

The Insolvency Act 1986

Administrator's progress report

Name of Company
Sapphire (Burnley) (No 2) Nominee Limited

Company number
04208919

In the High Court of Justice
Chancery Division

[full name of court]

Court case number
6880 of 2010

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

We Malcolm Shierson, Daniel Smith and Martin Ellis
of 30 Finsbury Square, London, EC2P 2YU

administrator(s) of the above company attach a progress report for the period

(b) Insert dates

from

to

(b) 24 August 2010

(b) 23 February 2011

Signed

Joint / Administrator(s)

Dated 16 March 2011

Contact Details

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the box opposite but if you do, it will help Companies
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Companies House Crown Way, Cardiff CF14 3UZ

DX 33050 Cardiff

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COMPANIES HOUSE



Our Ref PXP/ARK/JND/MBS/M99826/PF9

TO THE CREDITORS

Recovery and Reorganisation

Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

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16 March 2011

Dear Sirs

Sapphire Retail Fund Limited (SRFL)
- In Liquidation
Sapphire (Harlow) Nominee Limited (SHNL)
Sapphire (Harlow) (No.2) Nominee Limited (SH2NL)
Sapphire (Burnley) Nominee Limited (SBNL)
Sapphire (Burnley) (No.2) Nominee Limited (SB2NL)
Sapphire (Cardiff) Nominee Limited (SCNL)
Sapphire (Cardiff) (No.2) Nominee Limited (SC2NL)
- All In Administration (The Administration Companies)
High Court of Justice, Chancery Division (6875 to 6881 of 2010)

1 Introduction

1.1 Following my appointment as Joint Administrator of the above companies with Martin Ellis and Daniel Smith by the security trustee, Bank of Scotland plc, on 24 August 2010, I now submit our six monthly report on the progress of the Administrations to date and attach

- Appendix A, Form 2.24B together with an account of our receipts and payments for the period ended 23 February 2011 in accordance with Rule 2.47
- Appendix B, a statement of the expenses incurred in the period,
- Appendix C, an analysis of our time costs as required by Statement of Insolvency Practice 9 (SIP9),
- Appendix D, an extract from the Insolvency Rules 1986 relating to creditors' rights to request additional information from the Administrators (Rule 2.48A), and
- Appendix E, an extract from the Insolvency Rules 1986 relating to creditors' rights to challenge the Joint Administrators' fees if excessive (Rule 2.109)

1.2 On 8 March 2011, we ceased to act as Joint Administrators of SRFL and this entity was placed into Creditors Voluntary Liquidation with the former administrators acting as Joint Liquidators. However, this report includes details of the activities of the Joint Administrators of this entity for the six months to 23 February 2011.

- 1 3 In accordance with paragraph 100 (2) of Schedule B1 to the Insolvency Act 1986 the functions of the Joint Administrators are to be exercised by any or all of them
- 1 4 We are authorised to act as insolvency practitioners by the Insolvency Practitioners Association. I can confirm that there have been no changes to the Joint Administrators since appointment.
- 1 5 On the same date as the appointment of myself as Joint Administrator of SRFL and the Administration Companies, I was also appointed the Joint Receiver, again with Daniel Smith and Martin Ellis, of the assets of Sapphire No 2 Limited Partnership (SN2LP), a Jersey registered entity.
- 1 6 SN2LP is the immediate holding entity of SCNL and SC2NL. The ultimate parent company of SN2LP is SRFL.
- 1 7 Whilst I do not have the same reporting requirements for SN2LP as I do for SRFL and the Administration Companies, I have included details of this appointment in this report to give the creditors the overall picture of the insolvency of the Group.

2 Statutory information

- 2 1 The statutory details of the Administration Companies are summarised below:

	SRFL	SHNL	SH2NL
Registered number	04300462	04126028	04222547
Date of incorporation	08/10/2001	15/12/2000	23/05/2001
Registered office	30 Finsbury Square London EC2P 2YU	30 Finsbury Square London EC2P 2YU	30 Finsbury Square London EC2P 2YU
Authorised share capital	500 000 ordinary shares of £1	1 ordinary shares of £1	1 ordinary shares of £1
Issued share capital	500,000 ordinary shares of £1	1 ordinary shares of £1	1 ordinary shares of £1
Secretary at date of appointment & shareholdings	E L Services Limited (Nil)	E L Services Limited (Nil)	E L Services Limited (Nil)
Directors at date of appointment & shareholdings	Stephane A J Nahum (Nil) Malcolm R Turner (Nil) Alistair J N Hewitt (Nil) Patrick C O'Driscoll (Nil)	Stephane A J Nahum (Nil) Malcolm R Turner (Nil)	Stephane A J Nahum (Nil) Malcolm R Turner (Nil)
	SBNL	SB2NL	SCNL
Registered number	04139738	04208919	04126131
Date of incorporation	11/01/2001	01/05/2001	15/12/2000
Registered office	30 Finsbury Square London EC2P 2YU	30 Finsbury Square London EC2P 2YU	30 Finsbury Square London EC2P 2YU
Authorised share capital	1 ordinary shares of £1	1 ordinary shares of £1	1 ordinary shares of £1
Issued share capital	1 ordinary shares of £1	1 ordinary shares of £1	1 ordinary shares of £1
Secretary at date of appointment & shareholdings	E L Services Limited (Nil)	E L Services Limited (Nil)	E L Services Limited (Nil)
Directors at date of appointment & shareholdings	Stephane A J Nahum (Nil) Malcolm R Turner (Nil)	Stephane A J Nahum (Nil) Malcolm R Turner (Nil)	Stephane A J Nahum (Nil) Malcolm R Turner (Nil)
	SC2NL		
Registered number	04208925		
Date of incorporation	01/05/2001		
Registered office	30 Finsbury Square London EC2P 2YU		
Authorised share capital	1 ordinary shares of £1		
Issued share capital	1 ordinary shares of £1		
Secretary at date of appointment & shareholdings	E L Services Limited (Nil)		
Directors at date of appointment & shareholdings	Stephane A J Nahum (Nil) Malcolm R Turner (Nil)		

3 Progress Report

- 3 1 As detailed in my report dated 19 October 2010, the Group owned three shopping centres (the Assets) at the date of my appointment as follows
- Harvey Centre in Harlow
 - Charter Walk Centre in Burnley
 - Queen's Arcade in Cardiff
- 3 2 As set out previously, the beneficial and legal title of each Asset was split across a number of Group entities. To facilitate the sale of the portfolio, the beneficial and legal title of the Burnley and Harlow properties have been recombined in SBNL and SHNL respectively. The consideration for the transfer of the beneficial interests from SRFL was satisfied by the assignment of the relevant proportion of the senior debt from SRFL to the appropriate nominee company.
- 3 3 On my appointment, I appointed London & Associated Properties plc to be the Asset Manager for the Joint Administrators whilst GCW Chartered Surveyors were appointed as national letting agents for the Assets.
- 3 4 As detailed in my report dated 19 October 2010, Franc-Warwick were instructed to act as selling agents for the Assets. During October and November 2010 they undertook a concentrated marketing campaign. This resulted in a number of offers being received for the Assets.
- 3 5 On 9 December 2010, I accepted an offer for all three Assets from European Property Investors Special Opportunities L P (EPISO) a property fund co-advised by AEW Europe and Tristan Capital Partners (the Purchaser). Contracts were subsequently exchanged on 22 December 2010 for the sale of each of the Assets. The initial combined price for the three Assets was £145 million.
- 3 6 Subsequent to the exchange of contracts detailed above, I have been in discussions with the Purchaser in respect of rescinding the property sale contracts for Burnley and Harlow signed on 22 December 2010 and replacing them with contracts for the Purchaser to buy the corporate entities which own these properties (being SBNL and SHNL). These discussions have recently been successfully concluded.
- 3 7 I now anticipate completing on the sale of SBNL and SHNL to entities owned by the Purchaser on 22 March 2011, as indicated above, these entities own the centres at Burnley and Harlow. On the same date, I expect that the transfer of the Cardiff centre to another of the Purchaser's entities will also be concluded.
- 3 8 As part of the completion process, certain elements of the sales consideration are to be placed in Escrow and will only be released for the benefit of the Administrations under certain circumstances.
- 3 9 The final level of consideration will depend on the quantum of monies released from Escrow. On an upper case basis, the final realisation for the properties will be c £148.9 million, on a worst case scenario this will fall to c £144.6 million.

- 3 10 Aside from the properties, the principal remaining asset to realise is the VAT bad debt relief claim that can be made which we estimate will total c £400,000

4 Exit routes from the Administrations

- 4 1 In terms of exit routes from the Administrations, these will vary for the various entities within the Group
- 4 2 For SRFL, this entity was placed into liquidation on 8 March 2011 in order that the monies available under the Prescribed Part can be distributed to the creditors (see Section 5 4) The Joint Administrators have been appointed as Joint Liquidators Under legislation, I am required to send the creditors a further report covering the period from 24 February 2011 to the date of the liquidation, this report will be sent to creditors under separate cover shortly following this report but will contain little in the way of new information not included in this report
- 4 3 For SBNL and SHNL, the Joint Administrators will resign immediately before the sale is completed of these entities to the Purchaser A final report for these entities for the period from 24 February to the date of resignation will be filed in Court along with the resignation documents and will also be circulated to creditors As with the SRFL report, this further report will contain little in the way of new information not detailed in this report
- 4 4 In respect of the remaining entities, being SBN2L, SHN2L, SCNL and SCN2L, the Joint Administrators will either resign their positions or allow the Administrations to automatically cease on 23 August 2011 In either of these situations, it is likely that the companies will end up being dissolved
- 4 5 The above exit routes were all envisaged in our statement of proposals dated 19 October 2010 which were approved by the creditors

5 Outcome for creditors

- 5 1 As anticipated, the Secured Lenders will suffer a shortfall in their lending
- 5 2 None of the companies in the Group had any preferential creditors at the date of appointment
- 5 3 To the best of my knowledge, the only entity over which I have been appointed as Joint Administrator which had unsecured creditors at the date of my appointment was SRFL
- 5 4 An amount of £600,000 (the maximum possible) is available for distribution to the unsecured creditors of SRFL under the Prescribed Part In my final report for the SRFL administration, I will include further details of the steps that creditors need to take to ensure that their claims are registered in order to participate in the distribution from the Prescribed Part

6 Administrators' Remuneration and Expenses

- 6 1 In accordance with Paragraph 2 of Rule 2 106 of the Insolvency Act 1986, the Joint Administrators have agreed with the Secured Creditors that their remuneration be calculated according to the time costs properly incurred by the Joint Administrators and their staff in attending to matters arising in the administration
- 6 2 The time costs for this administration for the period from 24 August 2010 to 23 February 2011 are £726,802 as detailed in the SIP9 table detailed at Appendix C To date, fees of £126,646 have been drawn as detailed by the receipts and payments account in Appendix A
- 6 3 Expenses of £5,383 have been incurred in the period, details of these are included in Appendix C

7 Other expenses incurred by the Joint Administrators

- 7 1 As detailed in our statement of proposals and this report, a number of external agents and suppliers have been instructed to provide certain services on behalf of the Joint Administrators
- 7 2 The costs paid to date in respect of these parties is included in the receipts and payments accounts included at Appendix A
- 7 3 In terms of costs accrued but not paid, these are summarised in Appendix B to this report

8 Concluding comments

- 8 1 As indicated above, this report will shortly be followed by a final report for SRFL now that this entity is in liquidation This report will substantively contain the same information contained in this report
- 8 2 For SBNL and SHNL, I will file a final report with Court when the Joint Administrators resign from these entities later this month These reports will only be circulated to the Secured Lenders to the Group who are the only creditors of these entities as far as I am aware

8 3 Should you have any queries in respect of the above, please contact Jon Deverick on 0207 728 2499

Yours faithfully
for and on behalf of
Sapphire Retail Fund Limited
Sapphire (Harlow) Nominee Limited
Sapphire (Harlow) (No 2) Nominee Limited
Sapphire (Burnley) Nominee Limited
Sapphire (Burnley) (No 2) Nominee Limited
Sapphire (Cardiff) Nominee Limited
Sapphire (Cardiff) (No 2) Nominee Limited



Malcolm Shierson
Joint Liquidator of SRFL
Joint Administrator of the Administration Companies

The affairs, business and property of Sapphire Retail Fund Limited to 8 March 2011 & certain of its Subsidiaries to date are being managed by Malcolm Shierson, Daniel Smith, and Martin Elks, appointed as Joint Administrators on 24 August 2010

Sapphire Retail Fund Limited & certain of its Subsidiaries
Form 2.24B

Rule 2.47

Form 2.24B(CH)

The Insolvency Act 1986

Administrator's progress report

Name of Company Sapphire Retail Fund Limited	Company number 04300462
In the High Court Of Justice, Chancery Division <small>(full name of court)</small>	Court case number 6875 of 2010

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

We (a) Malcolm Sherson, Daniel Smith and Martin Ellis
of 30 Finsbury Square, London, EC2P 2YU

administrator(s) of the above company attach a progress report for the period

(b) Insert dates

from

to

(b) 24 August 2010

(b) 23 February 2011

Signed



Joint / Administrator(s)

Dated

Contact Details

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Companies House receipt date barcode

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Companies House Crown Way Cardiff, CF14 3UZ DX 33050 Cardiff

Sapphire Retail Fund Limited & certain of its Subsidiaries

Joint Administrators' Receipts and Payments As at 23 February 2011

	Statement of Affairs £	24-Aug-10 to 23-Feb-11 £
Receipts		
Freehold and leasehold property	125,000,000	-
Rent	-	7,349,624
Rent Deposits	-	29,005
Book Debts	112,000	461,224
Cash in hand	767,000	99,406
Prepayments and accrued income	215,000	-
Misc Refunds	-	7,877
Bank interest	-	3,719
VAT bad debt relief claim	-	-
VAT	-	1,077,522
	126,094,000	9,028,378
Trading Payments		
Service Charge payments and deficit funding		1,008,501
Landlords Expenditure		153,961
Business Rates		209,015
Rent		168,874
Capital Expenditure		422,435
Capital Contributions		295,000
Costs and Expenses of Realisation		
Administrators fees		126,646
Agents Fees		394,190
Legal fees		384,881
Professional fees		176,737
Other administration fees & costs		4,854
Other		
Chargeholder		4,100,000
Monies held by agent		433,114
VAT		329,973
VAT payments to HMRC		380,118
		8,588,297
Balance in hand		440,081

Note:

The above is a consolidated receipts and payments account for all of the Administrations and the LPA receivership appointment in respect of the assets of SN2LP

Sapphire Retail Fund Limited & certain of its Subsidiaries

Joint Administrators' Statement of Remuneration/Expenses

For period 24 August 2010 to 23 February 2011

Account	Incurred In Period £	Paid In Period For Last Period £	Accrued For Period £	Total In Period £
Trading Payments				
Service Charge payments and deficit funding	1,008,501	-	-	1,008,501
Landlords Expenditure	153,961	-	-	153,961
Business Rates	209,015	-	-	209,015
Rent	168,874	-	-	168,874
Insurance	-	-	51,732	51,732
Capital Expenditure	422,435	-	290,000	712,435
Capital Contributions	295,000	-	-	295,000
Costs and Expenses of Realisation				
Administrators fees	126,646	-	600,156	726,802
Agents Fees	394,190	-	45,000	439,190
Legal fees	384,881	-	356,912	741,793
Professional fees	176,737	-	-	176,737
Other administration fees & costs	4,854	-	-	4,854
	3,345,092	-	1,343,800	4,688,892

Accrued For Period

Supplier	Category	Description	
Jardine Lloyd Thompson	Insurance	For period from 1 Jan 11	51,732
Vector Build	Capital Expenditure	Building work - Burnley	250,000
Sundry	Capital Expenditure	Costs re building work - Burnley	40,000
Grant Thornton	Administrator Fees	Administrator Fees	600,156
London and Associated Properties	Agents Fees	Asset Management Fees	3,000
Gooch Cunliffe Whaite	Agents Fees	Letting Fees	42,000
Olswang	Legal Fees	Estate sale fees	350,000
Olswang	Legal Fees	Lettings and lease renewals	926
Taylor Wessing	Legal Fees	Estate Management issues	5,986
Total			1,343,800

Note.

The above is a consolidated statement for all of the Administrations and the LPA receivership appointment in respect of the assets of SN2LP

Sapphire Retail Fund Limited & certain of its Subsidiaries

SIP 9 work in progress analysis for the period to 23 February 2010

	Partner		Associate Director		Executive		Administrator		Total	
	Hrs	£	Hrs	£	Hrs	£	Hrs	£	Hrs	£
		Ave (£)		Ave (£)		Ave (£)		Ave (£)		Ave (£)
Administration and Planning	28	14,980	230	97,400	27	7,155	38	2,432	323	121,967
Creditors	55	29,425	128	51,964	16	4,160	16	1,836	215	87,385
Hiatus period	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a
Investigations	200	113,454	31	12,555	2	390	14	938	247	127,337
Realisation of Assets	143	77,953	542	222,575	7	1,858	4	337	686	302,723
Trading	41	21,935	116	46,859	60	16,517	24	2,079	241	87,390
Total	467	257,747	1,047	431,352	112	30,080	96	7,622	1,722	726,802
										(126,646)
										600,156
										80% of costs for quarter to 31 Dec 2010

Administration & Planning

Includes, case planning, statutory returns, maintenance of bank accounts and estate records, matters relating to tax, general correspondence, legal advice, meetings

Creditors

Includes, correspondence with secured and unsecured creditors

Investigations

Includes, dealing with investigations and reports on directors

Realisation of Assets

Includes, dealing with sale of the business and the assets of the Company, dealing with Solicitors

Trading

Includes, corresponding with managing agents, utility suppliers and tenants

Sapphire Retail Fund Limited & certain of its Subsidiaries

Basis of Administrator's remuneration

Introduction

The following information is provided in connection with the Joint Administrators' remuneration and disbursements in accordance with SIP 9

An overview of the case

Please refer to the main body of the report.

Explanation of Grant Thornton UK LLP charging and disbursement recovery policies

Time costs

All partners and staff are charged out at hourly rates appropriate to their grade. Support staff (i.e. secretaries, cashiers and filing clerks) are charged to the case for the time they work on it.

Category 1 disbursements

Out of pocket expenses are charged at cost. Mileage is charged at standard rates which comply with HM Revenue and Customs limits or AA recommended rates.

Narrative description of work carried out

Please refer to the main body of the report.

Category 1 disbursements

Category 1 disbursements for the period to 23 February 2010	£
Bonding	1,815.99
Travel	2,712.00
Mail redirection	623.92
Mileage	189.00
Other	41.44
Total	5,383.23

Supporting documentation

The following documentation is attached as required by SIP 9

- a schedule of charge-out rates which have applied during the reporting period at Appendix F

Sapphire Retail Fund Limited & certain of its Subsidiaries
GRANT THORNTON CHARGE OUT RATES

From 24 August 2010 to 23 February 2011

Grade	Maximum Hourly Rate
Recovery Partner	535
Tax Partner	625
Director	440
Tax Director	550
Associate Director	405
Tax Associate Director	550
Manager	340
Assistant Manager	285
Senior 2	260
Senior 1	240
Administrator 2	195
Administrator 1	145
Secretary	135
Filing Clerk	135
Treasury	155

Sapphire Retail Fund Limited & certain of its Subsidiaries

An extract from the Insolvency Rules 1986 relating to creditors' rights to request additional information from the Administrators

Rule 2 48A

If (a) within 21 days of receipt of a progress report under Rule 2 47—

- (i) a secured creditor, or
- (ii) an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors (including the creditor in question), or

(b) with the permission of the court upon an application made within that period of 21 days, any unsecured creditor,

makes a request in writing to the administrator for further information about remuneration or expenses (other than pre-administration costs) set out in a statement required by Rule 2 47(1)(db) or (dc), the administrator must, within 14 days of receipt of the request, comply with paragraph (2)

- (2) The administrator complies with this paragraph by either (a) providing all of the information asked for, or (b) so far as the administrator considers that (i) the time or cost of preparation of the information would be excessive, or

- (ii) disclosure of the information would be prejudicial to the conduct of the administration or might reasonably be expected to lead to violence against any person, or
- (iii) the administrator is subject to an obligation of confidentiality in respect of the information, giving reasons for not providing all of the information

- (3) Any creditor, who need not be the same as the creditor who requested further information under paragraph (1), may apply to the court within 21 days of—

- (a) the giving by the administrator of reasons for not providing all of the information asked for, or
 - (b) the expiry of the 14 days provided for in paragraph (1),
- And the court may make such order as it thinks just

- (4) Without prejudice to the generality of paragraph (3), the order of the court under that paragraph may extend the period of 8 weeks provided for in Rule 2 109(1B) by such further period as the court thinks just”

Sapphire Retail Fund Limited & certain of its Subsidiaries

An extract from the Insolvency Rules 1986 relating to creditors' rights to challenge the Joint Administrators' fees if excessive

Rule 2 109

- (1) Any secured creditor, or any unsecured creditor with either the concurrence of at least 10% in value of the unsecured creditors (including that creditor) or the permission of the court, may apply to the court for one or more of the orders in paragraph (4)
- (1A) Application may be made on the grounds that—
 - (a) the remuneration charged by the administrator,
 - (b) the basis fixed for the administrator's remuneration under Rule 2 106, or
 - (c) expenses incurred by the administrator,
 is or are, in all the circumstances, excessive or, in the case of an application under sub-paragraph (b), inappropriate
- (1B) The application must, subject to any order of the court under Rule 2 48A(4), be made no later than 8 weeks after receipt by the applicant of the progress report which first reports the charging of the remuneration or the incurring of the expenses in question ("the relevant report")
- (2) The court may, if it thinks that no cause is shown for a reduction, dismiss it without a hearing but it shall not do so without giving the applicant at least 5 business days' notice, upon receipt of which the applicant may require the court to list the application for a without notice hearing. If the application is not dismissed, the court shall fix a venue for it to be heard, and give notice to the applicant accordingly
- (3) The applicant shall, at least 14 days before the hearing, send to the administrator a notice stating the venue and accompanied by a copy of the application, and of any evidence which the applicant intends to adduce in support of it
- (4) If the court considers the application to be well-founded, it must make one or more of the following orders—
 - (a) an order reducing the amount of remuneration which the administrator was entitled to charge,
 - (b) an order fixing the basis of remuneration at a reduced rate or amount,
 - (c) an order changing the basis of remuneration,
 - (d) an order that some or all of the remuneration or expenses in question be treated as not being expenses of the administration,
 - (e) an order that the administrator or the administrator's personal representative pay to the company the amount of the excess of remuneration or expenses or such part of the excess as the court may specify,
 and may make any other order that it thinks just, but an order under sub-paragraph (b) or (c) may be made only in respect of periods after the period covered by the relevant report
- (5) Unless the court orders otherwise, the costs of the application shall be paid by the applicant, and are not payable as an expense of the administration