

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

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

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 June 2013

to

(b) 29 November 2013

Signed

GA
Joint Administrator

Dated

29/11/2013

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

Carleen Watt

KPMG LLP, 191 West George Street,

Glasgow, G2 2LJ

Tel 0141 226 5511

DX Number DX 551820

DX Exchange

When you have completed and signed this form please send it to the Registrar of Companies at:

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

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SF 2046 Limited
(in administration)

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

29 November 2013

KPMG LLP
29 November 2013
This report contains 13 Pages



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 2.42 of the Insolvency (Scotland) Rules 1986 to provide the creditors with 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 the Company.

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 2.42 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 the Company 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. We were subsequently appointed Joint Administrators of the Company 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").

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

In accordance with Rule 2.42 of the Insolvency (Scotland) Rules 1986 we set out below our final progress report to creditors.

The receipts and payments account for the period 23 December 2011 to 29 November 2013 for the Company is attached at Appendix 2. This shows that the Company has funds on hand totalling £63,079.61. These funds are subject to the costs of the Administration process.

2 Joint Administrators' proposals

2.1 Introduction

In accordance with Paragraph 3(b) of Schedule B1 of the Act, the primary objective of the Administration was to achieve a better result for the Company's creditors as a whole than if the Company was wound up (without first being in Administration).

The Joint Administrators' proposals to achieve this objective were as follows:

1. to continue to do all such things reasonably expedient and generally exercise all their powers as Joint Administrators as they, in their discretion, consider desirable in order to maximise realisations from the assets of the Company;
2. to seek an extension of the Administration period if deemed necessary by the Joint Administrators;
3. to raise or defend any legal actions while it remains economical to do so;
4. to continue to pursue and ingather the various debts still due to the Company;
5. to continue to realise the remaining assets of the Company;
6. to investigate and submit a claim for a refund of Corporation Tax or VAT paid by the Company;
7. to appoint and instruct agents to assist in the management, valuation and realisation of the assets;

8. that in the event that no creditors' committee is formed, the Joint Administrators' remuneration will be based upon time costs properly incurred at KPMG LLP time rates determined in accordance with Rule 2.39 of the Insolvency (Scotland) Rules 1986;
9. the Joint Administrators be authorised to draw fees on account from the assets of the Company from time to time during the period of the Administration based on time properly spent at KPMG LLP charge out rates that reflect the complexity of the assignment. Also, that the Joint Administrators be authorised to draw disbursements from time to time to include category two disbursements;
10. that the costs of KPMG LLP in respect of tax, VAT and pension advice provided to the Joint Administrators be based upon time costs at KPMG LLP rates and shall be paid out of the assets of the Company;
11. the Joint Administrators be permitted to pay any realisations to preferential and secured creditors along with any prescribed part dividends to ordinary creditors and then take the appropriate steps to dissolve the Company;
12. to settle legal and other agents' fees and disbursements properly incurred in assisting the Joint Administrators, to be paid out of the assets of the Company;
13. should the need arise, Joint Administrators be permitted to move the Company from Administration to Creditors' Voluntary Liquidation, and for the appointment of Blair Carnegie Nimmo and Gerard Anthony Friar as Joint Liquidators of the Company without further recourse to creditors. In accordance with Paragraph 83 (7) of Schedule B1 to the Insolvency Act 1986 and Rule 2.47 of the Insolvency (Scotland) Amendment Rules 2003, creditors may nominate a different person as the proposed Liquidator, provided that the nomination is made after the receipt of the Proposals and before the Proposals are approved;
14. that the Joint Administrators be discharged at the end of the Administration from liability in respect of any action of theirs as Joint Administrators pursuant to paragraph 98 (1) of schedule B1 of the Insolvency Act 1986 immediately following the registration of the notice given pursuant to paragraph 83 of schedule B1 of the Insolvency Act 1986.

2.2 Achievement of the approved proposals

We have summarised below the outcome in respect of each of the approved proposals below:

Figure 1: Status of the proposals

Proposal	Current status
1	Complete.
2	Complete.
3	Not applicable - no requirement to raise or defend any legal actions.

4	Complete.
5	Complete.
6	Complete.
7	Complete.
8	The Joint Administrators' remuneration has been based upon time costs properly incurred at KPMG LLP time rates
9	The Joint Administrators' fees of £50,000 (excluding VAT), were approved by the Bank in its capacity as secured creditor. The unsecured creditors were notified of the fees approved by the Bank, with no objections received to the remuneration set.
10	These costs have been approved and drawn as part of the fee detailed in 9.
11	£2.21 million has been distributed to the Bank in its capacity as the secured creditor. The Company had no preferential creditors.
12	Completed.
13	The Joint Administrators are to be appointed Joint Liquidators of the Company.
14	The secured creditor has approved the Joint Administrators' discharge from liability on registration of this report.

3 Actions taken during the Administration

3.1 Freehold property

At the date of appointment of the Joint Administrators, the Company's principal asset comprised a freehold property ("the Property") at Glasgow Airport.

Lisney LLP ("Lisney") were instructed to manage the Property on our behalf, until it was sold on 23 March 2012 to a joint venture formed between LaSalle Holdings Limited and Flodrive Holdings Limited ("the Purchaser"). The Purchaser paid £2.3 million (excluding VAT) for the property.

3.2 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 which has since been ingathered.

3.3 Investigation matters

We have concluded our investigations into the affairs of the Company prior to our appointment and have submitted our confidential report on the conduct of the Company's directors to the Department for Business, Innovation and Skills.

4 Cost of Realisations

4.1 Joint Administrators' fees

The time properly spent by us and our staff attending to matters in the Administration for the period from 23 December 2011 (the date of our appointment as Joint Administrators) to 29 November 2013 amounts to 178.15 hours at a total cost of £55,783.25 (excluding VAT).

The Joint Administrators' fees of £50,000 (excluding VAT) have been approved by the secured creditor and drawn from the funds on hand.

4.2 Property agents' fees

A total of £1,450 (excluding VAT) was paid to Lisneys in relation to the Property from the date of insolvency to its sale.

A total of £18,693 (excluding VAT) was paid to CBRE for assisting with the sale of the Property.

4.3 Insurance

Prior to the sale of the Property in March 2012, property insurance costs of £786 were incurred and settled.

4.4 Legal fees

Legal fees totalling £26,423 (excluding VAT) have been settled during the course of the Administration, of which £14,370 was in respect of the sale of the Property and £12,063 was in relation to statutory matters.

5 Distributions to creditors

5.1 Secured creditors

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 lender's 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 £2.882 million owed to the Bank, the Company has guaranteed the debt of a further two 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 £70.551 million to the Bank.

To date distributions in the sum of £2.21 million have been made to the Bank. Interest and charges continue to accrue on the Bank's indebtedness until repaid in full.

5.2 Preferential creditors

The Company had no preferential creditors at the date of appointment.

5.3 Floating charge creditors

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

5.4 Unsecured creditors

We are pleased to confirm that, as a consequence of the asset realisation achieved to date, there are sufficient funds to facilitate a dividend to unsecured creditors.

We are currently in the process of adjudicating creditors' claims submitted in the Administration. This task will be completed by the Joint Liquidators.

6 Creditors' Voluntary Liquidation ("CVL")

In accordance with Paragraph 76 (1) of Schedule B1 of the Insolvency Act 1986, the Administration is scheduled to automatically end on 22 June 2014.

In accordance with the Joint Administrators' Proposals dated 13 February 2012, we intend to convert the Administration to a CVL in order to facilitate a distribution to the unsecured creditors. Upon conversion to the CVL, and in accordance with the Proposals previously agreed, Blair Carnegie Nimmo and Gerard Anthony Friar will be appointed as Joint Liquidators of the Company.

The intention is to convert the Administration to a CVL with effect from the date of this report.

7 Outstanding matters to be dealt with by the Joint Liquidators

The following matters are outstanding and are to be dealt with by the Joint Liquidators of the Company.

- adjudication of unsecured creditors' claims;
- distribution of dividend payments to unsecured creditors;
- final distribution to the Bank in its capacity as the secured creditor;
- any outstanding matters relating to recovery of VAT, payment of corporation tax due, or the settlement of any other sundry costs due; and
- attending to all statutory matters.

Blair Carnegie Nimmo and Gerard Anthony Friar
KPMG
191 West George Street
Glasgow
G2 2LJ

29 November 2013



Appendix 1

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

The Administration has been extended, with the consent of the secured creditor and the Court, by a total of 18 months to 22 June 2014.

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 traded from leased premises at

51 Hill Street
Belfast
County Antrim
BT1 2LB

Company number

The company number is SC286013.

Directors

The directors at the date of our appointment were:

Richard Henry Sproule Appointed 10 March 2006

Eric Henry Sproule Appointed 10 March 2006

Share capital

The authorised issued and called up share capital of the Company is set out in Figure 1, below.

Shareholder	Class of Share	Number	Value (£)
Herd Estates Limited	Ordinary £1	2	2
<i>Source: Companies House</i>			



SF 2046 Limited (in administration)
Joint Administrators' final progress report to creditors pursuant to Rule 2.42 of
the Insolvency Rules (Scotland) 1986
KPMG LLP
29 November 2013

Appendix 2

Joint Administrators' receipts and payments accounts
For the period from 23 December 2011 to 29 November 2013

SF 2046 Limited
(In Administration)
Administrators' Trading Account

Statement of Affairs	From 23/12/2011 To 29/11/2013	From 23/12/2011 To 29/11/2013
POST-APPOINTMENT SALES		
Rental income	13,503.25	13,503.25
	<u>13,503.25</u>	<u>13,503.25</u>
OTHER DIRECT COSTS		
Sundry	420.80	420.80
	<u>(420.80)</u>	<u>(420.80)</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>11,632.83</u>	<u>11,632.83</u>

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

Statement of Affairs		From 23/12/2011 To 29/11/2013	From 23/12/2011 To 29/11/2013
	FIXED CHARGE ASSETS		
2,590,000.00	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		
	Administrators' fees	39,000.00	39,000.00
	Legal fees	14,369.90	14,369.90
	Insurance of property	786.37	786.37
	Property agents fees	<u>18,693.50</u>	<u>18,693.50</u>
		(72,849.77)	(72,849.77)
	FIXED CHARGE CREDITORS		
(2,590,000.00)	Fixed charge creditor	<u>2,210,000.00</u>	<u>2,210,000.00</u>
		(2,210,000.00)	(2,210,000.00)
	ASSET REALISATIONS		
59.00	Cash at bank	<u>68,766.71</u>	<u>68,766.71</u>
		68,766.71	68,766.71
	OTHER REALISATIONS		
	Bank interest, gross	6,361.29	6,361.29
	Trading Surplus/(Deficit)	<u>11,632.83</u>	<u>11,632.83</u>
		17,994.12	17,994.12
	COST OF REALISATIONS		
	Administrators' fees	11,000.00	11,000.00
	Registers of Scotland	30.00	30.00
	Legal fees	12,063.00	12,063.00
	Statutory advertising	76.50	76.50
	Bank charges	<u>65.00</u>	<u>65.00</u>
		(23,234.50)	(23,234.50)
	FLOATING CHARGE CREDITORS		
(65,934,974.00)	Floating charge	<u>NIL</u>	<u>NIL</u>
		NIL	NIL
	UNSECURED CREDITORS		
(728.00)	Trade & expense	NIL	NIL
(20,578.00)	Banks/Institutions	NIL	NIL
(1,024,270.00)	Connected companies	<u>NIL</u>	<u>NIL</u>
		NIL	NIL
	DISTRIBUTIONS		
(2.00)	Ordinary shareholders	<u>NIL</u>	<u>NIL</u>
		NIL	NIL
(66,980,493.00)		<u>80,676.56</u>	<u>80,676.56</u>
	REPRESENTED BY		
	Floating ch. VAT rec'able		6,000.00
	Floating charge current		63,079.61
	Floating ch. VAT control		11,596.95

80,676.56



SF 2046 Limited (in administration)
Joint Administrators' final progress report to creditors pursuant to Rule 2.42 of
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KPMG LLP
29 November 2013

Appendix 3

Final outcome statement



SF 2046 Limited (in administration)
Final outcome statement
As at 29 November 2013

	Final outcome	
	£	£
Assets subject to fixed charge		
Freehold property		2,300,000
Realisation costs		
Joint Administrators' fees	(39,000)	
Legal fees and insurance	(15,156)	
Property expenses	(18,693)	
		<u>(72,849)</u>
Amounts available to fixed charge creditor		2,227,151
Distributed to Bank of Scotland plc		(2,210,000)
Funds on hand		<u><u>17,151</u></u>
Assets not subject to securities		
Rental income		13,503
Cash at bank		68,767
Bank interest, gross		6,361
		<u>88,631</u>
Realisation costs		
Joint Administrators' fees	(11,000)	
Legal fees	(12,063)	
Property management costs	(1,870)	
Other expenses	(172)	
		<u>(25,105)</u>
Funds on hand		<u><u>63,526</u></u>
Total monies to be transferred to the Joint Liquidators:		
Subject to fixed charges		17,151
Not subject to securities		<u>63,526</u>
		<u><u>80,677</u></u>

Note:- The funds on hand are subject to the costs of the liquidation process.



SF 2046 Limited (in administration)
Joint Administrators' final progress report to creditors pursuant to Rule 2.42 of
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KPMG LLP
29 November 2013

Appendix 4

**Joint Administrators' time cost analysis for the period from 23 December
2011 to 29 November 2013**

Case name: SF 2046 Limited

Appointment date: 23/12/2011

23/12/2011 to 29/11/2013

	Partner / Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
Administration & planning							
Cashiering							
General (Cashiering)			4.20	1.50	5.70	£1,162.00	£203.86
Reconciliations (& IPS accounting reviews)			8.30		8.30	£2,004.00	£241.45
General							
Books and records			1.90		1.90	£458.50	£241.32
Fees and WIP			3.40		3.40	£857.00	£193.24
Statutory and compliance							
Appointment and related formalities		2.55	9.20		11.75	£2,801.75	£221.43
Checklist & reviews		5.60	2.40		8.00	£2,508.50	£313.56
Pre-appointment checks		1.10			1.10	£467.50	£425.00
Reports to debenture holders	1.00	6.40	0.30		7.70	£3,086.50	£400.84
Strategy documents		2.60	0.50		3.10	£1,197.50	£386.29
Tax							
Post appointment corporation tax			0.30		0.30	£79.50	£265.00
Post appointment VAT			1.00		1.00	£262.00	£262.00
Creditors							
Creditors and claims							
Agreement of unsecured claims		0.90	6.40		7.30	£1,744.00	£238.90
General correspondence		1.20	0.90	4.00	6.10	£1,117.50	£183.20
Secured creditors		7.80			7.80	£3,155.00	£404.49
Statutory reports	6.50	17.00	13.80	5.00	42.30	£13,115.50	£310.06
Investigation							
Directors							
Correspondence with directors	1.10		1.70		2.80	£919.00	£328.21
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	0.30	1.50	£244.50	£163.00
Realisation of assets							
Asset Realisation							
Freehold property	11.50	15.30	2.60		29.40	£12,411.00	£422.14
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					178.15	£55,783.25	£313.13