

AM10

Notice of administrator's progress report

THURSDAY



A17 *A7BIIRCY* 02/08/2018 #321
COMPANIES HOUSE

1 Company details

Company number 0 9 1 1 5 6 6 0
Company name in full Zinc East Midlands Airport 2 Limited

→ Filling in this form
Please complete in typescript or in
bold black capitals.

2 Administrator's name

Full forename(s) Catherine Mary
Surname Williamson

3 Administrator's address

Building name/number The Zenith Building
Street 26 Spring Gardens
Post town Manchester
County/Region
Postcode M 2 1 A B
Country

4 Administrator's name ①

Full forename(s) Alastair
Surname Beveridge

① Other administrator
Use this section to tell us about
another administrator.

5 Administrator's address ②

Building name/number
Street 6 New Street Square
Post town London
County/Region
Postcode E C 4 A 3 B F
Country

② Other administrator
Use this section to tell us about
another administrator.

AM10

Notice of administrator's progress report

6 Period of progress report

From date	d 0 d 9	m 0 m 1	y 2 y 0 y 1 y 8
To date	d 0 d 8	m 0 m 7	y 2 y 0 y 1 y 8

7 Progress report

☒ I attach a copy of the progress report

8 Sign and date

Administrator's
signature

Signature

X

Alman

X

Signature date

d 0 d 1	m 0 m 8	y 2 y 0 y 1 y 8
---------	---------	-----------------

AM10

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
Melissa Fielding

Company name
AlixPartners

Address
The Zenith Building

26 Spring Gardens

Post town
Manchester

County/Region

Postcode
M 2 1 A B

Country

DX

Telephone
0161 838 4529



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,
Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.



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

Continuation page

Name and address of insolvency practitioner

✓ **What this form is for**
Use this continuation page to tell us about another insolvency practitioner where more than 2 are already jointly appointed. ❶
Attach this to the relevant form. ❶
Use extra copies to tell us of additional insolvency practitioners.

✗ **What this form is NOT for**
You can't use this continuation page to tell us about an appointment, resignation, removal or vacation of office.

→ **Filling in this form**
Please complete in typescript or in bold black capitals.

All fields are mandatory unless specified or indicated by *

1 Appointment type

Tick to show the nature of the appointment:

- ✓ Administrator
Administrative receiver
Receiver
Manager
Nominee
Supervisor
Liquidator
Provisional liquidator

❶ You can use this continuation page with the following forms:
- VAM1, VAM2, VAM3, VAM4, VAM6, VAM7
- CVA1, CVA3, CVA4
- AM02, AM03, AM04, AM05, AM06, AM07, AM08, AM09, AM10, AM12, AM13, AM14, AM19, AM20, AM21, AM22, AM23, AM24, AM25
- REC1, REC2, REC3
- LIQ2, LIQ3, LIQ05, LIQ13, LIQ14,
- WU07, WU15
- COM1, COM2, COM3, COM4
- NDISC

2 Insolvency practitioner's name

Full forename(s) Daniel

Surname Imison

3 Insolvency practitioner's address

Building name/number

Street 6 New Street Square

Post town London

County/Region

Postcode E C 4 A 3 B F

Country

Administrators' Progress Report for the period 9 January 2018 to 8 July 2018

Zinc Hotels (Holdings) Limited and
its subsidiaries

All in Administration

1 August 2018

Contents

1. Why this report has been prepared	1
2. Summary of Information for creditors	3
3. Progress of the Administrations	5
4. Investigations	10
5. Estimated outcome for creditors	11
6. What happens next	12
7. Next report	13

Appendices

Appendix A.	Group structure
Appendix B.	Statutory Information
Appendix C.	Receipts and Payments Accounts for the period 9 January 2018 to 8 July 2018
Appendix D.	Administrators' fees and pre-administration costs
Appendix E.	Administrators' expenses and disbursements
Appendix F.	Additional Information in relation to the Administrators' fees
Appendix G.	Exit routes and discharge from liability

1. Why this report has been prepared

- 1.1 As you will be aware Ryan Grant, Alastair Beveridge and Catherine Williamson (the **Administrators**) were appointed Administrators of Zinc Hotels (Holdings) Limited (in administration) (**ZHHL**) and a further 24 entities within the group on 9 January 2018 (together the **Companies**). A full list of entities and abbreviations referred to in this report are provided in Appendices A and B, together with a summary group structure.
- 1.2 Ryan Grant resigned as joint appointee on 22 March 2018 following his departure from AlixPartners and Daniel Imison was appointed as joint appointee by block transfer on the same date. The change in appointees has not impacted the Administrations.
- 1.3 In accordance with UK insolvency legislation, an administrator is required to provide a progress report covering the period of six months commencing on the date on which a company entered into administration and every subsequent period of six months. This progress report covers the period 9 January 2018 to 8 July 2018 (inclusive) (the **Period**), and should be read in conjunction with the Statement of Proposals dated 2 March 2018 (the **Proposals**).
- 1.4 This report has been prepared in accordance with rule 18.2 of the Insolvency (England and Wales) Rules 2016.
- 1.5 The purpose of this report is to provide statutory and financial information about the Companies and to provide an update on the progress of the Administrations, including details of assets realised during the Period, details regarding the Administrators' fees and the expected outcome for each class of creditor.
- 1.6 As a reminder the administrator(s) of a company must perform their functions with a view to achieving one of the following statutory objectives:

Objective 1: rescuing the company as a going concern;

Objective 2: achieving a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration); or

Objective 3: realising property in order to make a distribution to one or more secured or preferential creditors.
- 1.7 In these cases the Administrators are currently pursuing the second statutory objective. Further details on the actions taken to achieve that objective can be found in Section 3 of this report. As set out in section 4.5 of the Proposals, if deemed appropriate the Administrators may seek to vary the purpose of the Administrations, via creditor approval.
- 1.8 Details of the Administrators' fees and disbursements incurred are provided at Appendices D to F.
- 1.9 More information relating to the Administration process, Administrators' fees and creditors' rights can be found on AlixPartners' creditor portal (<http://www.alixpartnersinfoportal.com>). Log-in details to access this information can be found within the covering letter you have received.

Zinc Hotels (Holdings) Limited and its subsidiaries – In Administration (the **Companies**)

- 1.10 If you require a hard copy of this report or have any queries in relation to its contents or the Administrations generally, please contact Melissa Fielding on 0161 838 4529, by email at **creditorreports@alixpartners.com**, or write to AlixPartners' office at The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB.

2. Summary of information for creditors

Estimated dividend for creditors

Description	Current estimated debt £	Likely level of return £
Secured creditors	511 million	Uncertain
Unsecured creditors	3.5 million	Uncertain

Notes:

The Companies' granted fixed and floating charges to Glas Trust Corporation Limited (**GLAS**) in its capacity as security agent for the payment and satisfaction of secured liabilities owed to the lenders under a senior facility agreement (**SFA**) dated 11 November 2014 (as amended from time to time). Hayfin Opal III LP, Hayfin Opal Luxco 2 S.a.r.l., Hayfin Special Ops LuxCo 2 S.a.r.l., Hayfin Topaz Luxco 3 SCA (together **Hayfin**), Bayerische Landesbanke (**BLB**) and Fortress Credit Advisors LLC (**Fortress**) (together the **Secured Lenders**) and the hedging counterparties under certain RPI and IRS hedging arrangements relating thereto (the **Hedging Counterparties**) are collectively referred to as the **Secured Parties**.

The estimated secured liabilities of £511 million is based on information provided by GLAS and the Secured Parties as at 8 July 2018. The secured liabilities comprises approximately £284 million of term debt (including interest) and £227 million of hedging liabilities. These amounts are subject to review and confirmation, with the hedging liabilities being indicative only and subject to market movements. The return to the Secured Parties is dependent on the value of realisations achieved from the sale of the Companies' ten hotels, which is uncertain at this stage for the reasons set out in Section 3.

This exposure differs from the value at the date of the Administrators' appointment due to:

- interest that has, and continues, to accrue to the expired facility;
- changes in the mark-to-market value of the swap; and
- any servicing of that debt by the Companies since the date of appointment.

Details regarding the security granted to the Secured Parties and the Administrators' strategy for the sale of the Companies' assets is provided throughout this report.

The Administrators have been made aware of unsecured claims totalling £3.5 million which are believed to be liabilities of Zinc Hotels Limited (in Administration) (**ZHL**) only. We have not been made aware of any unsecured creditor claims in respect of the Administrations of the remaining Companies. The likely level of return to unsecured creditors remains uncertain. Should funds become available notice will be provided to all known unsecured creditors.

In respect of unsecured creditors, UK insolvency legislation stipulates that creditors of the same class should be treated equally. The funds available for distribution are split on a pro-rata basis amongst all creditors of each class, regardless of the size of their claims. For further information please refer to Section 5 of this report.

3. Progress of the Administrations

- 3.1 Attached at Appendix C are the Administrators' Receipts and Payments Accounts for the Period.
- 3.2 In addition to their statutory objective, the Administrators have duties imposed by insolvency and other legislation and their regulating professional bodies.
- 3.3 In this report, the Administrators have set out information in respect of the fulfilment of these duties in addition to those relating to the realisation of assets and distribution of available funds.
- 3.4 The detail provided is intended to provide users of this report with information to allow them to understand how the Administrators' fees and expenses as set out in Appendices D and E have been incurred, as well as the sensitivities that might be applicable to the Administrators' anticipated fees and expenses over the remainder of the Administrations.

Realisation of assets – fixed charge

Hotels

- 3.5 Zinc Hotels Freeholds Limited (In Administration) (**ZHFL**) owns the freehold title to each of the hotels listed below (the **Hotels**). The legal interest in the 999 year long leasehold title to each of the Hotels is held by a number of subsidiary entities (defined in Appendix A as the **Leasehold Companies**) acting as bare trustees for ZHL, which holds the beneficial interest in those long leasehold interests.
- 3.6 The Leasehold Companies have granted occupational leases to Adda Hotels and Puckrup Hall Hotel Limited, both indirect subsidiaries of Hilton Worldwide Holdings, Inc. (together the **Tenants**), with both paying rent to the Companies on a quarterly basis.
- 3.7 The Hotels are fixed charge assets and therefore any future realisations from their sale will be captured by the security granted in favour of the Secured Parties and will not be available to the general body of creditors, unless the Secured Parties are paid in full.

Location of the Hotels

Cobham Hilton, Seven Hills Road South, Cobham, KT11 1EW

Croydon Hilton, 101 Waddon Way, Purley Way, Croydon, CR9 4HH

East Midlands Hilton, Junction 24, M1, Derby Road, Derby, DE74 2YW

Leeds City Hilton, Neville Street, Leeds, LS1 4BX

Northampton Hilton, 100 Watering Lane, Collingtree, Northampton, NN4 0XW

Nottingham Hilton, Milton Street, Nottingham, NG1 3PZ

Tewkesbury Hilton, Puckrup Hall, Puckrup, Tewkesbury, GL20 6EL

Watford Hilton, Elton Way, Watford, WD25 8HA

York Hilton, 1 Tower Street, York, YO1 9WD

(together the **Regional Nine**)

Kensington Hilton, 179-199 Holland Park Avenue, London, W11 4UL (**Kensington**)

Kensington

- 3.8 The Administrators have recently exchanged contracts for the sale of Kensington.
- 3.9 *In order to effect the sale, it has been necessary to collapse part of the group structure (as outlined in paragraph 3.5 above) associated with Kensington in order to facilitate a sale of the hotel through ZHL. The Land Registry has confirmed registration of the structure revisions. Further details of the transaction will be provided in the Administrators' next report to creditors.*

Regional Nine

- 3.10 A fresh and comprehensive marketing strategy was formally commenced on 19 March 2018 in respect of the Regional Nine. This was carried out following advice from the Administrators' agents that the interested parties identified in the pre-appointment process may not be capable of completing a transaction at that time.
- 3.11 This process is ongoing and in its final stages. As the position is commercially sensitive, no further update is set out in this report, however a further update will be provided in the Administrators' next report, if appropriate.

Rental income

- 3.12 The rental income received from the Tenants in respect of the Hotels constitutes a fixed charge asset and is captured by the security granted in favour of the Secured Parties. It is received directly by GLAS and not the Administrators. Rent will therefore not be available to the general body of creditors unless the Secured Parties are paid in full.
- 3.13 Rent (net of VAT) of £7.02 million was received by GLAS for the quarter commencing 10 April 2018 and is shown in the Receipts and Payments Account at Appendix C. GLAS received a further quarter of rent (net of VAT) totalling £6.98 million on 10 July 2018. As this falls outside the Period of this report, it will be accounted for in the Administrators' next report.

Litigation and other potential claims

A. Claim against the Tenants for breach of lease ("Capex Claim")

- 3.14 In May 2016, the Leasehold Companies launched a claim for specific performance and further or alternatively damages against the Tenants for alleged breaches of the terms of the leases requiring the Hotels to be maintained to the Hilton brand standards. At a court hearing on 27 March 2017, Deputy Master Cousins acceded to a strike out/summary judgment application brought by the Tenants in relation to the specific performance claim, leaving damages as the only remedy available.
- 3.15 Leave to appeal was granted to the Leasehold Companies on 10 October 2017 and was heard in the High Court of Justice (Chancery Division) between 24 - 26 April 2018 in front of Mr Andrew Hochhauser QC, sitting as a Deputy High Court Judge. The appeal was dismissed on 3 May 2018.

- 3.16 On advice from their legal advisors and Counsel, the Administrators have sought, on behalf of the Leasehold Companies, by way of an Appellant's Notice dated 24 May 2018, permission to make a second appeal to the Court of Appeal. A response to the Appellant's Notice has not been received at the time of writing this report.

B. Claim against the Administrators by the ultimate shareholder ("Unfair Harm Application")

- 3.17 On 12 April 2018, the ultimate shareholder, through the Companies' parent companies, *Zinc Hotels (Investment) Limited* and *Top Zinc Limited* (together the **Applicants**) issued proceedings against the Administrators pursuant to paragraphs 74 and 88 of Schedule B1 of the Insolvency Act.
- 3.18 The Unfair Harm Application sought an order from the Court which included, amongst other things, removal and replacement of the Administrators, appointment of independent or concurrent administrators and for the proceeds of any sale of the Hotels to be held in escrow. The Unfair Harm Application also sought for certain of the claims that the Companies have against various parties (including the Tenants) to be assigned to the Applicants.
- 3.19 The Administrators vigorously deny all allegations and have actively defended the Unfair Harm Application.
- 3.20 At a directions hearing held on 23 May 2018, the Applicants indicated that they intended to apply for interim orders under paragraph 74(3)(d), and paragraph 74(4)(b) of Schedule B1 (the **Interim Application**). In particular, by the Interim Application, the Applicants sought two orders:
- first, an order appointing "additional concurrent joint administrators". According to the order sought, the function of the additional administrators will be "to represent the interests of contributories/shareholders for the purpose of achieving the statutory purpose of the administrations"; and
 - secondly, an order restraining the Administrators from distributing the proceeds of any assets realised in the administrations pending the resolution of certain legal claims.
- 3.21 Whilst not in the Period, an expedited hearing was held between 10-12 July 2018 in the High Court of Justice (Chancery Division) in front of Mr Justice Henry Carr in respect of the Interim Application.
- 3.22 On 20 July 2018, Mr Justice Carr delivered an oral judgement which refused both heads of interim relief sought by the Applicants and therefore dismissed the Interim Application. As the Unfair Harm Application is ongoing, and given it is a sensitive matter, no further details can be provided at this time. Information will be provided in the next progress report, to the extent that it can be disclosed.
- 3.23 It is uncertain whether the costs of defending the action will ultimately be borne by the Secured Parties or the Applicants.

C. Additional claims

- 3.24 As reported in the Proposals, the Companies' directors and shareholders made the Administrators aware of further claims that had been anticipated pre-

appointment and were launched by the Administrators post appointment. These include an action against the Tenants and certain of the Secured Parties.

- 3.25 The Administrators have sought legal advice as to the merits of these claims to understand whether:
- it is in the creditors' interests as a whole for further time and cost to be incurred in pursuing them; and/or
 - the claims are capable of being assigned to a third party for value to enable the claims to be pursued by other entities.
- 3.26 In light of the legal advice received, the Administrators have decided to pursue certain of the claims whilst others are not being pursued at this time as, based on the information received to date, these claims have no merit and therefore no real prospect of success. Due to the sensitive nature of the litigation, no further information is being provided at this time. The Administrators will continue to keep the claims under review, particularly if any further information presents itself that may support there being merit in the claims not currently being pursued.

Realisation of assets – floating charge

Cash at bank

- 3.27 On appointment, the sum of £984,289 was recovered from a Barclays Bank Plc account in the name of ZHL, which is subject to floating charge security granted in favour of the Secured Parties. This is shown in the Receipts and Payments Account at Appendix C.

Bank interest

- 3.28 Bank interest totalling £2,553 and £175 has been received in the fixed and floating accounts, respectively.

Administration (including statutory reporting)

- 3.29 In addition to their duties relating to realising and distributing the assets of the *Companies*, the Administrators must comply with certain statutory compliance matters in accordance with the Insolvency Act 1986. These include, notifying the stakeholders of the appointments and preparing bi-annual reports to creditors advising on the progress of the Administrations. The Administrators are responsible for liaising with HM Revenue and Customs to determine the final position in respect of corporation tax, VAT and other taxes that may be owed by or to the *Companies*, and for filing tax returns for the duration of the Administrations.
- 3.30 In order to ensure the matters of the Administrations have been progressed sufficiently, the Administrators have a duty to conduct periodic case reviews and complete case checklists. In addition, the Administrators' treasury function will also comply with cash accounting requirements including raising payments, processing journal vouchers and posting receipts, preparing bank reconciliations and statutory returns.

- 3.31 The time taken for statutory tasks is largely fixed, insofar as the cost of preparing a report to creditors or filing an annual return is similar for most cases, except where cases are very large or complex. Where the costs of statutory compliance and reporting to creditors exceeds the initial estimate, it will generally be because the duration of the case has been longer than expected, due to, for example, protracted realisation of assets, and therefore additional periodic reports have had to be prepared and distributed to stakeholders.

Creditors (claims and distribution)

- 3.32 Details of the estimated outcome for creditors can be found in Section 5.

4. Investigations

- 4.1 The Administrators conducted investigations into the conduct of the directors and transactions entered into prior to the Companies' insolvencies, as required by the Company Directors Disqualification Act 1986, and Statement of Insolvency Practice 2 – Investigations by Office Holders in Administrations and Insolvent Liquidations.
- 4.2 *Based upon the outcome of the investigations, there were no matters identified that required further action.*

5. Estimated outcome for creditors

Secured creditor – GLAS Trust Corporation Limited (as security agent)

- 5.1 Each of the Companies granted a debenture over its assets to GLAS, acting as security agent on behalf of the Secured Parties, on 11 November 2014 in respect of the secured liabilities under the SFA and the hedging arrangements.
- 5.2 At the date of the appointments the Secured Parties were owed £519 million. This comprised approximately £275 million of term debt and £244 million of hedging liabilities and was detailed in the Proposals.
- 5.3 The estimated secured liabilities stand at approximately £511 million as at 8 July 2018, based on information provided by GLAS and the Secured Parties. The secured liabilities currently comprises approximately £284 million of term debt and £227 million of hedging liabilities. These amounts are subject to review and confirmation with the hedging liabilities being indicative only and subject to market movements.
- 5.4 The estimated return to the Secured Parties is dependent upon realisations achieved from the assets of the Companies, which at this stage is uncertain.

Preferential creditors

- 5.5 There are no known employees of the Companies and therefore no preferential claims are expected. No preferential claims have been submitted to the Administrators to date.

Unsecured Creditors' Fund

- 5.6 Where there is a floating charge which was created on or after 15 September 2003, the Administrators are required to create a fund from the Company's net property available for the benefit of unsecured creditors (**Unsecured Creditors' Fund**), commonly known as the 'Prescribed Part'.
- 5.7 Only ZHL is anticipated to have floating charge realisations by virtue of the cash at bank held at appointment. In respect of the other 24 companies in Administration, the estimated value of the each of these Companies' net property and Prescribed Part will be nil.
- 5.8 On completion of the sales of the Hotels and allocation of proceeds to the Secured Parties' debt, the Administrators will be able to calculate the potential amount available to unsecured creditors.
- 5.9 The Proposals Indicated that the maximum value of the Prescribed Part was expected to be £200,000 based on cash at bank available on appointment. As these funds have been utilised to settle certain floating charge expenses that have been incurred, the level of the expected Prescribed Part has reduced. As at 8 July 2018, surplus floating charge funds are expected to be £468,000 which translates to a Prescribed Part of approximately £97,000. This balance may reduce further.
- 5.10 A further update will be provided in the next report.

6. What happens next

Creditors' rights

- 6.1 Within 21 days of the receipt of this report, a secured creditor, or an unsecured creditor (with the agreement of at least 5% of the value of the unsecured creditors) may request in writing that the Administrators provide further information about their fees or expenses (other than pre-administration costs) which have been itemised in this progress report.
- 6.2 Any secured creditor, or an unsecured creditor (with the agreement of at least 10% of the value of unsecured creditors) may, within eight weeks of receipt of this report, make an application to court on the grounds that the basis fixed for the Administrators' fees is inappropriate, or that the fees charged, or the expenses incurred by the Administrators during the period of this report are excessive.

7. Next report

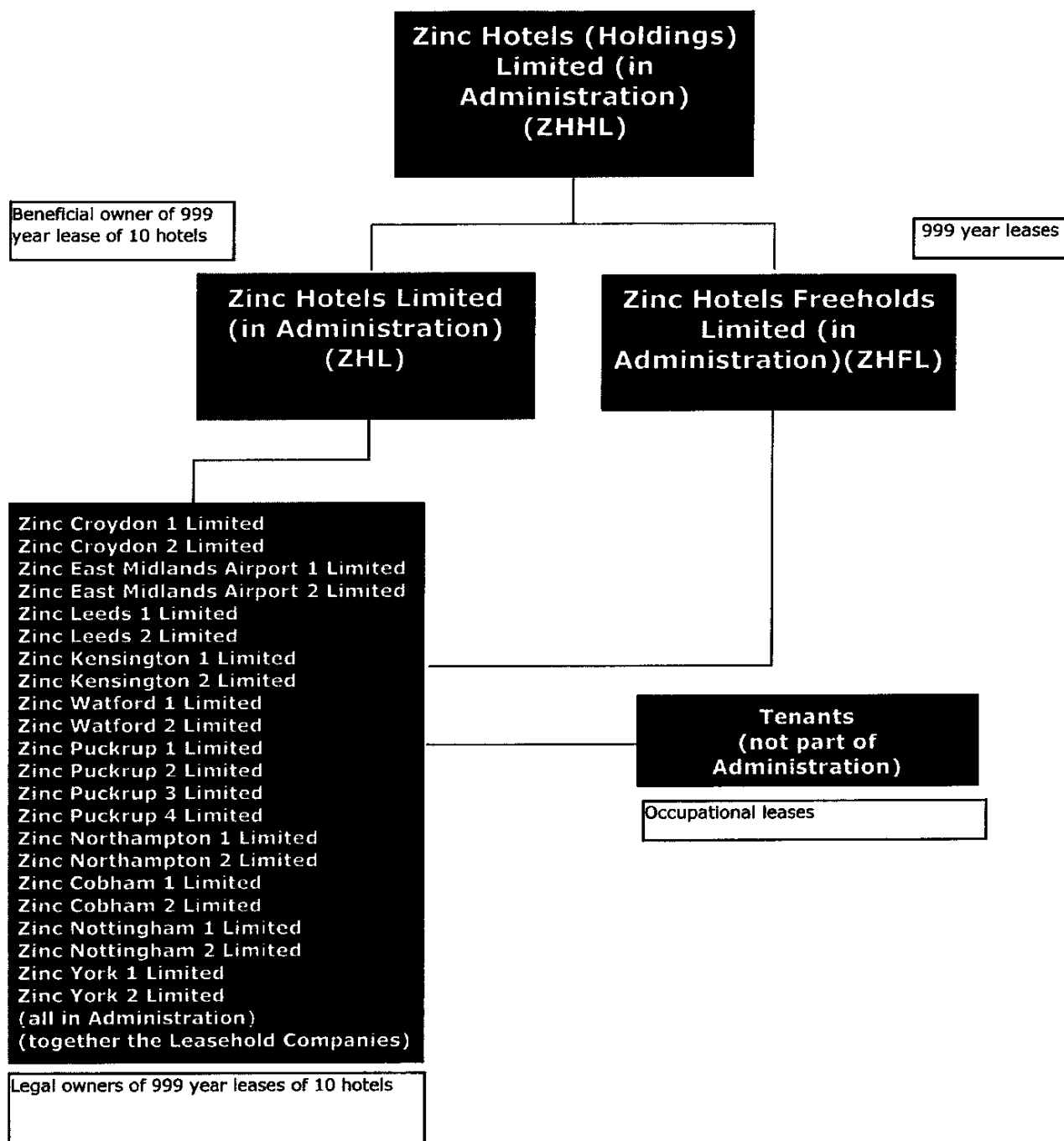
- 7.1 The Administrators are required to provide a progress report within one month of the end of the next six months of the Administrations, or earlier if the Administrations have been finalised. For details of the proposed exit routes please see Appendix G.

For and on behalf of
Zinc Hotels (Holdings) Limited and its subsidiaries (all in administration)



Daniel Imison
Administrator
Encs

Appendix A. Group structure



Appendix B. Statutory information

Company information

Company name and trading names	Company number	Court reference	Former trading address
Zinc Hotels Limited	09115606	212 of 2018	C/O Rees Pollock, 35 New Bridge Street, London, EC4V 6BW
Zinc Hotels (Holdings) Limited	09115573	196 of 2018	C/O Rees Pollock, 35 New Bridge Street, London, EC4V 6BW
Zinc Hotels Freeholds Limited	09229416	183 of 2018	C/O Rees Pollock, 35 New Bridge Street, London, EC4V 6BW
Zinc Croydon 1 Limited	09115664	206 of 2018	C/O Rees Pollock, 35 New Bridge Street, London, EC4V 6BW
Zinc Croydon 2 Limited	09115669	210 of 2018	C/O Rees Pollock, 35 New Bridge Street, London, EC4V 6BW
Zinc East Midlands Airport 1 Limited	09115655	198 of 2018	C/O Rees Pollock, 35 New Bridge Street, London, EC4V 6BW
Zinc East Midlands Airport 2 Limited	09115660	193 of 2018	C/O Rees Pollock, 35 New Bridge Street, London, EC4V 6BW
Zinc Leeds City 1 Limited	09115735	191 of 2018	C/O Rees Pollock, 35 New Bridge Street, London, EC4V 6BW
Zinc Leeds City 2 Limited	09115725	217 of 2018	C/O Rees Pollock, 35 New Bridge Street, London, EC4V 6BW
Zinc London Kensington 1 Limited	09115683	214 of 2018	C/O Rees Pollock, 35 New Bridge Street, London, EC4V 6BW
Zinc London Kensington 2 Limited	09115728	184 of 2018	C/O Rees Pollock, 35 New Bridge Street, London, EC4V 6BW
Zinc Watford 1 Limited	09115731	201 of 2018	C/O Rees Pollock, 35 New Bridge Street, London, EC4V 6BW
Zinc Watford 2 Limited	09115719	211 of 2018	C/O Rees Pollock, 35 New Bridge Street, London, EC4V 6BW
Zinc Puckrup Hall 1 Limited	09115682	220 of 2018	C/O Rees Pollock, 35 New Bridge Street, London, EC4V 6BW
Zinc Puckrup Hall 2 Limited	09115670	221 of 2018	C/O Rees Pollock, 35 New Bridge Street, London, EC4V 6BW

Zinc Hotels (Holdings) Limited and its subsidiaries – in Administration (the **Companies**)

Company name and trading names	Company number	Court reference	Former trading address
Zinc Puckrup Hall 3 Limited	09115736	189 of 2018	C/O Rees Pollock, 35 New Bridge Street, London, EC4V 6BW
Zinc Puckrup Hall 4 Limited	09115704	192 of 2018	C/O Rees Pollock, 35 New Bridge Street, London, EC4V 6BW
Zinc Northampton 1 Limited	09115701	216 of 2018	C/O Rees Pollock, 35 New Bridge Street, London, EC4V 6BW
Zinc Northampton 2 Limited	09115703	187 of 2018	C/O Rees Pollock, 35 New Bridge Street, London, EC4V 6BW
Zinc Cobham 1 Limited	09115698	179 of 2018	C/O Rees Pollock, 35 New Bridge Street, London, EC4V 6BW
Zinc Cobham 2 Limited	09115729	194 of 2018	C/O Rees Pollock, 35 New Bridge Street, London, EC4V 6BW
Zinc Nottingham 1 Limited	09115737	209 of 2018	C/O Rees Pollock, 35 New Bridge Street, London, EC4V 6BW
Zinc Nottingham 2 Limited	09115734	190 of 2018	C/O Rees Pollock, 35 New Bridge Street, London, EC4V 6BW
Zinc York 1 Limited	09115939	182 of 2018	C/O Rees Pollock, 35 New Bridge Street, London, EC4V 6BW
Zinc York 2 Limited	09115916	208 of 2018	C/O Rees Pollock, 35 New Bridge Street, London, EC4V 6BW

The below information applies to all the Companies:

Item	Details
Registered office	c/o AlixPartners, The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB
Former registered office	c/o Rees Pollock, 35 New Bridge Street, London, EC4V 6BW
Court details	High Court of Justice, Business and Property Courts of England and Wales, Insolvency and Companies List
Trading name	Company name for each of the Group Companies

Appointor's information

Name	Address	Position
GLAS Trust Corporation Limited	45 Ludgate Hill, London, EC4M 7JU	Floating Charge Holder

Administrators' information

Name	Address	IP number	Name of authorising body
Alastair Paul Beveridge	6 New Street Square, London, EC4A 3BF	8991	Insolvency Practitioners Association
Daniel Christopher Imison	6 New Street Square, London, EC4A 3BF	13434	Insolvency Practitioners Association
Catherine Mary Williamson	The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB	15570	Insolvency Practitioners Association

Ryan Grant resigned as joint appointee on 22 March 2018 following his departure from AlixPartners and Daniel Imison was appointed as joint appointee by block transfer on the same date. The change in appointees has not impacted the Administrations.

In accordance with paragraph 100(2) of schedule B1 of the Insolvency Act 1986, all functions of the Administrators are to be exercised by any or all of the Administrators. All references to the Administrators should be read as the Joint Administrators.

Appendix C. Receipts and Payments Accounts for the period 9 January 2018 to 8 July 2018

ZHL

Statement of Affairs £		£
Fixed charge assets		
Receipts		
- Rental Income		7,016,826
- Contribution to costs		2,090,279
Bank interest		2,553
		9,109,658
Payments		
Administrators' fees and disbursements		759,905
Legal fees and disbursements		1,469,739
Agents'/valuers' fees and disbursements		145,830
IT costs		7,250
Bank charges		475
		(2,383,198)
Distributions		
Fixed chargeholder		5,315,776
		(5,315,776)
Balance of fixed charge assets		1,410,684
Floating charge assets		
Receipts		
9,582,993 Cash at bank		984,289
- Bank interest		175
- Funds held by third parties		121,094
		1,105,559
Payments		
Legal fees and disbursements		188,268
Category 1 disbursements:		
Statutory advertising		677
Agent's/valuer's fees and disbursements		24,000
Bank charges		4
		(212,949)
Balance of floating charge assets		892,609
Total balance		2,303,293
Represented by		
Interest bearing accounts		1,967,201
VAT receivable		336,092
		2,303,293

Note: The above is subject to small rounding differences.

ZHHL, ZHFL and the Leasehold Companies

Statement of Affairs £	£
Receipts	-
Payments	-
Balance	-

ZHL is the only entity with activity. Therefore, the above blank account has been prepared for all other companies.

Appendix D. Administrators' fees and pre-administration costs

Fees

A copy of 'A Creditors' Guide to Administrations' can be downloaded from AlixPartners' creditor portal (<http://www.alixpartnersinfoportal.com>). If you would prefer this to be sent to you in hard copy please contact the Administrators and they will forward a copy to you.

Approval of the Administrators' fees has been sought in accordance with insolvency legislation. On 25 May 2018 the Secured Parties approved that the basis of the Administrators' fees be fixed in accordance with the terms set out in the Proposal as follows:

- **ZHHL, ZHL & ZHFL** - as a combination of the following bases:
 - by reference to the time properly spent by the Administrators and their staff on matters arising in the Administrations in respect of all matters, save for time spent in relation to the realisations associated with the sale of the Hotels; and
 - as a percentage of the gross value realised from the sales of the Hotels, being 0.25%.
- **The Leasehold Companies:** set amount (fixed fee) of £10,000 plus VAT for each of the 22 entities.

To date, fees totalling £749,499 plus disbursements have been drawn, broken down as follows per work stream:

Activity category	Total billed and paid £
Administration work and strategy	264,650
Sale of business	235,000
Capex claim	249,849
Total	749,499

Administrators' fee estimates

ZHHL, ZHL and ZHFL

Details of the work that the Administrators envisage being required to undertake to achieve their objectives, and to comply with the statutory and regulatory duties that are imposed upon them as a consequence of their appointment are set out in Section 3.

The anticipated amount of work and the costs associated with the Administration matters, except for time spent in relation to the realisations associated with the sale of the Hotels, are set out in the Proposals as follows:

ZHL	Hours anticipated	Blended rate per hour £	Anticipated cost £
Activity category			
Trading	60.7	509	30,904
Realisation of assets (excluding Hotels)	74.4	403	29,963
Administration (including statutory reporting)	152.8	542	82,776
Investigations	25	372	9,310
Creditors (claims and distribution)	59	372	21,970
Other matters	14	372	5,077
Total	386	467	180,000

ZHHL	Hours anticipated	Blended rate per hour £	Anticipated cost £
Activity category			
Trading	5.3	520	2,756
Realisation of assets (excluding Hotels)	11.1	479	5,321
Administration (including statutory reporting)	57.5	479	27,565
Investigations	15	372	5,586
Creditors (claims and distribution)	22.1	372	8,230
Other matters	1.5	372	542
Total	112.5	445	50,000

ZHFL	Hours anticipated	Blended rate per hour £	Anticipated cost £
Activity category			
Trading	5.8	520	3,016
Realisation of assets (excluding Hotels)	11.3	481	5,431
Administration (including statutory reporting)	58.1	481	27,926
Investigations	15	372	5,586
Creditors (claims and distribution)	17.4	372	6,480
Other matters	4.2	372	1,561
Total	111.8	447	50,000

Administrators' details of time spent to date

The Administrators' time costs for the Period are detailed below, per company and work stream.

ZHL

Activity category	Hours incurred	Average rate per hour £	Time cost for the Period £
Trading	26.1	471	12,656
Realisation of assets	33.6	407	13,686
Administration (including statutory reporting)	126.4	456	57,595
Investigations	1.9	265	504
Creditors (claims and distribution)	1.7	466	793
Total	189.7	449	85,234

ZHHL

Activity category	Hours incurred	Average rate per hour £	Time cost for the Period £
Trading	1.7	344	575
Realisation of assets	8.4	487	4,093
Administration (including statutory reporting)	85.8	422	36,180
Investigations	11.6	344	5,487
Creditors (claims and distribution)	5.2	564	2,932
Total	112.7	437	49,277

ZHFL

Activity category	Hours incurred	Average rate per hour £	Time cost for the Period £
Trading	2.3	376	866
Realisation of assets	6.9	497	3,428
Administration (including statutory reporting)	84.0	428	35,956
Investigations	9.7	416	4,032
Creditors (claims and distribution)	3.8	533	2,026
Total	106.7	434	46,308

Leasehold

Activity category	Hours incurred	Average rate per hour £	Time cost for the Period £
Trading	28.8	480	13,829
Realisation of assets	23.5	478	11,237
Administration (including statutory reporting)	227.8	435	98,984
Investigations	22.2	341	7,571
Creditors (claims and distribution)	19.0	285	5,410
Total	321.3	426	137,031

Sale of business

Activity category	Hours incurred	Average rate per hour £	Time cost for the Period £
Total	1,267.1	473	599,843

Capex Claim

Activity category	Hours incurred	Average rate per hour £	Time cost for the Period £
Total	480.5	538	258,657

Unfair Harm Application and other litigation claims

Activity category	Hours incurred	Average rate per hour £	Time cost for the Period £
Total	605.5	547	331,329

The Administrators consider that the fee estimate previously provided is insufficient to complete their duties. This is due to the following reasons:

- Capex Claim – whilst the Administrators were aware of the claim, when the Proposals were issued a strategy had not been formulated on how to take it forward, if at all. As sales of the Hotels have progressed, the decision was taken to continue to pursue the appeal to have specific performance reinstated as a remedy. As such, further costs were incurred, and are expected to continue to be incurred in pursuing the claim.
- Unfair Harm Application and other litigation claims – action against the Administrators was not budgeted for when the Proposals were prepared. In addition, action against other stakeholders, including the Tenants, was still being discussed at the issuance of the Proposals. Since then action has been commenced by parties connected to the Companies, albeit not by the Companies themselves. Work is required to understand the merits of the claims that have been launched, whether

the Companies can bring or join the claims already launched, and/or whether the claims can be assigned.

The Administrators consider that further costs in relation to the Capex Claim, Unfair Harm Application and additional litigation will continue to be incurred. These costs will be approved and paid by the Secured Parties and will not require approval from unsecured creditors.

A full fee estimate for each litigation work stream cannot be provided at this point due to the uncertain and sensitive nature of the work being undertaken. A further update will be provided in the next report when each strategy has been agreed and a more accurate estimate can be provided.

Pre-administration costs

AlixPartners UK Services LLP was engaged by the Secured Parties on a time costs basis, under an engagement letter dated 26 June 2017, with further addendums agreed on 3 October 2017 and 7 November 2017.

Pre-administration fees charged, and expenses incurred by AlixPartners are as follows:

Charged by	Brief description of services provided	Total amount charged £	Amount paid £	Payment made by	Amount unpaid £
AlixPartners UK Services LLP	Strategic contingency planning in advance of the administration appointments.	£309,428 plus £546 disbursements	£309,428 plus £546 disbursements	Secured Parties	-
Ashurst LLP	Strategic contingency planning in advance of the administration appointments and week 1 administration task planning.	£13,686	£13,686	Secured Parties	-
Burges Salmon LLP	Independent review of security and validity of appointment, consideration of appointment route and general advice with view to entering administration.	£110,686 plus £312 disbursements	£110,686 plus £312 disbursements	Secured Parties	-

Appendix E. Administrators' expenses and disbursements

Expenses of the Administrations

The table below details the anticipated expenses which will be incurred by third parties whilst dealing with the Administrations.

	Anticipated cost £
Legal costs	£2 million - £2.4 million
Agents' fees	0.65-0.75% of realisations
Tax advice	£20,000 - £40,000
Insurance	£3,000-£5,000
Data room	£5,000 - £15,000
Total (before Agents)	2 million - 2.5 million

Current position of Administrators' expenses

An analysis of the costs paid to date, together with those incurred but not paid as at the end of the Period is provided below.

	Paid in the period £	Incurred but not paid £	Total anticipated cost £
Legal costs:			
Ashurst	1,124,148	223,568	1,347,716
Burges Salmon	93,894	283,407	377,301
Freshfields	-	1,228,248	Uncertain*
Agent's fees:			
Property disposal and marketing	80,000	92,772	Uncertain
Michels & Taylor	65,000	27,500	100,000-120,000
Other	-	84,083	110,000
Data room	7,250	-	12,000-15,000
Total	1,370,292	1,939,578	1,947,017-1,970,017

Please note that the above legal costs paid to date include an element of counsel fees incurred. There will be ongoing counsel fees incurred and added to legal invoices where instructed.

*Note: the level of legal fees cannot be confirmed at this point and will be subject to work required on the litigation areas outlined in the report.

The costs of Savills and Jones Lang LaSalle are linked to the sale of the Hotels. As none of the Hotels were sold in the Period, their costs are not yet payable. The basis of their fees is set out in Appendix F.

Administrators' disbursements

A copy of the analysis of anticipated disbursements previously provided is set out below. The actual expenses may be found in the receipts and payments account at Appendix C.

	Anticipated cost £
Category 1 disbursements:	
Specific penalty bond	1,335
Statutory advertising	700
Travel and subsistence	5,000
Storage	500
Stationery and postage	100
Total	7,635

Category 1 disbursements of £677 have been drawn on account. Approval to draw category 2 disbursements has been given by the Secured Parties, however, none have been drawn to date.

Appendix F. Additional information in relation to the Administrators' fees

Policy

Detailed below is AllxPartners' policy in relation to:

- staff allocation and the use of sub-contractors;
- professional advisors; and
- disbursements.

Staff allocation and the use of sub-contractors

The Administrators' general approach to resourcing their assignments is to allocate staff with the skills and experience to meet the specific requirements of the case. The case team will usually consist of a managing director, a director or senior vice president, a vice president and a consultant. The exact case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment. On larger, more complex cases, several staff at all grades may be allocated to meet the demands of the case. The Administrators' charge-out rate schedule overleaf provides details of all grades of staff.

With regard to support staff, time spent by treasury staff in relation to tasks such as recording transactions and dealing with bank accounts is charged but secretarial time is only recovered if a large block of time is incurred, eg report compilation and distribution. The Administrators have not utilised the services of any sub-contractors in this case.

Professional advisors

On this assignment the Administrators have used the professional advisors listed below. The Administrators have also indicated the basis of their fee arrangement with them, which is subject to review on a regular basis.

Name of professional advisor	Basis of fee arrangement
Ashurst LLP (legal advice)	Hourly rate and disbursements
Burges Salmon LLP (legal advice)	Hourly rate and disbursements
Freshfield Bruckhaus Deringer LLP (legal advice)	Hourly rate and disbursements
Willis Tower Watson Limited (insurance)	Risk based premium
Imprima iRooms Limited (IT data room)	Hourly rate and disbursements
PMC Treasury Limited (SWAP advice)	Hourly rate and disbursements
Pegasus Capital Advisors (SWAP advice)	Hourly rate and disbursements
Arcadis (UK) Limited (building design and consultancy)	Hourly rate and disbursements
Michels & Taylor (property management)	Hourly rate and disbursements
Jones Lang LaSalle (property)	Percentage of realisations
Christie & Co (property)	Fixed fee
Savills UK (property)	Percentage of realisations

The Administrators' choice was based on their perception of the professional advisors' experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of their fee arrangement with them.

Disbursements

Category 1 disbursements do not require approval by creditors. Category 1 disbursements may include external supplies of incidental services specifically identifiable to the case eg postage, case advertising, invoiced travel and external printing, room hire and document storage. Any properly reimbursed expenses incurred by the Administrators and their staff will also be chargeable.

Category 2 disbursements do require approval prior to being paid and will be drawn in accordance with the approval given, they may include business mileage for staff travel - charged at the rate of 45 pence per mile.

Charge-out rates

A schedule of AlixPartners' charge-out rates for this assignment effective from 1 January 2018 is detailed below. Time is charged by managing directors and case staff in units of six minutes.

Description	Rates from 1 January 2018 £
Managing director	645-705
Director	615
Senior Vice president	520
Vice President	380-465
Consultant	210-315
Treasury and support	105-250

Appendix G. Exit routes and discharge from liability

Extension

The Administrations are due to end automatically on 9 January 2019, however it may not be possible to conclude all outstanding matters prior to this date. Should all matters not be concluded, the Administrators will seek the approval of the Secured Parties for an extension to the Administrations for a period of 12 months in accordance with paragraph 76 of schedule B1 of the Insolvency Act 1986.

Dissolution

Based on present information, the Administrators consider that a dividend will be paid to the unsecured creditors of ZHL from the Unsecured Creditors' Fund.

The Administrators think that ZHHL, ZHFL and the Leasehold Companies will have no property which might permit a distribution to their unsecured creditors.

In this situation, the Administrators will file notices together with their final progress report at court and with the Registrar of Companies for the dissolution of the Companies. The Administrators will send copies of these documents to Companies and their creditors. The Administrations will end following the registration of the notices by the Registrar of Companies.

Compulsory liquidation

A liquidator of a company has certain powers such as the ability to disclaim onerous contracts or assets that are not available to an administrator. If such powers become necessary, the Administrators may make an application to court to end the Administrations and request that the court places the Companies into compulsory liquidation. The Administrators will send notice of any such application to the Companies and their creditors.

Discharge from liability

The Administrators will seek approval for their discharge from liability from the Secured Parties. It is proposed that the Administrators will be discharged from liability under paragraph 98 of schedule B1 to the Insolvency Act 1986 directly after their appointments as Administrators ceases to have effect.