

The Insolvency Act 1986

Administrator's progress report**R2.38**

Pursuant to Rule 2.38 of the Insolvency (Scotland) Rules 1986

SF 2046 Limited

Company number

SC286013

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

I / We (a) BC Nimmo and GA Friar

KPMG LLP

191 West George Street

Glasgow, G2 2LJ

administrators of the above company attach a progress report for the period

(b) Insert dates

from

(b) 23 December 2011

to

(b) 22 June 2012

Signed

G.A. 
Joint Administrator

Dated 9 July 2012

Contact Details:

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

Greg Muir

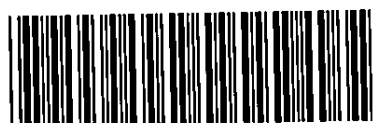
KPMG LLP, 191 West George Street,

Glasgow, G2 2LJ

Tel 0141 226 5511

DX Number DX 551820

DX Exchange



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COMPANIES HOUSE

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Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF
DX 235 Edinburgh / LP 4 Edinburgh-2

THURSDAY



SF 2046 Limited (in administration)

**Joint Administrators' progress report to
creditors pursuant to Rule 2.38 of
the Insolvency (Scotland) Rules 1986**

9 July 2012

KPMG LLP

9 July 2012

This report contains 20 Pages

AC/GM/982



SF 2046 Limited (in administration)
Joint Administrators' progress report to creditors pursuant to Rule 2.38 of
the Insolvency (Scotland) Rules 1986
KPMG LLP
9 July 2012

Notice: About this Report

This Report has been prepared by BC Nimmo and GA Friar, the Joint Administrators of SF 2046 Limited, solely to comply with their statutory duty under Rule 2.38 of the Insolvency (Scotland) Rules 1986 to provide the creditors an update on the progress of the Administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This Report has not been prepared in contemplation of it being used, and is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in SF 2046 Limited.

Any estimated outcomes for creditors included in this Report are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors.

Any person that chooses to rely on this Report for any purpose or in any context other than under Rule 2.38 of the Insolvency (Scotland) Rules 1986 does so at their own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of this Report.

BC Nimmo and GA Friar are authorised to act as insolvency practitioners by the Institute of Chartered Accountants of Scotland.

The Joint Administrators act as agents for SF 2046 Limited and contract without personal liability. The appointments of the Joint Administrators are personal to them and, to the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability to any person in respect of this Report or the conduct of the Administration.



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1 Introduction

We, Blair Carnegie Nimmo and Gerard Anthony Friar of KPMG LLP, were appointed Joint Interim Managers of SF 2046 Limited ("SF 2046" or "the Company") on 29 November 2011 and subsequently Joint Administrators on 23 December 2011.

We were appointed by the Court of Session ("the Court") following an application to the Court for the appointment of the Joint Administrators by the Bank of Scotland Plc ("the Bank").

BC Nimmo and GA Friar have also been appointed to 16 other companies within the Herd Estates group ("the Group"), details of which are set out at Appendix 2.

In accordance with paragraph 100 (2) of schedule B1 of the Insolvency Act 1986 the functions of the Joint Administrators may be exercised by either of or both the Joint Administrators.

In accordance with Rule 2.38 of the Insolvency (Scotland) Rules 1986 we set out below our first six monthly progress report.

The receipts and payments account for the period 23 December 2011 (the date of our appointment) to 22 June 2012 for the Company is attached at Appendix 3. This shows SF 2046 has funds on hand totalling £2,342,678.25. These funds are subject to the costs of the Administration process.

2 Progress to date including realisation of assets

2.1 Property

At the date of appointment of the Joint Administrators, the Company's principal asset comprised a freehold property as detailed at Figure 2 below:

Figure 2: Property assets

Company	Property
SF 2046 Limited	BP Filling Station, Glasgow Airport
<i>Source: Directors/Bank of Scotland Plc</i>	

At the date of our appointment the property was being managed by Lisney LLP ("Lisney"), an independent property management agent. Lisneys were also managing the other commercial and retail properties owned by the other 16 Group companies placed into insolvency. Given Lisney's knowledge of the daily operational issues (including collection of rent and service charges), the established systems they had in place, and

their ability to meet our operational requirements, we instructed Lisney to continue to manage these properties on our behalf.

2.1.1 Marketing and disposal of the properties

Prior to our appointment, CBRE Limited ("CBRE") had been appointed by the directors to market the Group's commercial and retail properties, including the Property owned by the Company, for sale. Following discussions with the secured lender, the Bank, we retained the services of CBRE and reactivated the sales process commenced prior to our appointment.

Following a closing date for offers, we accepted an offer for 40 of the Group's commercial and retail properties from a joint venture formed between LaSalle Holdings Limited and Flodrive Holdings Limited ("the Purchaser"). This offer extended to the property owned by the Company.

Contracts for the sale of the properties to the Purchaser were exchanged on 2 February 2012 and the sale completed on 23 March 2012. Of the total price paid, £2.3million (excluding VAT) was allocated to the Company's property. The full consideration was paid at completion.

2.1.2 Tenancy position

In the period between the date of our appointment and the sale of the properties, we ingathered £13,503.25 of rental income from the property owned by the Company.

2.2 Other assets

Following our appointment, we instructed the Company's accountants to prepare management accounts up to the date of our appointment. These accounts disclose the following other assets.

- Inter-company debtor balance of £68,469.12 due from Circe Limited ("Circe"), a company outwith the Group. We understand that Circe was dissolved on 15 June 2012, and accordingly there will be no recoveries from this source.
- At the date of our appointment there was £68,733.18 of cash being held by Lisney's in relation to pre appointment rental income. This has been ingathered.

2.3 Investigation matters

In accordance with our statutory obligations, we are required to investigate the Company's affairs prior to our appointments. We have submitted our report to the Department of Trade & Industry. The content of the report is confidential and cannot be disclosed to any third parties.



3 **Amounts payable to secured creditors, preferential creditors and the floating charge holder**

3.1 **Secured lenders**

The Bank holds a standard security over the property owned by the Company. The estimated amounts due to the Bank are set out in Figure 2 below.

Figure 2: Secured lenders' indebtedness

	£000
Amounts secured by cross guarantee	
SF 2046 Limited – direct	2,882
– via cross guarantees	70,551
	<hr/>
	73,433
	<hr/>
<i>Source: Company records and Joint Administrators' estimates</i>	

Note: In addition to the direct debt of £2.882m owed to the Bank, the Company has guaranteed the debt of a further 2 Group companies, Varren Properties Limited ("Varren") and Ashquay Properties Limited ("Ashquay"). BC Nimmo and GA Friar were appointed as Joint Administrative Receivers of Varren and Ashquay on 28 November 2011, at which point they owed £70.551m to the Bank.

It should be noted that interest and charges continue to accrue on the Bank's indebtedness until repaid in full.

3.2 **Preferential creditors**

The Company did not have any employees at the date of appointment. Accordingly, there are no preferential creditors in the Administration.

3.3 **Floating charges**

There is no floating charge/debenture over the business and assets of the Company.



4 Prescribed parts of the Companies' net property pursuant to Section 176A of the Insolvency Act 1986

The Bank does not hold a floating charge/debenture over the Company. Therefore section 176A of the Insolvency Act 1986 is not applicable and there will be no prescribed part of the Company's net property available for unsecured creditors.

The dividend prospects of the Company' is commented further in section 5 below.

5 Dividend prospects for creditors of the Company

We currently anticipate that the secured lender will receive a partial recovery under the terms of its standard security over the property of the Company.

There may be a small dividend available to the unsecured creditors of the Company. The quantum and timing of this distribution is currently uncertain.

6 Creditors' meetings

In accordance with Paragraph 52 (1) (b) of Schedule B1 to the Insolvency Act 1986, the Joint Administrators elected not to hold an initial meeting of the creditors of the Company on the basis that, at the outset of the insolvency, we did not anticipate sufficient funds would be realised to enable a distribution to be made to the Company's unsecured creditors.

I can confirm that we did not receive any requests from creditors of the Company to summon an initial meeting of creditors.

Sufficient proxy support was obtained in support of the Joint Administrators' Proposals.

7 Joint Administrators' fees

I enclose, at Appendix 3, an analysis of our time and costs properly incurred in the period from 23 December 2011 to 22 June 2012 in attending to the significant amount of work required in this case.

In relation to SF 2046 in this period, a total of 117.7 hours were spent by our firm's staff in relation to the activities listed below at a total cost of £38,703.50.



Key areas where costs have been incurred in relation to the Company are, *inter alia*, as follows:-

- meeting and liaising with the directors/accountants of the Company in order to establish the financial and operational position of the Company as at the date of our appointment, and to gather information on the Company's assets;
- discussions with Lisneys to understand the operation and management of the Group's property portfolio, and their subsequent appointment as managing agents;
- ongoing liaison and monitoring of Lisneys and of the collection of rents, insurance rents and service charge from the tenants together with the chasing of arrears;
- discussions with CBRE regarding the marketing and disposal of the Group's property portfolio, including the property owned by the Company. Following discussions with the secured lender, the appointment of CBRE, as marketing agents;
- ongoing liaison with CBRE in relation to the marketing of the property portfolio;
- review of offers received at the closing date, selection of preferred bidders and agreement of heads of terms for the sale of the properties;
- addressing property enquiries received from the preferred bidders and provision of property diligence information and documentation;
- in conjunction with our solicitors, negotiating and agreeing the legal documentation for the sale of the properties;
- ongoing liaison with the relevant councils and utility companies in respect of rates and utilities;
- liaison with the open cover insurers acting on behalf of the Joint Administrators to ensure that appropriate cover remains in place at all times;
- liaison with the Company's former accountants and solicitors to obtain all appropriate information pertaining to the Company, up to date the books and records, and to ingather all pertinent company books and records held in their possession;
- seeking advice, as appropriate, from our specialist tax and VAT advisers in relation to the financial, and ongoing operational, position of the Company;
- undertaking all statutory and administrative matters as required, including corresponding with creditors;
- corresponding with the directors and obtaining the statement of affairs of the Company as at the date of our appointment;
- confirming the validity of the Bank's securities;
- corresponding with the secured lender, the Bank;



- investigation into the affairs of the Company prior to our appointment, including consultation with the directors of the Company as appropriate;
- dealing with all relevant environmental bodies and issues, including contacting the Environment Agency, the health and safety executive and the local council;
- dealing with creditor correspondence and queries;
- undertaking all cashiering requirements including reconciling the administration bank account.

I would advise that the Joint Administrators' fees and disbursements will be subject to the appropriate approval in due course. You will note that no fee has been drawn to date.

For your information, I would advise that a creditors' guide to fees can be found at:-

http://www.r3.org.uk/media/documents/publications/professional/Guide_to_Administrators_Fees_Nov2011.pdf

However, if you are unable to access this guide and would like a copy, please contact Greg Muir, c/o KPMG LLP, 191 West George Street, Glasgow, G2 2LJ.

8 Extension of the Administration

Ordinarily, our appointment as Joint Administrators would automatically cease at the end of one year beginning with the date on which it took effect, pursuant to Paragraph 76 (1) of Schedule B1 to the Insolvency Act 1986, being 23 December 2012. Depending on whether we require an extension to the Administration period, we intend to request, at the appropriate time, that the Court grants an extension of the Administration until 23 December 2013.

If any creditor of the Company wishes to object to an application to extend the Administration until 23 December 2013, they should confirm their objection, in writing, to the Joint Administrators c/o KPMG LLP, 191 West George Street, Glasgow, G2 2LJ by no later than 31 July 2012. If we do not hear from you by this date, we will go back to the Court to advise that you have not objected to the proposed extension and ask that the Court proceeds to grant the extension of the Administration to 23 December 2013.



9 Other matters

A number of issues still require to be dealt with in the Administration. These include, *inter alia*:-

- finalising the distribution of funds to the secured lender following the disposal of the property; and
- finalising, adjudicating and distributing funds to the unsecured creditors; and
- attending to all statutory aspects of the Administration process.

We will endeavour to finalise the remaining outstanding matters in the Administration as quickly as possible.

BC Nimmo & GA Friar
KPMG
191 West George Street
Glasgow
G2 2LJ

9 July 2012



SF 2046 Limited (in administration)
Joint Administrators' progress report to creditors pursuant to Rule 2.38 of
the Insolvency (Scotland) Rules 1986
KPMG LLP
9 July 2012

Appendix 1

Statutory and other information



Appendix 1 – SF 2046 Limited

Statutory and other information

EC Regulation

This Administration is a main proceeding under the EC Regulation on Insolvency Proceedings. Article 3 of the EC Regulation defines main proceedings and the Company is registered in Scotland, has its main centre of interest in Scotland and does not fall within one of the excepted categories. Consequently, the Administration is governed by the Insolvency Act 1986 and not any other European Union Member State's insolvency law.

Relevant court

We were appointed by the Court of Session ("the Court") following an application to the Court for the appointment of the Joint Administrators by the Bank of Scotland Plc ("the Bank").

Incorporation

SF 2046 Limited was incorporated on 9 June 2005.

Extension to initial period of appointment

If we require, we will seek the consent of the Court to the extension of the Administration for a period of up to 12 months to 23 December 2013.

Registered office and trading address

SF 2046 Limited's former registered office was situated at:

24 Great King Street
Edinburgh
EH3 6QN

As part of the Administration process, the registered office of SF 2046 Limited has been changed to:

c/o KPMG LLP
191 West George Street
Glasgow
G2 2LJ



SF 2046 Limited (in administration)
Joint Administrators' progress report to creditors pursuant to Rule 2.38 of
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9 July 2012

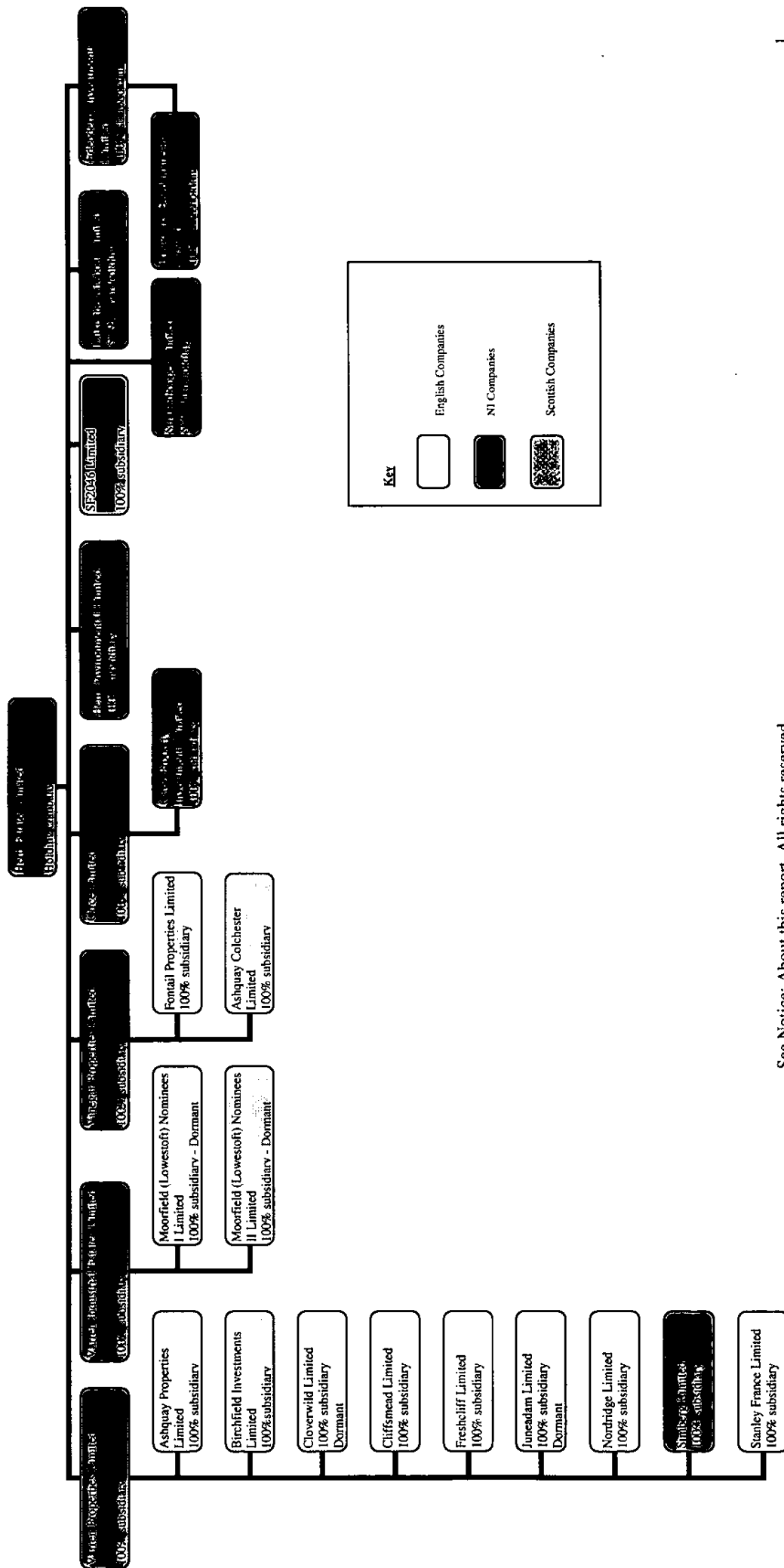
SF 2046 Limited traded from leased premises at

51 Hill Street
Belfast
County Antrim
BT1 2LB

Company number

The company number is SC286013.

Appendix 2a - Group Structure



Appendix 2b – Summary of appointments

Company name	Registered	Reg no	Insolvency mechanism	Date of appointment	Appointees
Varren Properties Limited	Northern Ireland	N1040779	Administrative receivership	28 Nov 11	BC Nimmo and GA Friar
Varren Industrial Estates Limited	Northern Ireland	N1043917	Administrative receivership	28 Nov 11	BC Nimmo and GA Friar
Vinegar Properties Limited	Northern Ireland	N1040778	Administrative receivership	28 Nov 11	BC Nimmo and GA Friar
Ashquay Properties Limited	England	03181557	Administrative receivership	28 Nov 11	BC Nimmo and GA Friar
Birchfield Investments Limited	England	03118818	Administrative receivership	28 Nov 11	BC Nimmo and GA Friar
Cloverwild Limited	England	03179529	Administrative receivership	28 Nov 11	BC Nimmo and GA Friar
Cliffsmead Limited	England	03124542	Administrative receivership	28 Nov 11	BC Nimmo and GA Friar
Freshcliff Limited	England	03298153	Administrative receivership	28 Nov 11	BC Nimmo and GA Friar
Juneadam Limited	England	03175553	Administrative receivership	28 Nov 11	BC Nimmo and GA Friar
Nordridge Limited	England	03225720	Administrative receivership	28 Nov 11	BC Nimmo and GA Friar
Stanley France Limited	England	00599354	Administrative receivership	28 Nov 11	BC Nimmo and GA Friar
Herd Environmental Limited	Northern Ireland	N1066767	Administration	28 Nov 11	BC Nimmo and GA Friar
Sarcon (No 235) Limited	Northern Ireland	N1062570	Administration	28 Nov 11	BC Nimmo and GA Friar
Fontail Properties Limited	England	03365237	Administration	28 Nov 11	BC Nimmo and GA Friar
Ashquay Colchester Limited	England	04126037	Administration	28 Nov 11	BC Nimmo and GA Friar
Herd Estates Limited	Northern Ireland	N1040442	Administration	5 Dec 11	BC Nimmo and GA Friar
Simberg Limited	Northern Ireland	N1023107	Administration	5 Dec 11	BC Nimmo and GA Friar
SF 2046 Limited	Scotland	SC286013	Administration	23 Dec 11	BC Nimmo and GA Friar

Notes:

BC Nimmo and GA Friar were previously appointed as Interim Managers of SF 2046 Limited on 29 November 2011.

Sarcon (No 235) Limited is not a subsidiary of Herd Estates Limited but has common directors with the Group companies and is included in the bank's security ring.



*Joint administrators' progress report to creditors pursuant to Rule 2.47 of
the Insolvency Rules 1986*

KPMG LLP

9 July 2012

Appendix 3

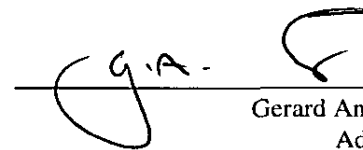
Administrators' receipts and payments accounts for the period 23 December 2011 to 22 June 2012

SF 2046 Limited
(In Administration)
Administrators' Trading Account

Statement of Affairs	From 23/12/2011 To 22/06/2012	From 23/12/2011 To 22/06/2012
POST-APPOINTMENT SALES		
Rental income	13,503.25	13,503.25
	<u>13,503.25</u>	<u>13,503.25</u>
TRADING EXPENSES		
Lisney's management fee	1,449.62	1,449.62
	<u>(1,449.62)</u>	<u>(1,449.62)</u>
TRADING SURPLUS/(DEFICIT)	<u>12,053.63</u>	<u>12,053.63</u>

SF 2046 Limited
(In Administration)
Administrators' Abstract of Receipts & Payments

Statement of Affairs	From 23/12/2011 To 22/06/2012	From 23/12/2011 To 22/06/2012
FIXED CHARGE ASSETS		
Core portfolio	<u>2,300,000.00</u>	<u>2,300,000.00</u>
	2,300,000.00	2,300,000.00
FIXED CHARGE COSTS		
Legal fees	14,369.90	14,369.90
Property agents fees	<u>18,693.50</u>	<u>18,693.50</u>
	(33,063.40)	(33,063.40)
ASSET REALISATIONS		
Cash at bank	<u>68,733.18</u>	<u>68,733.18</u>
	68,733.18	68,733.18
OTHER REALISATIONS		
Bank interest, gross	2,290.49	2,290.49
Trading Surplus/(Deficit)	<u>12,053.63</u>	<u>12,053.63</u>
	14,344.12	14,344.12
COST OF REALISATIONS		
Registers of Scotland	30.00	30.00
Legal fees	<u>10,000.00</u>	<u>10,000.00</u>
	(10,030.00)	(10,030.00)
	<u>2,339,983.90</u>	<u>2,339,983.90</u>
REPRESENTED BY		
Floating ch. VAT rec'able		8,902.60
Floating charge current		2,342,678.25
Floating ch. VAT payable		(11,596.95)
		<u>2,339,983.90</u>


 Gerard Anthony Friar
 Administrator



*Joint administrators' progress report to creditors pursuant to Rule 2.47 of
the Insolvency Rules 1986*

KPMG LLP

9 July 2012

Appendix 4

Joint Administrators' time costs for the period 23 December 2011 to 22 June 2012

SF 2046 Limited (in Administration)
SIP 9 Analysis of Administrator's Time Costs
For the Period from 23 December 2011 to 22 June 2012

Consolidated time spent by grade	Partner / Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
Charge out rate range (£)	400 - 535	290 - 425	150 - 240	95 - 110			
Administration & planning							
Cashiering							
General (Cashiering)			1.00	0.40	1.40	£284.00	£202.86
Reconciliations (& IPS accounting reviews)			7.00		7.00	£1,680.00	£240.00
General							
Fees and WIP			1.70		1.70	£297.50	£175.00
Statutory and compliance							
Appointment and related formalities		2.20	7.80		10.00	£2,124.00	£212.40
Checklist & reviews		1.90	1.30		3.20	£883.00	£275.94
Pre-appointment checks		1.10			1.10	£467.50	£425.00
Strategy documents		1.80			1.80	£765.00	£425.00
Creditors							
Creditors and claims							
General correspondence				0.60	0.60	£66.00	£110.00
Secured creditors	1.00	14.20			15.20	£6,186.00	£406.97
Statutory reports	4.00	4.70	7.00	0.50	16.20	£5,112.50	£315.59
Investigation							
Directors							
Correspondence with directors			1.70		1.70	£297.50	£175.00
D form drafting and submission	1.00	2.00	3.60		6.60	£1,780.00	£269.70
Statement of affairs			0.10		0.10	£17.50	£175.00
Investigations							
Correspondence re investigations			1.90		1.90	£332.50	£175.00
Mail redirection			1.20		1.20	£210.00	£175.00
Realisation of assets							
Asset Realisation							
Freehold property	10.50	14.80	2.60		27.90	£11,738.50	£420.73
Open cover insurance			0.40		0.40	£70.00	£175.00
Other assets	1.00				1.00	£460.00	£460.00
Trading							
Cash & profit projections & strategy		1.70	6.30		8.00	£1,760.50	£220.06
Purchases and trading costs		2.70			2.70	£1,147.50	£425.00
Sales		8.00			8.00	£3,024.00	£378.00
Total in period	17.50	55.10	43.60	1.50	117.70	£38,703.50	£328.83

All staff who have worked on this assignment, including cashiers and secretarial staff, have charged time directly to the assignment and are included in the analysis of time spent. The cost of staff employed in central administration functions is not charged directly to the assignment but is reflected in the general levels of charge out rates.