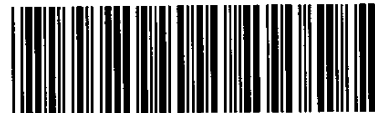


AM10

Notice of administrator's progress report

TUESDAY



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COMPANIES HOUSE

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1 Company details

Company number 0 9 2 2 9 4 1 6

Company name in full Zinc Hotels Freeholds Limited

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

2 Administrator's name

Full forename(s) Catherine

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) Daniel

Surname Imison

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.

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. Attach this to the relevant form. ①
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

① 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) Alastair

Surname Beveridge

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

AM10

Notice of administrator's progress report

6 Period of progress report

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

7 Progress report

☒ I attach a copy of the progress report

8 Sign and date

Administrator's
signature

Signature

X

[Handwritten Signature]

X

Signature date

d 2 d 3	m 0 m 1	y 2 y 0 y 1 y 9
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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

AlixPartners

Administrators' Progress Report for the period 9 July 2018 to 8 January 2019

Zinc Hotels (Holdings) Limited and
its subsidiaries

All in Administration

28 January 2019

Contents

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2. Summary of information for creditors	3
3. Progress of the Administrations	5
4. Estimated outcome for creditors	10
5. What happens next	11

Appendices

Appendix A.	Summary group structure
Appendix B.	Statutory information
Appendix C.	Receipts and Payments Accounts for the period 9 July 2018 to 8 January 2019 and a Cumulative Account for the period since appointment
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, including a summary group structure.
- 1.2 Ryan Grant resigned as joint appointee on 22 March 2018 following his departure from AlixPartners UK LLP (**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 July 2018 to 8 January 2019 (the **Period**), and should be read in conjunction with the Statement of Proposals dated 2 March 2018 (the **Proposals**) and the previous progress report dated 1 August 2018.
- 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 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 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 or revising the Proposals.
- 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	Estimated debt £	Likely level of return £ or pence/£
Secured creditors	524 million	98 pence/£
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 Landesbank (**BLB**) and Fortress Credit Advisors LLC (**Fortress**) (together the **Secured Lenders**) and the hedging counterparties under certain retail price index (RPI) and interest rate swaps (IRS) hedging arrangements relating thereto (the **Hedging Counterparties**) are collectively referred to as the **Secured Parties**.

The estimated secured liabilities at the date of appointment were £519 million comprising £275 million term debt and £244 million hedging liabilities. The hedging liabilities were indicative only and subject to market movements. Since the date of the Administrators' appointment, the following movements have taken place to the Secured Parties' exposure:

- interest has continued to accrue on the term debt at a rate of approximately 6.5% (rates dependent on the London inter-bank offered rate);
- the hedging liabilities have been subject to market volatility. They were partially closed out at the point of sale of Kensington and fully closed out at the point of sale of the Regional Nine, both defined in paragraph 3.5;
- The Secured Parties have incurred legal costs in addressing various claims made against them. The costs incurred fall within their security; and
- Interest has continued to be paid on the hedging liabilities on a quarterly basis as it has accrued.

The level of return to the Secured Parties has been dependent on rental income received during the Administration and the value of realisations achieved from the sale of the Companies' ten hotels, further details of which can be found in section 3.

Repayments totalling £516.9 million have been made to date. There is currently an exposure of approximately £7.3 million to the Secured Parties in respect of the expired SFA. Interest continues to accrue on this balance. Further details of the current exposure under the security is provided in section 4.

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

The Administrators have received unsecured claims to date totalling £1.05 million which are all believed to be liabilities of Zinc Hotels Limited (in Administration) (**ZHL**). The Administrators have not been made aware of any unsecured creditor claims in respect of the remaining Companies. The likely level of return to unsecured creditors remains uncertain but is expected to be limited to funds available via the Prescribed Part (as defined in paragraph 4.6) only. Should a dividend become payable to unsecured creditors, notice will be provided to all known unsecured creditors and a full claims review undertaken.

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-rate basis amongst all creditors of each class, regardless of the size of their claims. For further information please refer to section 4 of this report.

3. Progress of the Administrations

- 3.1 Attached at Appendix C are the Administrators' Receipts and Payments Accounts for the Period together with cumulative accounts for the period since appointment. In addition to their statutory objective, the Administrators have duties imposed by insolvency and other legislation and their regulating professional bodies. 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.
- 3.2 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

- 3.3 As previously reported, Zinc Hotels Freeholds Limited (in Administration) (**ZHFL**) owned 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 was held by a number of subsidiary entities (defined in Appendix A as the **Leasehold Companies**) acting as bare trustees for ZHL, which held the beneficial interest in those long leasehold interests.
- 3.4 The Leasehold Companies granted occupational leases to Adda Hotels Limited 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.
- 3.5 The Hotels were fixed charge assets and therefore realisations from the sale of the Hotels were captured by the security granted in favour of the Secured Parties and are not available to the general body of creditors. Address details for all hotels can be found below:

Address 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, Y01 9WD

(together the **Regional Nine**)

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

Kensington

- 3.6 At the date of the last report, the Administrators had exchanged contracts with a party to complete a sale of Kensington. In order to effect the sale, it was necessary to collapse part of the group structure associated with Kensington in order to facilitate a sale of the hotel through ZHL. The Land Registry confirmed registration of the structure revisions.
- 3.7 Subsequently, a sale was completed on 25 September 2018 for £261.5 million to Kensington Cola Limited (the **Kensington Purchaser**).

Regional Nine

- 3.8 In March 2018, the Administrators commenced a full and comprehensive marketing process in respect of the Regional Nine through their agents Savills (UK) Limited (**Savills**) and Jones Lang LaSalle Limited (**JLL**) (together the **Agents**). This was initiated following advice from the Agents which indicated that the interested parties involved in the pre-appointment marketing process may not be capable of completing a transaction at that time.
- 3.9 In excess of 130 parties received information about the Regional Nine portfolio with more than 30 being highly active in the data room. Interested parties included private equity firms, hotel groups and other institutional investors.
- 3.10 First round offers were received on 2 May 2018 with nine parties being taken through to the second round of the sales process.
- 3.11 Second round bids were received on 14 June 2018. As a result of continued competitive tension, the Administrators took the decision to enter into a final round of negotiations with the top bidders which allowed parties four weeks to deliver a transaction capable of completion in that time frame. The preferred bidder was then required to complete the transaction.
- 3.12 Final offers were received on 26 July 2018 and a preferred bidder was selected based on both value and speed/deliverability of the transaction. On 15 August 2018 contracts were exchanged with a number of special purpose vehicles controlled by Vivion Investments Sarl (the **Regional Nine Purchaser**) at a purchase price of £246.0 million. As with Kensington, it was a condition of the sale to collapse the group structure. Following the Land Registry's confirmation that the structure changes had been effected, the Administrators complied with the Tenants' covenant to offer the hotels to them on a first refusal basis.
- 3.13 The Tenants did not exercise their right within the specified timescales and a sale of the Regional Nine was completed on 20 December 2018. Details of the respective purchasers for each of the Regional Nine hotels is set out below:

Hotel location	Purchaser name
Cobham	Zinc Cobham Hotels Limited
Croydon	Zinc Croydon Hotels Limited
Derby	Zinc East Midlands Hotels Limited
Leeds	Zinc Leeds Hotels Limited
Northampton	Zinc Northampton Hotels Limited
Nottingham	Zinc Nottingham Hotels Limited
Tewkesbury	Zinc Puckrup Hall Hotels Limited
Watford	Zinc Watford Hotels Limited
York	Zinc York Hotels Limited

Rental income

- 3.14 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.
- 3.15 Total rent (net of VAT) of £17.7 million has been received over the course of the Administrations up to the date of the respective property sales. This rental income is shown in the Receipts and Payments Account at Appendix C. On the basis that all properties have been sold, no further rent will be received.

Litigation and other potential claims

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

- 3.16 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.
- 3.17 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.
- 3.18 On advice from their legal advisors and Counsel, the Administrators 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.
- 3.19 On 17 August 2018, the Court of Appeal granted consent for the Administrators to make a second appeal. The appeal is to be heard in mid-February 2019 and a further update provided in the next report.

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

- 3.20 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.
- 3.21 As set out in the Administrators’ progress report dated 1 August 2018, 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. Mr Justice Carr delivered a Judgement dated 20 July 2018 which refused both heads of interim relief sought by the Applicants and therefore dismissed the Interim Application.
- 3.22 As Mr Justice Carr had found that “there is no serious issue to be tried”, the Applicants were requested to discontinue the Unfair Harm Application that had been issued on 12 April 2018.
- 3.23 The Administrators were advised on 30 July 2018 that the Applicants did not intend to discontinue the Unfair Harm Application and would seek permission to appeal the decision of Mr Justice Carr at the consequential hearing on 1 August 2018. Accordingly, the Administrators filed an application to strike-out the Unfair Harm Application on 31 July 2018.
- 3.24 By a Judgement dated 1 August 2018, Mr Justice Carr:
- rejected the Applicants’ request to appeal the decision dated 20 July 2018;
 - ordered that the Respondents’ (being the Administrators, GLAS, Hayfin and Fortress) costs in defending the Interim Application be paid on an indemnity basis; and
 - that a payment of 65% of the Respondents’ costs should be made as a payment on account. This payment was received by the Respondents on 15 August 2018.
- 3.25 The Administrators were advised on 14 August 2018 that the Applicants had discontinued the Unfair Harm Application.
- 3.26 The balance of costs in respect of the discontinued application and the Interim Application remain outstanding.

Realisation of assets – floating charge

Bank interest

- 3.27 In the Period, bank interest totalling £45,149 and £782 has been received in the fixed and floating accounts, respectively.

Administration (including statutory reporting)

- 3.28 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. This includes 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 any of the Companies, and for filing tax returns for the duration of the Administrations.
- 3.29 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.
- 3.30 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.

Extension of Administrations

- 3.31 On 20 November 2018 the Administrators, with the consent and support of the Secured Parties, filed an application seeking the extension of the Administrations for a further 12 month period.
- 3.32 At the time the application was filed the sales process was ongoing. In light of the variable exposure as a result of the market volatility affecting the swap, the Administrators were not certain whether there would be a return to unsecured creditors, and therefore whether the Administrations could be extended by the consent of the Secured Parties alone and hence court sanction was requested.
- 3.33 On 12 December 2018 the Court granted the extension of the Administrations for a further period of 12 months. The Administrations are now due to expire on 9 January 2020.

Creditors (claims and distribution)

- 3.34 Details of the estimated outcome for creditors can be found in Section 4.

4. Estimated outcome for creditors

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

- 4.1 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.
- 4.2 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.
- 4.3 The estimated secured liabilities stood at approximately £7.3 million as at 8 January 2019, based on information provided by GLAS and the Secured Parties, following distributions from the Administrations.
- 4.4 The Secured Parties have received distributions totalling £516.9 million. These distributions were made following receipt of rental income and completion of the property sales. This includes payments under certain facility agreements, supplemental facility agreements and the discharge of a number of associated costs (including legal and exit fees), as permitted under the terms of the security.

Preferential creditors

- 4.5 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

- 4.6 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 Companies' net property available for the benefit of unsecured creditors (**Unsecured Creditors' Fund**), commonly known as the 'Prescribed Part'.
- 4.7 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 each of these Companies' net property and Prescribed Part will be nil.
- 4.8 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 additional floating charge costs have been incurred, the level of the expected Prescribed part has reduced.
- 4.9 The Administrators are not in a position to confirm the net property or Prescribed Part as the Companies' tax position following the sale of the hotels is yet to be finalised. At this time the maximum value of the Prescribed Part available is expected to be approximately £100,000.
- 4.10 A further update will be provided in the next report.

5. What happens next

Creditors' rights

- 5.1 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.
- 5.2 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.

Next report

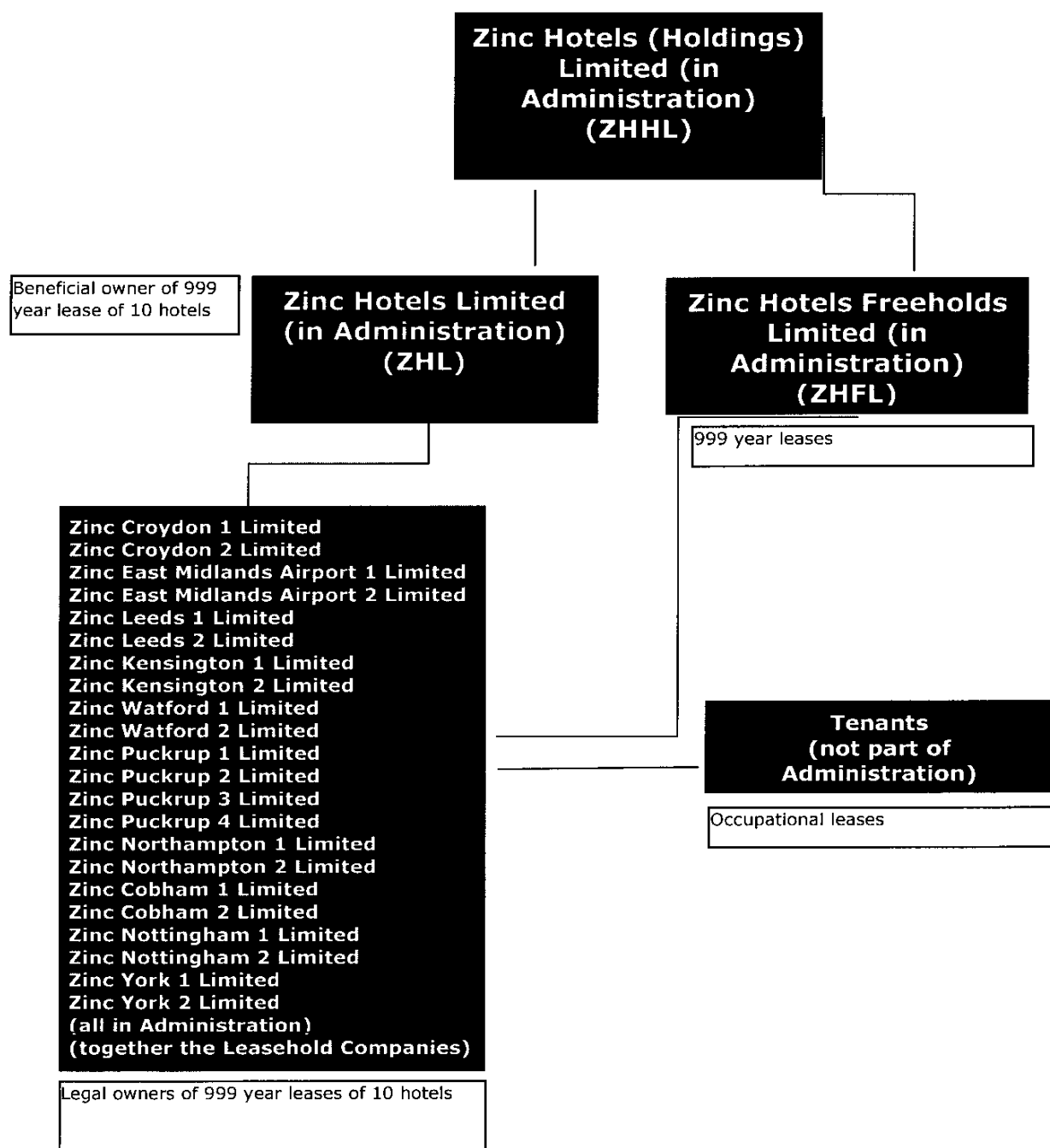
- 5.3 The Administrators are required to provide a progress report within one month of the end of the next six months of the Administration, or earlier if the Administrations have been finalised. For details of the proposed exit routes please see Appendix G.

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



Catherine Williamson
Administrator
Encs

Appendix A. Summary group structure



Appendix B. Statutory Information

Companies' information

Company name and trading names (all in administration)	Company number	Court reference	Former 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 Hotels (Holdings) Limited and its subsidiaries – in Administration (the **Companies**)

Company name and trading names (all in administration)	Company number	Court reference	Former address
Zinc Puckrup Hall 2 Limited	09115670	221 of 2018	C/O Rees Pollock, 35 New Bridge Street, London, EC4V 6BW
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 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	AlixPartners, 6 New Street Square, London, EC4A 3BF	8991	Insolvency Practitioners Association
Daniel Christopher Imison	AlixPartners, 6 New Street Square, London, EC4A 3BF	13434	Insolvency Practitioners Association
Catherine Mary Williamson	AlixPartners, 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.

Extension of Administrations

The Administrations have recently been extended for a period of 12 months with the consent of the Court. The Administrations are now due to expire on 9 January 2020.

Appendix C. Receipts and Payments Accounts for the period 9 July 2018 to 8 January 2019 and a Cumulative Account for the period since appointment

ZHL

Statement of Affairs £	Period £	Cumulative £
Fixed charge assets		
Receipts		
Bank interest	45,149	47,703
Contribution to costs	-	2,090,279
* Freehold land and property - Kensington	261,500,000	261,500,000
* Freehold land and property - Regional 9:		
Cobham	30,301,076	30,301,076
Croydon	22,298,175	22,298,175
Derby	23,498,610	23,498,610
Leeds	38,504,048	38,504,048
Northampton	23,598,647	23,598,647
Nottingham	19,997,341	19,997,341
Puckrup Hall	17,696,508	17,696,508
Watford	31,901,656	31,901,656
York	38,203,940	38,203,940
Legal fees - adverse costs award	638,623	638,623
Rental income	10,730,951	17,747,777
Security for costs	-	121,094
	518,914,723	528,145,476
Payments		
Administrators' fees and disbursements	1,401,408	2,161,313
Agent's/valuer's fees and disbursements	2,002,015	2,147,846
Bank charges	663	1,138
** Car park rent	15,105	15,105
Counsel fees	247,370	420,557
GLAS agency fee	-	22,624
IT costs	109	7,359
Legal costs - adverse costs award	26,377	98,006
Legal fees and disbursements	2,103,710	3,353,450
Security for costs	25,678	174,049
SWAP costs	22,000	22,000
	(5,844,435)	(8,423,447)
Distributions		
Secured Parties	511,630,442	516,919,069
	(511,630,442)	(516,919,069)
Balance of fixed charge assets	1,439,846	2,802,960

Notes:

* The Directors' Statement of Affairs indicated an estimated to realise value of £600,000,000 - £1,000,000,000 for all properties.

** The car park rent has been paid to the landlord by the Administrators however, has been recharged to the tenant through the rental income.

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

Statement of Affairs £	Period £	Cumulative £
Floating charge assets		
Receipts		
Bank interest	782	957
9,582,993 Cash at bank	-	984,289
	782	985,246
Payments		
Bank charges	29	32
Category 1 disbursements:		
Statutory advertising	-	677
Counsel fees	86,095	107,095
Legal fees	131,878	320,147
SWAP - close out work	-	24,000
	(218,002)	(451,951)
Balance of floating charge assets	(217,221)	533,295
Total balance	1,222,625	3,336,255
Represented by		
Interest bearing accounts		3,160,635
VAT receivable		175,620
		3,336,255

Note: The above is subject to small rounding differences.

ZHHL, ZHFL and 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 for the first year of the Administrations.

To date, fees totalling £2.2 million plus disbursements have been drawn to date, broken down by workstream as follows:

Activity category	Total billed and paid £
Administration work and strategy	360,096
Sale of business	905,000
Capex claim	285,587
Unfair Harm Application	506,296
General	92,590
Administrators' disbursements	11,744
Total	2,161,313

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 for the first year post appointment, except for time spent in relation to the realisations associated with the sale of the Hotels, were set out in the Proposals as follows:

ZHL Activity category	Hours anticipated	Blended rate per hour £	Anticipated cost £
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 Activity category	Hours anticipated	Blended rate per hour £	Anticipated cost £
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 Activity category	Hours anticipated	Blended rate per hour £	Anticipated cost £
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

In the second year post appointment, statutory costs are expected to be £74,000 plus VAT.

The Administrators costs in respect of ongoing litigation is uncertain, and (depending on the level of work required) may exceed £100,000 plus VAT.

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 £	Cumulative time costs £
Trading	-	-	-	12,467
Realisation of assets	8.0	297	2,436	11,341
Administration (including statutory reporting)	35.9	446	15,368	37,908
Investigations	-	-	-	381
Creditors (claims and distribution)	-	-	-	670
Total	43.9	406	17,804	62,766

ZHHL

Activity category	Hours incurred	Average rate per hour £	Time cost for the Period £	Cumulative time costs £
Trading	0.2	210	42	617
Realisation of assets	0.3	493	145	3,879
Administration (including statutory reporting)	9.5	425	3,587	38,071
Investigations	-	-	-	5,487
Creditors (claims and distribution)	-	-	-	2,932
Total	10	377	3,774	50,985

ZHFL

Activity category	Hours incurred	Average rate per hour £	Time cost for the Period £	Cumulative time costs £
Trading	0.1	210	21	877
Realisation of assets	1.3	548	666	3,975
Administration (including statutory reporting)	11.9	430	4,808	39,844
Investigations	-	-	-	4,032
Creditors (claims and distribution)	0.1	615	62	2,088
Total	13.4	415	5,556	50,814

Leasehold

Activity category	Hours incurred	Average rate per hour £	Time cost for the Period £	Cumulative time costs £
Trading	3	355	1,065	15,020
Realisation of assets	26.7	390	9,757	20,828
Administration (including statutory reporting)	181.4	464	79,809	179,909
Investigations	0.6	615	369	8,063
Creditors (claims and distribution)	0.6	615	369	5,902
Total	212.3	430	91,369	229,721

Sale of business

Activity category	Hours incurred	Average rate per hour £	Time cost for the Period £	Cumulative time costs £
Total	928	545	505,899	1,119,344

Capex Claim

Activity category	Hours incurred	Average rate per hour £	Time cost for the Period £	Cumulative time costs £
Total	67.7	576	38,972	297,628

Unfair Harm Application and other litigation claims

Activity category	Hours incurred	Average rate per hour £	Time cost for the Period £	Cumulative time costs £
Total	544.6	465	253,505	627,206

Note: in the Period the Administrators have completed a reconciliation of time incurred across all work streams which has resulted in a number of time re-allocations. Therefore, total time per work stream may have changed from the last report due to this re-allocation exercise.

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.

The Administrators consider that further costs in relation to the Capex Claim and Unfair Harm Application may continue to be incurred in line with the strategies outlined in section 3. These costs will be approved and paid by the Secured Parties and will not require approval from unsecured creditors.

Pre-administration costs

AlixPartners Services UK 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 and expenses charged, and subsequently paid are as follows:

Charged by	Brief description of services provided	Total amount charged £	Amount paid £	Payment made by	Amount unpaid £
AlixPartners Services UK 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 one administration task planning.	£13,686	£13,686	Secured Parties	-
Burges Salmon LLP	Independent review of security and validity of appointment, consideration or 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, as set out in the Proposals.

	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	185,105	855	£1.3 million
Burges Salmon	201,621	n/a	£295,516
Freshfields (inc counsel)	1,707,157	300,926	Uncertain*
US counsel	3,586	-	Uncertain*
Agent's fees:			
Property disposal and marketing	1,869,183	861,000	2,730,183
Michels & Taylor	60,750	-	70,000
Other	72,082	-	80,000
Cost cover of unsuccessful Regional Nine bidders**	-	200,000	200,000
Data room	109	-	7,500
Total	4,099,593	1,361,926	Uncertain*

*Note: the final 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.

**Note: following the completion of the Regional 9 sales process, the Administrators are committed to paying the costs of the unsuccessful bidders.

The costs of Savills and JLL are linked to the sale of the Hotels and are detailed in the property disposal line. 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

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

Policy

Detailed below is AlixPartners' 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, e.g. report compilation and distribution.

The Administrators have not utilised the services of any sub-contractors in this case.

Professional advisors

On these assignments 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)	Fee based on data usage and disbursements
PMC Treasury Limited (SWAP advice)	Fixed fee
Pegasus Capital Advisors (SWAP advice)	Fixed fee
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 e.g. 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 2019, together with the applicable rates prior to, is detailed below. Time is charged by managing directors and case staff in units of six minutes.

Description	Rates prior to 1 January 2019 £	Rates from 1 January 2019 £
Managing director	645-705	735
Director	615	640
Senior vice president	520	540
Vice president	380-465	395-485
Consultant	210-315	220-330
Treasury and support	105-250	115-260

Appendix G. Exit routes and discharge from liability

Extension

The Administrations were due to end automatically on 9 January 2019, however it was not possible to conclude all outstanding matters prior to this date. As all matters have not been concluded, the Administrators sought the approval of the Court, with the agreement 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. A court application was filed and on 12 December 2018 the Court granted the requested extensions.

Dissolution

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

The Administrators are currently of the opinion 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 the 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 cease to have effect.