currently total c.£13.7m.

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.

Receipts and payments account

I enclose at Appendix B a receipts and payments account for the Period and cumulatively for the whole of the administration.

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 £73k have been incurred during the Period, giving a total time cost to date of £1,546k. This exceeds the Joint Administrators' original fee estimate of £1,169k, however the Joint Administrators' total remuneration is not expected to exceed the original fee estimate of £1,169k.

The Joint Administrators have drawn remuneration in the Period of £233k, bringing the total remuneration drawn to date of £633k.

Disbursements

The Joint Administrators have incurred no category 1 disbursements during 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 during the Period. 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 (£)
JMW Solicitors LLP	Legal advise in relation to asset realisations	Time cost basis	1,500.00
Fenchurch Law Limited	Legal advise in relation to asset realisations	Time cost basis	630.00

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 £2,233.02 plus VAT, a breakdown of which is detailed at Appendix D to this report

Extension of administration

Following the decision to extend the Administration by 12 months to 21 May 2022, it was necessary to extend the administration of the Company for a further 12 months, by order of the Court, to 21 May 2023. The reasons for requiring the extension are set out below in the Remaining Work section.

It is proposed that if at the end of the administration (21 May 2023) 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.

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:

- ▶ submission of the final corporation tax return;
- ▶ preparation and submission of VAT returns to HMRC and seeking necessary clearances;
- ▶ 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.

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 administrations, please do not hesitate to contact the Joint Administrators' staff by emailing 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.

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 21 May 2023
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 November 2021	22 November 2021 to 21 May 2022	Cumulative Totals
(£)		(£)	(£)	(£)
2,629,900.50				
	Fixed charge receipts			
	Property	1,485,006.25	-	1,485,006.25
	Intellectual property	26,959.00	-	26,959.00
	Bank interest	65.08	25.77	90.85
		<u>1,512,030.33</u>	<u>25.77</u>	<u>1,512,056.10</u>
	Floating charge receipts			
100,000.00	Rates refund	163,586.38	-	163,586.38
	Fixtures and fittings	69,240.00	-	69,240.00
5,000.00	IT systems	39,545.00	-	39,545.00
	Stocks	17,722.00	-	17,722.00
	Sundry Income	5,258.09	4,055.30	9,313.39
	Unallocated receipts	4,000.03	(4,000.03)	-
	Property	577.98	-	577.98
	Bank interest	73.92	8.22	82.14
		<u>300,003.40</u>	<u>63.49</u>	<u>300,066.89</u>
<u>2,734,900.50</u>	* Total receipts	<u>1,812,033.73</u>	<u>89.26</u>	<u>1,812,122.99</u>
	Fixed charge payments			
	Administrators' fees	150,000.00	-	150,000.00
	Legal fees and disbursements	137,028.13	-	137,028.13
	Property Holding Costs	50,220.17	-	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	2,090.00	-	2,090.00
		<u>441,353.75</u>	<u>-</u>	<u>441,353.75</u>
	Floating charge payments			
	Administrators fees - post appointment	250,000.00	232,912.34	482,912.34
	Legal fees and disbursements - post appointment	166,446.36	2,130.00	168,576.36
	Administrators fees - pre appointment	132,814.25	-	132,814.25
	Legal fees and disbursements - pre appointment	116,331.02	-	116,331.02
	Employee costs	110,516.20	-	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	1,086.50	96.82	1,183.32
	Postage	1,038.00	-	1,038.00
	Waste disposal costs	408.79	-	408.79
	Bank charges	370.40	6.20	376.60
	Public notices	94.50	-	94.50
	Security costs	28.80	-	28.80
	Sundry expenses	15.00	-	15.00
		<u>924,181.31</u>	<u>235,145.36</u>	<u>1,159,326.67</u>
	* Total payments	<u>1,365,535.06</u>	<u>235,145.36</u>	<u>1,600,680.42</u>
	Balances in hand	<u>446,498.67</u>	<u>(235,056.10)</u>	<u>211,442.57</u>
	Represented by:			
	1 Cash at bank			740,971.16
	2 Intercio balance			(776,971.08)
	3 VAT receivable (payable)			247,442.49
				<u>211,442.57</u>
	Notes			
	1 Funds are now held in non-interest bearing accounts.			
	2 Intercio 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 November 2021 to 21 May 2022

	Staff Grade							Total Hours	Total Cost £	Average Rate £
	Partner	Associate Partner	Director	Assistant Director	Manager	Executive	Analyst			
Administration & Planning	2.5	-	0.4	1.9	4.5	6.5	11.1	26.9	11,828.40	439.7
Creditors	-	-	-	-	-	-	9.1	9.1	2,020.20	222.0
Customers & Bonding	-	-	-	-	-	-	0.8	0.8	177.60	222.0
Debtors	-	-	-	-	-	-	-	-	-	-
Employees	-	-	0.3	-	25.4	-	-	25.7	13,442.00	523.0
Environmental Issues	-	-	-	-	-	-	-	-	-	-
General	-	-	-	-	-	-	-	-	-	-
Immediate Tasks	-	-	-	-	-	-	-	-	-	-
Investigation & CDDA	-	-	-	-	-	-	-	-	-	-
Job Acceptance & Strategy	-	-	-	-	-	-	-	-	-	-
Legal Issues	-	-	-	-	12.0	-	-	12.0	6,240.00	520.0
Other Assets	-	-	-	-	1.3	-	-	1.3	676.00	520.0
Other Matters	-	-	-	-	-	-	4.0	4.0	888.00	222.0
Property	-	-	-	-	-	-	-	-	-	-
Public Relations Issues	-	-	-	-	-	-	-	-	-	-
Reporting	-	-	-	-	8.5	-	25.9	34.4	10,169.80	295.6
Retention of Title	-	-	-	-	-	-	-	-	-	-
Sale of Business	-	-	-	-	-	-	-	-	-	-
Statutory Duties	-	-	0.7	-	8.3	-	2.0	11.0	5,306.00	482.4
Trading	-	-	-	-	-	-	-	-	-	-
VAT & Taxation	-	-	3.9	-	21.1	8.8	15.8	49.6	22,538.90	454.4
Total Hours	2.5	-	5.3	1.9	81.1	15.3	68.7	174.8		
Time Costs (£)	2,525.00	-	4,893.50	1,309.50	42,510.00	6,343.50	15,705.40		73,286.90	
Average Hourly Rate (£)	1,010.0	-	923.3	689.2	524.2	414.6	228.6		419.3	

Note: Time is charged in six minute intervals

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. ▶ 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"> ▶ 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. ▶ Liaising with utility companies (electricity, gas and water suppliers to hotels). Providing closing meter readings where possible in order to minimise claims. ▶ 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.
Customers and Bonds	<ul style="list-style-type: none"> ▶ Given the nature of the business, there have been ongoing customer queries to resolve through email, letter and phone calls.

Category of work	Description of work completed in the Period
Employee Matters	<ul style="list-style-type: none">▶ Liaising with pension providers and providing necessary statutory forms to allow for any outstanding pension contributions to be claimed from the Redundancy Payment Service.▶ Responding to employment tribunal notices and providing information where necessary.▶ Dealing with queries and miscellaneous former employee matters on an ad hoc basis.
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.▶ 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 related correspondence.
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.
Statutory Duties	<ul style="list-style-type: none">▶ Filed appropriate documentation with Companies House notifying the administration extension.
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.▶ Assessment of the VAT and tax treatment of transactions and agreements entered into during the administration.▶ 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 Previous Periods (£)	Paid in Period (£)	Estimated Future (£)	Total (£)
Payments made from the estate which are not disbursements (Note 1)				
Property costs	56,277.50	-	-	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	110,516.20	-	-	110,516.20
ERA solutions costs	58,930.00	-	-	58,930.00
Legal fees	303,474.49	2,130.00	-	305,604.49
Agent costs	49,521.00	-	-	49,521.00
Storage costs	1,086.50	96.82	153.00	1,336.32
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	370.40	6.20	-	376.60
Postage	1,038.00	-	4,360.00	5,398.00
SDLT Tax	4,305.00	-	-	4,305.00
	716,389.79	2,233.02	4,513.00	723,135.81
Category 1 disbursements (Note 2)				
Travel costs (exc. Mileage)	-	-	400.00	400.00
Specific bond	40.00	-	-	40.00
Postage and printing	5,247.42	-	-	5,247.42
	5,287.42	-	400.00	5,687.42
Category 2 disbursements (Note 2)				
Mileage	-	-	250.00	250.00
	-	-	250.00	250.00
Pre-administration costs unpaid as at date of administration				
	249,145.27	-	-	249,145.27
Total	970,822.48	2,233.02	5,163.00	978,218.50

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.