

The Insolvency Act 1986

**Administrators' progress report**

Name of Company  
Menzies Hotels Limited

Company number  
02519633

In the  
High Court of Justice, Chancery Division, Companies Court  
[full name of court]

Court case number  
8378 of 2013

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

I/We (a) Robert Andrew Croxen, 8 Salisbury Square, London, EC4Y 8BB

Jane Bronwen Moriarty, 8 Salisbury Square, London, EC4Y 8BB

Joint Administrators of the above company attach a progress report for the period

from

to

29 November 2013

28 May 2014

(b) Insert dates



Signed \_\_\_\_\_  
Joint Administrator

Dated 25 June 2014

THURSDAY



A08 \*A3AUN1BD\* 26/06/2014 #318  
COMPANIES HOUSE





**Menzies Hotels Operating Limited and  
Menzies Hotels Limited  
(both in administration)  
(together 'the Companies')**

**Progress Report**

Report to creditors pursuant to Rule 2.47 of the  
Insolvency Act 1986 (as amended)

KPMG LLP

26 June 2014

Sja/dmc/sat/iv/1F3



## **Notice: About this Report**

- This Report has been prepared by Rob Croxen and Jane Moriarty, the Joint Administrators of Menzies Hotels Operating Limited and Menzies Hotels Limited, solely to comply with their statutory duty to report to creditors under the Insolvency Rules 1986 on the progress of the administrations, 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 Menzies Hotels Operating Limited and Menzies Hotels Limited or other companies in the same group. 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 Rules 1986 does so at its 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.
- Robert Andrew Croxen is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in England and Wales. Jane Bronwen Moriarty is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in Ireland.
- The Joint Administrators act as agents for Menzies Hotels Operating Limited and Menzies Hotels Limited and contract without personal liability. 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 administrations.



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## Glossary

|                             |   |
|-----------------------------|---|
| Administration appointments | High Court of Justice, Chancery Division, Companies Court<br>Court case numbers<br>Menzies Hotels Operating Limited – 8374 of 2013<br>Menzies Hotels Limited – 8378 of 2013 |
| Administrators              | Robert Andrew Croxen and Jane Bronwen Moriarty of KPMG LLP  |
| Bank/Secured Creditor/BoS   | Bank of Scotland Plc  |
| The Companies               | Menzies Hotels Operating Limited and Menzies Hotels Limited   |
| CHAL                        | Cordial Hotels Acquisition Limited (in administration)  |
| CHL                         | Cordial Hotels Limited (in administration)  |
| CVA                         | Company Voluntary Arrangement   |
| Directors                   | Timothy Penter<br>Joseph O'Callaghan<br>Jeremy Richardson   |
| Group/Menzies               | The Menzies Hotels Group  |
| HMRC                        | Her Majesty's Revenue and Customs   |
| KPMG                        | KPMG LLP  |
| MHIHL                       | Menzies Hotels Intermediary Holdings Limited  |
| MHL                         | Menzies Hotels Limited (in administration)  |
| MHGL                        | Menzies Hotels Group Limited  |
| MHOL                        | Menzies Hotels Operating Limited (in administration)  |
| Propcos                     | Property holding companies  |
| Topland                     | The Topland Group of Companies  |

The references in this Report to Sections, Paragraphs or Rules are to be the Insolvency Act 1986, Schedule B1 of the Insolvency Act 1986 and the Insolvency Rules 1986 (as amended)

## **1 Introduction**

As previously advised, Rob Croxen and Jane Moriarty of KPMG were appointed as Administrators of the Companies on 29 November 2013 by the Directors

This report has been prepared in accordance with Rule 2 47 and covers the period from 29 November 2013 to 28 May 2014

Statutory information as required under Rule 2 47 is attached at Appendix 1 Abstracts of the Administrators' receipts and payments accounts and schedules of expenses for the period to 28 May 2014 are attached at Appendix 2 and 4 respectively The figures are shown net of VAT

### **1.1 Administrators' proposals**

The Administrators' proposals were circulated to all known members and creditors of each company on 13 December 2013 and were deemed approved without modification on 7 January 2014

### **1.2 Purpose of the administration**

In accordance with Paragraph 3(1) the Administrators have the following hierarchy of objectives -

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

The Administrators concluded that objective b) was the most viable for each administration The pre-packaged sale of the business and assets of MHOL and the shares MHL owed in certain property owning subsidiaries achieved a better result for the Companies' creditors as a whole than would be likely if the Companies were wound up without first being in administration

On completion of the administrations, the Administrators envisage that it will be appropriate to move directly to dissolution

## **2 Progress of the administrations**

### **2.1 Strategy/Sale of Business**

In December 2013, a pre-packaged sale of the business and assets of MHOL and the shares in the head office and 12 trading hotels, referred to as the 13 PropCos, held by MHL took place immediately after the appointment of the Administrators

The purchaser was Topland. The total transaction value was £85.1 million. Immediately upon receiving the shares of the 13 PropCos, Topland facilitated the repayment of called up BoS debt totalling £81.5 million. In accordance with the terms of the contract with Topland, the Administrators are obliged to hold a VAT retention of £1.0 million from the transaction proceeds for a period of 10 months.

In addition, consideration of £3.6 million was paid to MHOL to purchase MHOL's business and assets.

The consideration paid to MHOL resulted in the following realisations:

| <b>Asset</b>                    | <b>Consideration</b> |
|---------------------------------|----------------------|
| Chattels, fixtures and fittings | £2,055,000           |
| Motor vehicles                  | £110,000             |
| Stock                           | £62,983              |
| Book Debts                      | £1,391,488           |
| <b>Total</b>                    | <b>£3,619,471</b>    |

### **2.2 Asset realisations**

#### **2.2.1 Debtors and prepayments**

MHOL's debtors ledger at appointment was £2,090,261.

Topland took an assignment of the debtor balances in respect of the 12 hotels it purchased for £1,391,488.

The remaining book debts relating to 3 closed hotels, which were not included in the pre-packaged sale agreement, totalled £332,208 on appointment. Recoveries of £275,907 have been made in this period and it is anticipated that a further £29,912 will be received shortly. This brings the total relating to book debt recovery, including the payment from the purchaser, to £1,728,326.



As part of the ongoing supply of services, the Companies provided bonds to utility suppliers and made pre-payments in respect of certain licences. In this period the Administrators have recovered £367,663 from prepayments made for advanced services

## **2.2.2 Cash at Bank**

Cash receipts in this period total £388,771. This comprises cash at bank on appointment and cash in transit.

## **2.2.3 Rates refunds**

Rates refunds of £305,623 have been received relating to business rates paid pre-appointment for post-appointment periods. The Administrators continue to investigate whether further recoveries can be made from the rating authorities.

## **2.2.4 Guest Ledger**

A reconciliation of the guest ledger for the hotels has been completed, resulting in realisations totalling £273,817 in the period.

## **2.2.5 Motor vehicles**

In addition to the £110,000 received from Topland, a further £19k was realised from the sale of a company car to a former director.

## **2.2.6 Fixtures and fittings**

In addition to the £2,055,000 received from Topland, a further £40,252 was realised in this period for the fixtures and fittings at the closed hotels in Swindon, Gatwick and Luton.

## **2.2.7 Other realisations**

In the period covered by this report, Administrators have received bank interest of £4,671 and sundry refunds of £190.

## **2.2.8 Amount owed from Group Companies**

MHOL is owed £8,358,834 from CHAL. Since CHAL is in an insolvency process with no realisable assets, no realisations are anticipated.

MHL is owed £19,080,729 from MHOL. On the basis of the Directors' estimates of unsecured creditor claims, a recovery of between 1.5p and 2.5p in the pound may be available under the prescribed part distribution (see section 4.3). However, at this early stage, the exact quantum of any recoveries is uncertain.

MHL is also owed £980,141 from Menzies Hotels Property No 2 Limited. As this company is dormant, we do not expect that there will be any realisations in respect of this balance.

### **3 Costs of realisations**

The receipts and payments accounts attached at Appendix 2 show the payments made in this reporting period

The schedules of expenses attached as Appendix 4 detail the costs incurred, paid or unpaid, relating specifically to this reporting period only. The figures in these statements are shown net of VAT.

Under Rule 2.48A, creditors are advised that, within 21 days of receipt of this report, a creditor may request additional information about the Administrators' remuneration and expenses as set out in this report. A request must be in writing, and may be made either by a Secured creditor or by an unsecured creditor with the concurrence of at least 5% in value of unsecured creditors (including himself) or the permission of the Court.

In addition, under Rule 2.109, any Secured creditor or any unsecured creditor with either the concurrence of at least 10% in value of creditors, or with the permission of the Court, may apply to the Court to challenge the remuneration charged, the basis of remuneration or the expenses incurred by the Administrators. Any such application must be made no later than eight weeks after receipt of the first report which reports the charging of the remuneration or the incurring of expenses in question.

The full text of Rules 2.48A and 2.109 can be provided on request by writing to the Administrators at KPMG LLP, Arlington Business Park, Theale, Reading RG7 4SD.

#### **3.1 Administrators' remuneration**

The statutory provisions relating to remuneration are set out in Rule 2.106. Further information is given in the Association of Business Recovery Professionals' publication *A Creditors' Guide to Administrators' Fees*, a copy of which can be found at '[http://www.r3.org.uk/media/documents/publications/professional/Guide\\_to\\_Administrators\\_Fees\\_Nov2011.pdf](http://www.r3.org.uk/media/documents/publications/professional/Guide_to_Administrators_Fees_Nov2011.pdf)'.

However, if you are unable to access this guide and would like a copy please contact Sharon Turner on 0118 373 1411.

A detailed analysis of time spent for each grade of staff for the various areas of work carried out for each of the Companies to 28 May 2014, together with a schedule of charge-out rates, as required by the Association of Business Recovery Professionals' Statement of Insolvency Practice No. 9, is attached at Appendix 3.

In the period to 28 May 2014, the Administrators have incurred time costs as shown in the table below

| Company                               | Hours | Time costs<br>£ | Average hourly<br>rate<br>£/hr |
|---------------------------------------|-------|-----------------|--------------------------------|
| Menzies Hotels Operating Limited      | 1958  | 573,171         | 293                            |
| Menzies Hotels Limited                | 158   | 59,437          | 377                            |
| <i>Source Administrators' records</i> |       |                 |                                |

This includes work undertaken in respect of tax and VAT advice from KPMG in-house specialists

The Secured creditor agreed that the Administrators' remuneration be fixed on the basis of time properly given by them and their staff in dealing with matters arising in the administration at their normal hourly rate of charging. The remuneration drawn to date on MHOL is £303,000 together with disbursements of £2,540. No remuneration has been drawn on MHL to date.

### 3.2 Legal fees

In this period £3,080 has been paid by MHOL to Charles Russell LLP for work undertaken to confirm the validity of the Bank's security.

### 3.3 HMRC Group VAT Liability

The Bank made funds available from the proceeds received from Topland to cover the Group VAT arrears. Subsequently, £922,124 was paid to HMRC in full settlement of this liability.

### 3.4 Agents Fees

A total of £45,240 has been paid in this period for the valuation and disposal of the fixtures and fittings at all the hotels and for site security, site clearance and other associated costs involved with the managed wind-down of the closed hotels.

### 3.5 Merchant Acquirer fees

In this period £21,389 has been paid to First Data for provision of Merchant services to MHOL. This related to outstanding commission and management fees which were paid in order that cash of £107,776 could be released to the Administrators account (See 2.2.2).

### 3.6 Rent apportionments

A payment was made to the purchaser totalling £9,414 in respect of the rent for various underleases, which was received post-appointment.

### **3.7 Other costs**

Other expenses, including wages, PAYE & NIC, storage costs, statutory advertising, bank charges and redirection of mail are detailed in the receipts and payments accounts at Appendix 2 and are self-explanatory

## **4 Estimated outcome for creditors**

### **4.1 Secured Creditor**

The Bank was owed circa £135.4 million as at the date of appointment. The Bank holds a bond and floating charge as well as a security agreement with MHOL dated 1 July 2011. The Bank also holds a security agreement with MHL dated 28 June 2011. The validity of this security has been confirmed by our solicitors.

Immediately upon completion of the sale to Topland, the Bank made a demand of £81.5 million against the PropCos. Repayment was made immediately by the PropCos following the provision of funds to the PropCos from Topland.

### **4.2 Preferential creditors**

Claims in respect of certain arrears of wages and holiday pay rank preferentially. Preferential claims totalled £42,338 and have been paid in full.

### **4.3 Unsecured creditors**

The prescribed part provisions of Section 176A entitle unsecured creditors to a percentage share of realisations from net floating charge assets, after costs of realisation. The percentage is calculated on a sliding scale up to a maximum amount of £600,000, subject to costs. The Administrators applied to the Court for permission to make a distribution to the unsecured creditors of MHOL which was granted on 13 May 2014.

We have therefore set aside the full prescribed part of £600,000 for the benefit of the unsecured creditors of MHOL. The total amount owed to unsecured creditors of MHOL is in the region of £25.8 million, which includes £23.6 million in respect of Group companies.

Creditors are reminded that unsecured claims should be submitted to the Administrators by 30 June 2014. Claims not submitted by this date, may be excluded from the distribution.

In MHL, the total amount owed to unsecured creditors of the Company, relates solely to Group companies and is in the region of £77.7 million.

The prescribed part payment before costs, will represent a distribution to the unsecured creditors of MHOL of approximately 2 pence in the pound (the full prescribed part). Dividend prospects for the unsecured creditors of MHL are currently uncertain, as this is

dependent on the value of the dividend MHL will receive from MHOL, subject to the costs of the administration

## **5 Other matters**

### **5.1 Investigations**

The Administrators have a duty to submit information on the conduct of directors or shadow directors who were in office in the three years prior to the administrations, to the Department for Business, Innovation and Skills. The Administrators have complied with these obligations. Please note the contents of their return are confidential.

### **5.2 Taxation**

KPMG Tax specialists have been instructed to deal with the Company's tax affairs during the administration. Corporation tax computations and returns will be prepared for post-appointment periods and any resulting tax liability will be paid.

## **6 Future strategy**

### **6.1 Ongoing matters**

The Administrators will continue to manage the affairs, business and assets of the Companies in order to achieve the purpose of the administrations. The outstanding matters include:

- recovery of further book debts,
- payment of administration expenses, including Administrators' remuneration,
- further distribution to the Secured Creditor,
- distribution to the Unsecured Creditors by virtue of the prescribed part
- finalisation of the tax affairs of the Companies including completion of corporation tax and VAT returns and settlement of any liabilities, and
- ongoing statutory and compliance obligations

### **6.2 Exit from administration**

On completion of the administrations the Administrators currently envisage that it will be appropriate to file notices under Paragraph 84(1) with the Registrar of Companies to dissolve the Companies.



*Menzies Hotels Operating Limited and Menzies Hotels Limited  
(both in administration) (together 'the Companies')*

*Progress Report*

*KPMG LLP*

*26 June 2014*

### **6.3 Future reporting**

In accordance with Rule 2.47, the Administrators will provide a further progress report within one month of 28 November 2014

A handwritten signature in black ink, appearing to read 'Rob Croxen', with a stylized flourish at the end.

Rob Croxen  
*Joint Administrator*

## Appendix 1

### Statutory information

|                                 |  |             |           |
|---------------------------------|--|-------------|-----------|
| Company name and Trading style  | Menzies Hotel Operating Limited  |             |           |
| Administration appointment      | High Court of Justice, Chancery Division, Companies Court Court No 8374 of 2013  |             |           |
| Date of appointment             | 29 November 2013   |             |           |
| Present Administrators' details | <p>Robert Andrew Croxen is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in England and Wales</p> <p>Jane Bronwen Moriarty is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in Ireland</p> |             |           |
| Functions                       | The functions of the Administrators are being exercised by either or both of them in accordance with Paragraph 100(2)  |             |           |
| Application of EC regulations   | EC regulations apply and these proceedings will be the Main Proceedings as defined in Article 3 of the EC regulations  |             |           |
| Company Directors               |  | <i>From</i> | <i>To</i> |
|                                 | Timothy Penter   | 10/10/2006  | Present   |
|                                 | Joseph O'Callaghan   | 8/08/2011   | Present   |
|                                 | Jeremy Richardson  | 20/05/2013  | Present   |
| Company Secretary               | Joseph O'Callaghan   |             |           |
| Date of incorporation           | 08/09/2006   |             |           |
| Company registration number     | 05928922   |             |           |
| Previous registered office      | Bakum House, Etwall Road, Mickleover, Derby, DE3 0DL   |             |           |
| Present registered office       | c/o KPMG LLP, Arlington Business Park, Theale, Reading RG7 4SD   |             |           |



*Menzies Hotels Operating Limited and Menzies Hotels Limited  
(both in administration) (together 'the Companies')*

*Progress Report*

*KPMG LLP*

*26 June 2014*

|                     |                       |
|---------------------|-----------------------|
| Trading address[es] | See attached schedule |
|---------------------|-----------------------|

Details of the MHOL's trading results are shown below

|                                     | <i>Period end 31<br/>October 2013<br/>(management)<br/>£</i> | <i>Period ended 31<br/>December 2011<br/>(audited)<br/>£</i> |
|-------------------------------------|--|--|
| Turnover                            | 35,974,711   | 39,661,073   |
| Gross profit                        | 32,177,546   | 22,328,003   |
| Operating loss                      | 7,474,208  | (10,562,013)   |
| Loss after tax,<br>before dividends | <b>(7,114,301)</b>   | <b>(14,628,201)</b>  |

Details of the MHOL's share capital and holdings

|                          |  |
|--------------------------|--|
| Authorised share capital | 2 ordinary £1,000,000 50 shares                        |
| Issued share capital     | 2 ordinary shares                                      |
| Shareholders             | Cordial Hotels Acquisition Limited – 2 ordinary shares |



|                                 |  |           |             |           |                |            |         |                    |           |         |                   |            |         |
|---------------------------------|--|-----------|-------------|-----------|----------------|------------|---------|--------------------|-----------|---------|-------------------|------------|---------|
| Company name and Trading style  | Menzies Hotels Limited   |           |             |           |                |            |         |                    |           |         |                   |            |         |
| Administration appointment      | High Court of Justice, Chancery Division, Companies Court Court No 8378 of 2013  |           |             |           |                |            |         |                    |           |         |                   |            |         |
| Date of appointment             | 29 November 2013   |           |             |           |                |            |         |                    |           |         |                   |            |         |
| Present Administrators' details | Robert Andrew Croxen is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in England and Wales<br><br>Jane Bronwen Moriarty is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in Ireland            |           |             |           |                |            |         |                    |           |         |                   |            |         |
| Functions                       | The functions of the Administrators are being exercised by either or both of them in accordance with Paragraph 100(2)  |           |             |           |                |            |         |                    |           |         |                   |            |         |
| Application of EC regulations   | EC regulations apply and these proceedings will be the Main Proceedings as defined in Article 3 of the EC regulations  |           |             |           |                |            |         |                    |           |         |                   |            |         |
| Company Directors               | <table><tr><td></td><td><i>From</i></td><td><i>To</i></td></tr><tr><td>Timothy Penter</td><td>10/10/2006</td><td>Present</td></tr><tr><td>Joseph O'Callaghan</td><td>8/08/2011</td><td>Present</td></tr><tr><td>Jeremy Richardson</td><td>20/05/2013</td><td>Present</td></tr></table> |           | <i>From</i> | <i>To</i> | Timothy Penter | 10/10/2006 | Present | Joseph O'Callaghan | 8/08/2011 | Present | Jeremy Richardson | 20/05/2013 | Present |
|                                 | <i>From</i>  | <i>To</i> |             |           |                |            |         |                    |           |         |                   |            |         |
| Timothy Penter                  | 10/10/2006   | Present   |             |           |                |            |         |                    |           |         |                   |            |         |
| Joseph O'Callaghan              | 8/08/2011  | Present   |             |           |                |            |         |                    |           |         |                   |            |         |
| Jeremy Richardson               | 20/05/2013   | Present   |             |           |                |            |         |                    |           |         |                   |            |         |
| Company Secretary               | Joseph O'Callaghan   |           |             |           |                |            |         |                    |           |         |                   |            |         |
| Date of incorporation           | 06/07/1990   |           |             |           |                |            |         |                    |           |         |                   |            |         |
| Company registration number     | 02519633   |           |             |           |                |            |         |                    |           |         |                   |            |         |
| Previous registered office      | Bakum House, Etwall Road, Mickleover, Derby, DE3 0DL   |           |             |           |                |            |         |                    |           |         |                   |            |         |
| Present registered office       | c/o KPMG LLP, Arlington Business Park, Theale, Reading RG7 4SD   |           |             |           |                |            |         |                    |           |         |                   |            |         |
| Trading address[es]             | N/A  |           |             |           |                |            |         |                    |           |         |                   |            |         |



*Menzies Hotels Operating Limited and Menzies Hotels Limited  
(both in administration) (together 'the Companies')*

*Progress Report*

*KPMG LLP*

*26 June 2014*

Details of the MHL's trading results are shown below

|                                     | <i>Period end<br/>28 November 2013<br/>£</i> | <i>Period ended 31<br/>December 2011<br/>(audited)<br/>£</i> |
|-------------------------------------|--|--|
| Turnover                            | -  | -  |
| Gross profit                        | -  | -  |
| Operating loss                      | (474,739)                                    | 747,121  |
| Loss after tax,<br>before dividends | (474,739)                                    | 2,103,747  |

Details of the MHL's share capital and holdings

|                          |  |
|--------------------------|--|
| Authorised share capital | 264,925 ordinary £1 shares                             |
| Issued share capital     | 264,925 ordinary shares                                |
| Shareholders             | Menzies Hotels Group Limited – 264,925 ordinary shares |



*Menzies Hotels Operating Limited and Menzies Hotels Limited  
(both in administration) (together 'the Companies')*

*Progress Report*

*KPMG LLP*

*26 June 2014*

## **Appendix 2**

**Administrators' receipts and payments accounts for the period  
from 29 December 2013 to 28 May 2014**

**Menzies Hotels Operating Limited**  
**(In Administration)**  
**Administrators' Abstract of Receipts & Payments**

| Statement<br>of Affairs                           | From 29/11/2013<br>To 28/05/2014 | From 29/11/2013<br>To 28/05/2014 |
|---|----------------------------------|----------------------------------|
| <b>FIXED CHARGE ASSETS</b>                        |                                  |                                  |
| Intellectual property                             | 1 00                             | 1 00                             |
| Goodwill  | 1 00                             | 1 00                             |
|   | <u>2 00</u>                      | <u>2 00</u>                      |
| <b>FIXED CHARGE CREDITORS</b>                     |                                  |                                  |
| (135,093,000 00) Fixed charge creditor - Lloyds   | NIL                              | NIL                              |
|   | <u>NIL</u>                       | <u>NIL</u>                       |
| <b>ASSET REALISATIONS</b>                         |                                  |                                  |
| 273,817 00 Guest ledger                           | 273,816 84                       | 273,816 84                       |
| Prepayments/supplier rebate/utility bond          | 367,662 63                       | 367,662 63                       |
| Equipment   | 1 00                             | 1 00                             |
| 2,095,000 00 Furniture , fixtures and fittings    | 2,095,251 67                     | 2,095,251 67                     |
| 129,000 00 Motor vehicles                         | 129,000 00                       | 129,000 00                       |
| 63,003 00 Stock                                   | 62,983 26                        | 62,983 26                        |
| Licences  | 1 00                             | 1 00                             |
| 1,597,197 00 Trade debtors/Book debts             | 1,728,326 61                     | 1,728,326 61                     |
| Rights of action                                  | 1 00                             | 1 00                             |
| Contracts   | 1 00                             | 1 00                             |
| 23,408 00 Cash at bank/in hand                    | 388,770 56                       | 388,770 56                       |
| Records   | 1 00                             | 1 00                             |
| Cash retained to cover VAT liability              | 922,123 56                       | 922,123 56                       |
|   | <u>5,967,940 13</u>              | <u>5,967,940 13</u>              |
| <b>OTHER REALISATIONS</b>                         |                                  |                                  |
| Bank interest, gross                              | 4,671 32                         | 4,671 32                         |
| Rates refund                                      | 305,623 44                       | 305,623 44                       |
| Sundry refunds                                    | 190 48                           | 190 48                           |
|   | <u>310,485 24</u>                | <u>310,485 24</u>                |
| <b>COST OF REALISATIONS</b>                       |                                  |                                  |
| Refund of customer deposits                       | 2,863 19                         | 2,863 19                         |
| Guest relocation costs                            | 1,300 00                         | 1,300 00                         |
| Administrators' fees                              | 303,000 00                       | 303,000 00                       |
| Administrators' expenses                          | 2,540 00                         | 2,540 00                         |
| Agents'/Valuers' fees                             | 45,240 20                        | 45,240 20                        |
| Legal fees  | 3,079 60                         | 3,079 60                         |
| Pre-appointment VAT liability                     | 922,123 56                       | 922,123 56                       |
| Merchant Acquirer Fees                            | 21,389 18                        | 21,389 18                        |
| Storage costs                                     | 21 15                            | 21 15                            |
| Re-direction of mail                              | 600 00                           | 600 00                           |
| Statutory advertising                             | 84 60                            | 84 60                            |
| Rent deposit                                      | 15,600 00                        | 15,600 00                        |
| Rent apportionments                               | 9,413 92                         | 9,413 92                         |
| Other expenses                                    | 9,406 20                         | 9,406 20                         |
| Wages & salaries                                  | 77,831 21                        | 77,831 21                        |
| PAYE & NIC  | 64,365 27                        | 64,365 27                        |
| Bank charges                                      | 379 00                           | 379 00                           |
|   | <u>(1,479,237 08)</u>            | <u>(1,479,237 08)</u>            |
| <b>PREFERENTIAL CREDITORS</b>                     |                                  |                                  |
| (36,658 00) Employees' holiday pay & wage arrears | 42,337 92                        | 42,337 92                        |

**Menzies Hotels Operating Limited**  
**(In Administration)**  
**Administrators' Abstract of Receipts & Payments**

| Statement<br>of Affairs                                | From 29/11/2013<br>To 28/05/2014 | From 29/11/2013<br>To 28/05/2014 |
|--|----------------------------------|----------------------------------|
|  | (42,337 92)                      | (42,337 92)                      |
| <b>FLOATING CHARGE CREDITORS</b>                       |                                  |                                  |
| Floating charge  | 3,170,068.12                     | 3,170,068 12                     |
|  | (3,170,068 12)                   | (3,170,068 12)                   |
| <b>UNSECURED CREDITORS</b>                             |                                  |                                  |
| (1,033,209 00) Trade creditors                         | NIL                              | NIL                              |
| (19,080,729 00) Intercompany - MHL                     | NIL                              | NIL                              |
| (1,593,948 00) Intercompany - Menzies Hotels Prop No 2 | NIL                              | NIL                              |
| (91,469 00) Intercompany - Menzies Hotels Prop No 2    | NIL                              | NIL                              |
| (1,973,566 00) Intercompany - Menzies Hotels Prop No 2 | NIL                              | NIL                              |
| (905,911 00) Intercompany - Menzies Hotels Prop No 2   | NIL                              | NIL                              |
| (473,810 00) HMRC - PAYE/NIC                           | NIL                              | NIL                              |
| (1,200,000 00) HMRC - VAT                              | NIL                              | NIL                              |
|  | NIL                              | NIL                              |
| <b>DISTRIBUTIONS</b>                                   |                                  |                                  |
| (2 00) Ordinary shareholders                           | NIL                              | NIL                              |
|  | NIL                              | NIL                              |
| <b>(157,300,877.00)</b>                                | <b>1,586,784.25</b>              | <b>1,586,784 25</b>              |
| <b>REPRESENTED BY</b>                                  |                                  |                                  |
| Floating ch VAT rec'able                               |                                  | 72,155 13                        |
| Floating charge current                                |                                  | 2,523,745 81                     |
| Floating ch VAT payable                                |                                  | (9,242 46)                       |
| Floating ch VAT control                                |                                  | 125 77                           |
| Retention under SPA                                    |                                  | (1,000,000 00)                   |
|  |                                  | <b>1,586,784.25</b>              |

Note

|  |  |       |
|--|--|-------|
| <b>RECEIPTS</b>  |  | £     |
| Brought forward from previous Abstract (if Any)            |  | 0 00  |
| Contribution to costs MHOL                                 |  | 13 00 |
| Carried forward to<br>* continuation sheet / next abstract |  | 13 00 |
| <b>PAYMENTS</b>  |  | £     |
| Brought forward from previous Abstract (if Any)            |  | 0 00  |
| Propco Shares  |  | 13 00 |
| Carried forward to<br>* continuation sheet / next abstract |  | 13 00 |

\* Delete as  
appropriate

\* Delete as  
appropriate

Note - The receipts and payments must severally be added up at the foot of each sheet and the totals carried forward from one abstract to another without any intermediate balance so that the gross totals shall represent the total amounts received and paid by the administrator since he was appointed

**Menzies Hotels Limited**  
**(In Administration)**  
**Administrators' Abstract of Receipts & Payments**

| Statement<br>of Affairs                         | From 29/11/2013<br>To 28/05/2014 | From 29/11/2013<br>To 28/05/2014 |
|---|----------------------------------|----------------------------------|
| <b>FIXED CHARGE ASSETS</b>                      |                                  |                                  |
| Propco Shares                                   | <u>13 00</u><br>(13 00)          | <u>13 00</u><br>(13 00)          |
| <b>FIXED CHARGE COSTS</b>                       |                                  |                                  |
| Contribution to costs MHOL                      | <u>13 00</u><br>13 00            | <u>13 00</u><br>13 00            |
| <b>FIXED CHARGE CREDITORS</b>                   |                                  |                                  |
| (135,093,000 00) Fixed charge creditor - Lloyds | <u>NIL</u><br>NIL                | <u>NIL</u><br>NIL                |
| <b>ASSET REALISATIONS</b>                       |                                  |                                  |
| 13 00 Investments in subsidiary undertakings    | NIL                              | NIL                              |
| 440,000 00 Intercompany debtors- MHOL           | <u>NIL</u><br>NIL                | <u>NIL</u><br>NIL                |
| <b>UNSECURED CREDITORS</b>                      |                                  |                                  |
| (35,302,850 00) Intercompany - CHAL             | NIL                              | NIL                              |
| (42,435,331 00) Intercompany - MHGL             | <u>NIL</u><br>NIL                | <u>NIL</u><br>NIL                |
| <b>DISTRIBUTIONS</b>                            |                                  |                                  |
| (264,925 00) Ordinary shareholders              | <u>NIL</u><br>NIL                | <u>NIL</u><br>NIL                |
| <b>(212,656,093.00)</b>                         | <u><u>NIL</u></u>                | <u><u>NIL</u></u>                |
| <b>REPRESENTED BY</b>                           |                                  | <u><u>NIL</u></u>                |

Note

## Appendix 3

### Analyses of Administrators' time costs and schedule of rates of charging

| Restructuring                          | 29 December 2013 to 28 May 2014<br>(£/hour) |
|--|---|
| Partner                                | 565   |
| Director                               | 485   |
| Senior manager                         | 475   |
| Manager                                | 385   |
| Senior Administrator/Assistant Manager | 265   |
| Administrator                          | 195   |
| Support Staff                          | 120   |

#### **KPMG Restructuring policy for the recovery of disbursements**

Where funds permit the officeholder will look to recover both category 1 and category 2 disbursements from the estate. For the avoidance of doubt, such expenses are defined within SIP 9 as follows:

**Category 1 disbursements** These are costs where there is specific expenditure directly referable both to the appointment in question and a payment to an independent third party. These may include, for example, advertising, room hire, storage, postage, telephone charges, travel expenses, and equivalent costs reimbursed to the officeholder or his or her staff.

**Category 2 disbursements** These are costs that are directly referable to the appointment in question but not to a payment to an independent third party. They may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis, for example, business mileage.

Any disbursements paid from the estate are disclosed within the attached summary of disbursements.

**The only Category 2 disbursements that KPMG Restructuring currently charges is mileage, this is calculated as follows:**

Mileage claims fall into three categories:

Use of privately-owned vehicle or car cash alternative – 45p per mile

Use of company car – 60p per mile

Use of partner's car – 60p per mile

For all of the above car types, when carrying KPMG passengers an additional 5p per mile per passenger will also be charged where appropriate.



**Menzies Hotels Operating Limited**

Administrators time costs 29/11/2013 to 28/05/2014

|  | Partner /<br>Director | Manager | Administrator | Support | Total hours     | Time cost          | Average hourly<br>rate |
|--|-----------------------|---------|---------------|---------|-----------------|--------------------|------------------------|
| <b>Administration &amp; planning</b>       |                       |         |               |         |                 |                    |                        |
| Director notification of appointment       |                       | 3 00    | 4 20          |         | 7 20            | £2,268 00          | £315 00                |
| <b>Cashiering</b>                          |                       |         |               |         |                 |                    |                        |
| Fund management                            |                       |         | 0 10          |         | 0 10            | £26 50             | £265 00                |
| General (Cashiering)                       |                       | 21 70   | 64 60         |         | 86 30           | £21,980 50         | £254 70                |
| Reconciliations (& IPS accounting reviews) | 1 70                  | 4 95    | 14 90         |         | 21 55           | £6,020 75          | £279 39                |
| <b>General</b>                             |                       |         |               |         |                 |                    |                        |
| Books and records                          |                       | 8 80    | 34 45         |         | 43 25           | £12,013 25         | £277 76                |
| Fees and WIP                               |                       | 4 80    | 9 30          |         | 14 10           | £4,130 50          | £292 94                |
| <b>Statutory and compliance</b>            |                       |         |               |         |                 |                    |                        |
| Appointment and related formalities        | 2 70                  | 21 65   | 50 90         |         | 75 25           | £20,416 25         | £271 31                |
| Bonding and bordereau                      |                       | 0 20    | 1 30          | 0 30    | 1 80            | £457 50            | £254 17                |
| Checklist & reviews                        |                       | 17 60   | 7 10          |         | 24 70           | £8,803 50          | £356 42                |
| Reports to debenture holders               | 5 80                  | 2 55    |               |         | 8 35            | £3,794 75          | £454 46                |
| Statutory advertising                      |                       |         | 0 20          |         | 0 20            | £53 00             | £265 00                |
| Strategy documents                         | 12 80                 | 2 95    | 20 40         |         | 36 15           | £12,925 75         | £357 56                |
| <b>Tax</b>                                 |                       |         |               |         |                 |                    |                        |
| Initial reviews - CT and VAT               |                       | 4 90    | 2 10          |         | 7 00            | £2,674 00          | £382 00                |
| Post appointment corporation tax           |                       | 5 30    | 14 75         |         | 20 05           | £6,207 25          | £309 59                |
| Post appointment PAYE                      |                       | 3 00    | 1 20          |         | 4 20            | £1,473 00          | £350 71                |
| Post appointment VAT                       |                       | 5 15    | 9 30          |         | 14 45           | £3,824 25          | £264 65                |
| <b>Creditors and claims</b>                |                       |         |               |         |                 |                    |                        |
| Agreement of preferential claims           |                       | 2 40    | 32 40         |         | 34 80           | £9,510 00          | £273 28                |
| Agreement of unsecured claims              |                       | 14 40   | 3 90          |         | 18 30           | £6,577 50          | £359 43                |
| General correspondence                     |                       | 22 55   | 448 20        |         | 470 75          | £112,460 75        | £238 90                |
| Notification of appointment                | 0 80                  | 1 00    | 3 20          |         | 5 00            | £1,621 00          | £324 20                |
| Payment of dividends                       |                       |         | 1 20          |         | 1 20            | £318 00            | £265 00                |
| Pre-appointment VAT / PAYE / CT            | 4 50                  | 0 80    | 2 00          |         | 7 30            | £3,020 50          | £413 77                |
| ROT Claims                                 |                       | 1 00    | 22 20         |         | 23 20           | £6,268 00          | £270 17                |
| Secured creditors                          | 40 10                 | 0 20    | 2 20          |         | 42 50           | £20,108 50         | £473 14                |
| Statutory reports                          | 15 70                 | 16 30   | 19 80         |         | 51 80           | £19,120 00         | £369 11                |
| <b>Employees</b>                           |                       |         |               |         |                 |                    |                        |
| Correspondence                             |                       | 41 00   | 112 30        |         | 153 30          | £45,544 50         | £297 09                |
| DTI redundancy payments service            |                       | 3 00    | 12 40         |         | 15 40           | £4,441 00          | £288 38                |
| Pension funds                              |                       | 0 20    |               |         | 0 20            | £77 00             | £385 00                |
| Pensions reviews                           |                       | 3 15    | 5 00          |         | 8 15            | £2,411 75          | £295 92                |
| <b>Investigation</b>                       |                       |         |               |         |                 |                    |                        |
| Correspondence with directors              |                       |         | 0 20          |         | 0 20            | £53 00             | £265 00                |
| D form drafting and submission             |                       | 0 70    | 3 20          |         | 3 90            | £998 50            | £256 03                |
| Directors' questionnaire / checklist       |                       | 1 30    | 1 00          |         | 2 30            | £695 50            | £302 39                |
| Statement of affairs                       | 6 10                  | 1 10    | 6 40          |         | 13 60           | £5,078 00          | £373 38                |
| Mail redirection                           |                       | 0 25    | 7 50          |         | 7 75            | £1,656 75          | £213 77                |
| <b>Asset Realisation</b>                   |                       |         |               |         |                 |                    |                        |
| Cash and investments                       |                       | 49 40   | 91 90         |         | 141 30          | £47,710 50         | £337 65                |
| Debtors                                    | 1 40                  | 69 70   | 288 75        |         | 359 85          | £85,127 75         | £236 56                |
| Health & safety                            |                       | 1 50    | 8 40          |         | 9 90            | £2,803 50          | £283 18                |
| Leasehold property                         | 15 50                 | 56 65   | 30 70         |         | 102 85          | £39,471 25         | £383 77                |
| Open cover insurance                       |                       |         | 13 30         |         | 13 30           | £3,524 50          | £265 00                |
| Other assets                               |                       |         | 1 00          |         | 1 00            | £265 00            | £265 00                |
| Plant and machinery                        |                       | 3 00    |               |         | 3 00            | £1,155 00          | £385 00                |
| Sale of business                           | 61 60                 | 27 60   | 8 10          |         | 97 30           | £44,322 50         | £455 52                |
| Stock and WIP                              |                       | 4 00    | 1 00          |         | 5 00            | £1,735 00          | £347 00                |
| Vehicles                                   |                       |         | 0 10          |         | 0 10            | £26 50             | £265 00                |
| <b>Total in period</b>                     |                       |         |               |         | <b>1,957 90</b> | <b>£573,170 50</b> | <b>£292 75</b>         |

**Disbursements**
**Category 1**

Travel &amp; Subsistence

£1,871 59

Administrators insurance bond

£250 00

**Category 2**

Mileage

£1,050 05

£3,171 64

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 in central administration functions is not charged directly to the assignment but is reflected in the general level of chargeout rates.



# **Menzies Hotels Limited**

Administrators time costs 29/11/2013 to 28/05/2014

|  | Partner /<br>Director | Manager | Administrator | Support | Total hours   | Time cost         | Average<br>hourly rate |
|--|-----------------------|---------|---------------|---------|---------------|-------------------|------------------------|
| <b>Administration &amp; planning</b>       |                       |         |               |         |               |                   |                        |
| Director notification of appointment       |                       |         | 0 90          |         | 0 90          | £238 50           | £265 00                |
| <b>Cashiering</b>                          |                       |         |               |         |               |                   |                        |
| General (Cashiering)                       |                       | 2 00    | 2 20          |         | 4 20          | £1,213 00         | £288 81                |
| Reconciliations (& IPS accounting reviews) | 0 60                  | 0 10    |               |         | 0 70          | £329 50           | £470 71                |
| <b>General</b>                             |                       |         |               |         |               |                   |                        |
| Books and records                          |                       |         | 0 65          |         | 0 65          | £151 25           | £232 69                |
| Fees and WIP                               |                       | 0 30    | 3 50          |         | 3 80          | £931 00           | £245 00                |
| <b>Statutory and compliance</b>            |                       |         |               |         |               |                   |                        |
| Appointment and related formalities        | 2 30                  | 3 40    | 10 60         | 1 20    | 16 30         | £5,277 50         | £323 77                |
| Bonding and bordereau                      |                       | 0 20    | 0 30          |         | 1 70          | £300 50           | £176 76                |
| Checklist & reviews                        |                       | 2 50    | 3 80          |         | 6 30          | £2,069 50         | £328 49                |
| Reports to debenture holders               |                       | 0 10    |               |         | 0 10          | £38 50            | £385 00                |
| Statutory advertising                      |                       |         | 0 30          |         | 0 30          | £79 50            | £265 00                |
| Strategy documents                         | 17 80                 | 2 70    | 0 20          |         | 20 70         | £9,901 50         | £478 33                |
| <b>Tax</b>                                 |                       |         |               |         |               |                   |                        |
| Initial reviews - CT and VAT               |                       | 5 10    | 2 10          |         | 7 20          | £2,769 00         | £384 58                |
| Post appointment corporation tax           | 1 00                  | 3 80    | 11 65         |         | 16 45         | £5,368 25         | £326 34                |
| Post appointment VAT                       | 10 50                 | 1 50    | 2 80          |         | 14 80         | £6,377 00         | £430 88                |
| <b>Creditors and claims</b>                |                       |         |               |         |               |                   |                        |
| General correspondence                     |                       | 0 20    | 0 60          |         | 0 80          | £229 00           | £286 25                |
| Notification of appointment                |                       | 2 00    | 0 40          |         | 2 40          | £876 00           | £365 00                |
| Secured creditors                          | 7 70                  |         |               |         | 7 70          | £3,734 50         | £485 00                |
| Statutory reports                          | 5 80                  | 7 35    | 8 20          |         | 21 35         | £7,826 75         | £366 59                |
| <b>Employees</b>                           |                       |         |               |         |               |                   |                        |
| Correspondence                             |                       | 4 60    |               |         | 4 60          | £1,771 00         | £385 00                |
| Pensions reviews                           |                       | 0 80    | 4 40          |         | 5 20          | £1,194 00         | £229 62                |
| <b>Investigation</b>                       |                       |         |               |         |               |                   |                        |
| D form drafting and submission             | 1 00                  | 0 80    | 2 80          |         | 4 60          | £1,524 00         | £331 30                |
| Directors' questionnaire / checklist       |                       |         | 1 00          |         | 1 00          | £195 00           | £195 00                |
| Statement of affairs                       | 4 90                  | 0 80    | 1 70          |         | 7 40          | £3,135 00         | £423 65                |
| Mail redirection                           |                       |         | 0 20          |         | 0 20          | £53 00            | £265 00                |
| <b>Asset Realisation</b>                   |                       |         |               |         |               |                   |                        |
| Debtors                                    | 7 40                  |         | 1 00          |         | 8 40          | £3,854 00         | £458 81                |
| <b>Total in period</b>                     |                       |         |               |         | <b>157 75</b> | <b>£59,436 75</b> | <b>£376 78</b>         |

## **Disbursements**

### **Category 1**

|                               |                  |
|-------------------------------|------------------|
| Land Registry searches        | £55 00           |
| Statutory advertising         | £101 52          |
| Legal fees                    | £3,600 00        |
| Administrators insurance bond | £250 00          |
| Travel & subsistence          | £1,315 00        |
|                               | <u>£5,321 52</u> |

### **Category 2**

Nil

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 in central administration functions is not charged directly to the assignment but is reflected in the general level of chargeout rates.



## **Appendix 4 Schedules of expenses for the period 29 December 2013 to 28 May 2014**

### **Menzies Hotel Operating Limited**

|                               | <b>Paid</b>    | <b>Accrued</b> | <b>Total for period</b> |
|-------------------------------|----------------|----------------|-------------------------|
|                               | <b>£</b>       | <b>£</b>       | <b>£</b>                |
| <b>Costs of realisation</b>   |                |                |                         |
| Administrators' remuneration  | 303,000        | 270,170        | 573,170                 |
| Administrators' disbursements | 2,540          | 632            | 3,172                   |
| Legal fees and disbursements  | 3,080          | 7,000          | 10,080                  |
| <b>Total</b>                  | <b>308,620</b> | <b>277,802</b> | <b>586,422</b>          |

### **Menzies Hotels Limited**

|                               | <b>Paid</b> | <b>Accrued</b> | <b>Total for period</b> |
|-------------------------------|-------------|----------------|-------------------------|
|                               | <b>£</b>    | <b>£</b>       | <b>£</b>                |
| <b>Costs of realisation</b>   |             |                |                         |
| Administrators' remuneration  | 0           | 59,437         | 59,437                  |
| Administrators' disbursements | 0           | 5,322          | 5,322                   |
| <b>Total</b>                  | <b>0</b>    | <b>64,759</b>  | <b>64,759</b>           |



### **Notes**

The figures included in the "paid" column above relate to costs incurred and paid in the period

#### **Administrators' remuneration**

The Administrators sought and obtained approval from the Secured creditor for their remuneration to be charged by reference to time properly given by the Administrators and their staff in attending to matters arising in the administrations, to include Category 2 expenses

Details of the Administrators' time costs for each company incurred in this period are shown in the analyses of time costs at Appendix 3

#### **Requests for additional information**

Any additional information regarding remuneration or expenses charged for the period is available from the Administrators upon request by any of the secured Creditors or any unsecured creditor(s) with at least 5% in value of the unsecured debt in accordance with Rule 2.48A. This request must be made within 21 days of receipt of the report. In addition creditors are reminded that the quantum can be challenged by any of the Secured Creditors or any unsecured creditor(s) with at least 10% in value (including that creditor's claim) of the unsecured debt by making an application to Court in accordance with Rule 2.109 within eight weeks of receipt of this report. The full text of these Rules can be provided upon request.