

AM10

Notice of administrator's progress report



Companies House

For further information, please
refer to our guidance at
www.gov.uk/companieshouse

| | | |
|----------------------|----------------------------|--|
| 1 | Company details | |
| Company number | 0 8 9 9 6 7 5 3 | → Filling in this form Please complete in typescript or in bold black capitals. |
| Company name in full | DeTrafford Sky Gardens Ltd | |

| | | |
|------------------|-----------------------------|--|
| 2 | Administrator's name | |
| Full forename(s) | Kerry | |
| Surname | Bailey | |

| | | |
|----------------------|--------------------------------|--|
| 3 | Administrator's address | |
| Building name/number | 3 Hardman Street | |
| Street | Spinningfields | |
| | | |
| Post town | Manchester | |
| County/Region | | |
| Postcode | M 3 3 A T | |
| Country | | |

| | | |
|------------------|--|---|
| 4 | Administrator's name ^① | |
| Full forename(s) | Lee | ① Other administrator Use this section to tell us about another administrator. |
| Surname | Causer | |

| | | |
|----------------------|---|---|
| 5 | Administrator's address ^② | |
| Building name/number | Two Snowhill | ② Other administrator Use this section to tell us about another administrator. |
| Street | | |
| | | |
| Post town | Snow Hill Queensway | |
| County/Region | Birmingham | |
| Postcode | B 4 6 G A | |
| Country | | |

AM10

Notice of administrator's progress report

6 Period of progress report

| | | | | | | | | |
|-----------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| From date | ^d 2 | ^d 7 | ^m 0 | ^m 1 | ^y 2 | ^y 0 | ^y 2 | ^y 3 |
| To date | ^d 2 | ^d 6 | ^m 0 | ^m 7 | ^y 2 | ^y 0 | ^y 2 | ^y 3 |

7 Progress report

☒ I attach a copy of the progress report

8 Sign and date

Administrator's
signature

Signature

X



X

| | | | | | | | | |
|----------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Signature date | ^d 2 | ^d 1 | ^m 0 | ^m 8 | ^y 2 | ^y 0 | ^y 2 | ^y 3 |
|----------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|

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 **Kerry Bailey**

Company name **BDO LLP**

Address **5 Temple Square**

Temple Street

Post town **Liverpool**

County/Region

Postcode **L 2 5 R H**

Country

DX

Telephone **+44 (0) 1512 374 500**



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

DeTrafford Sky Gardens Ltd
(In Administration)
Joint Administrators' Summary of Receipts & Payments

| Statement of Affairs £ | From 27/01/2023 To 26/07/2023 £ | From 27/01/2023 To 26/07/2023 £ |
|----------------------------------|---------------------------------------|---------------------------------------|
| FIXED CHARGE ASSETS | | |
| Commercial Rental Income | 27,676.92 | 27,676.92 |
| Commercial Insurance Income | 614.88 | 614.88 |
| Commercial Service Charge Income | 1,333.33 | 1,333.33 |
| | <u>29,625.13</u> | <u>29,625.13</u> |
| FIXED CHARGE COSTS | | |
| Legal Fees & Expenses | 1,500.00 | 1,500.00 |
| Legal disbursements | 6,400.00 | 6,400.00 |
| | <u>(7,900.00)</u> | <u>(7,900.00)</u> |
| ASSET REALISATIONS | | |
| Cash at Bank | 6,992.45 | 6,992.45 |
| Residential Rental Income | 46,818.28 | 46,818.28 |
| Interest Gross | 64.88 | 64.88 |
| | <u>53,875.61</u> | <u>53,875.61</u> |
| COST OF REALISATIONS | | |
| Rent due to apartment owner | 33,447.28 | 33,447.28 |
| NPP Management Fee - Rent | 2,539.09 | 2,539.09 |
| Agents' Fees & Expenses | 162.33 | 162.33 |
| Bank Charges | 15.00 | 15.00 |
| | <u>(36,163.70)</u> | <u>(36,163.70)</u> |
| | <u><u>39,437.04</u></u> | <u><u>39,437.04</u></u> |
| REPRESENTED BY | | |
| Input VAT | | 540.29 |
| Fixed Current Account | | 25,606.20 |
| Floating Current Account | | 22,932.54 |
| Trade Creditors | | (5,800.28) |
| Output VAT | | (3,841.71) |
| | | <u><u>39,437.04</u></u> |



DeTrafford Sky Gardens Ltd In Administration

Joint Administrators' progress report from
27 January 2023 to 26 July 2023

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GLOSSARY OF TERMS

| Abbreviation or term | Meaning |
|--------------------------------|---|
| 'Act' | Insolvency Act 1986 |
| 'AST' | Assured Shorthold Tenancy |
| 'CBRE' | CBRE Loan Services Limited |
| 'CLT' | Common Law Tenancy |
| 'Daiwa' | Daiwa Capital Markets Europe Limited |
| 'Freeths' | Freeths LLP |
| 'HMRC' | HM Revenue & Customs |
| 'HMLR' | His Majesty's Land Registry |
| 'Joint Administrators' or 'we' | Kerry Bailey and Lee Causer |
| LTA 1987 | Landlord and Tenant Act 1987 |
| 'Maslow' | Maslow 2 Limited |
| 'MCC' | Manchester City Council |
| 'net property' | Floating charge realisations after costs and payment of preferential and secondary preferential creditors in full |
| 'NPP' | NPP Residential Limited |
| 'Period' | 27 January 2023 to 26 July 2023 |
| 'preferential creditors' | Claims for unpaid wages earned in the four months prior to Administration up to £800, holiday pay and unpaid pension contributions in certain circumstances. Where a decision is being sought from preferential creditors these will include secondary preferential creditors |
| 'Prescribed Part' | Where a company has granted a floating charge after 15 September 2003, under Section 176A of the Act a proportion of the net property available to a QFCH is set aside for the unsecured creditors of that company |
| 'Proposals' | The Joint Administrators' statement of proposals for achieving the purpose of the Administration |
| 'QFCH' | Qualifying Floating Charge Holder |
| 'Roger Hannah' | Roger Hannah Limited |
| 'RMG' | Residential Management Group Limited |
| 'Rules' | Insolvency (England and Wales) Rules 2016 |

| | |
|---|--|
| 'Sch.B1 to the Act' | Schedule B1 to the Act |
| 'secondary preferential creditors' | Where a company enters into Administration on or after 1 December 2020, claims for unpaid VAT, PAYE deductions, Employee National Insurance Contributions (NICs) deductions, student loan repayment deductions and amounts withheld under the construction industry scheme |
| 'secured creditors' | Creditors whose debt is secured, in accordance with Section 248 of the Act |
| 'Singleton' | Singleton Clamp & Partners Limited |
| 'the Company' | DeTrafford Sky Gardens Ltd |
| 'the Report' | Prepared in accordance with Rules 18.3 and 18.6 of the Rules |
| 'Tesco' | Tesco plc |
| 'unsecured creditors' | Creditors who are neither secured nor preferential |

KEY INFORMATION

Background

Kerry Bailey and Lee Causer were appointed Joint Administrators of the Company on 27 January 2023.

The affairs, business and property of the Company are being managed by the Joint Administrators, who act as agents of the Company and without personal liability.

Purpose of the Report

This is the six-month Report for the period from 27 January 2023 to 26 July 2023.

The main purpose of the Report is to provide you with an update on the progress of the Administration during the Period and on the pursuit of the statutory purpose of the Administration.

The Report can be reviewed in conjunction with all other reports regarding this Administration, on the brportal.bdo.co.uk portal.

Return to creditors

The table below summarises the anticipated outcome for creditors, based on our current understanding of the case. Please note these figures may be subject to change.

| Class of creditor | Current estimate | Previous estimate |
|--|------------------|-------------------|
| Secured creditors | | |
| CBRE (Daiwa) ¹ | £8.0m | £8.5m |
| Unilateral Notice Holders ² | Uncertain | Nil |
| Maslow ³ | Nil | Nil |
| Unsecured creditors ⁴ | Nil | Nil |

1. The estimated return to CBRE (Daiwa) has reduced from the previous estimate provided in the Proposals, as the previous estimate was provided before costs. The current estimate is based on the information currently available and is subject to change.
2. The estimated return to the Unilateral Notice Holders is currently uncertain. Unilateral Notice Holders are requested to submit any paperwork they hold to assist in investigating matters. Legal advice is being obtained in relation to the security position of these creditors.
3. It is not anticipated that Maslow will receive a return on its lending.
4. Based on current information, it is anticipated that there will be insufficient funds available to enable a distribution to unsecured creditors.

What creditors need to do

The purpose of the Report is to provide you with an update only. The creditors of the Company do not need to take any actions at this time.

Creditors' rights

An overview of the rights of creditors are detailed in Appendix B.

Contact details

Contact: Alex Convery
Business Restructuring, BDO LLP, 5 Temple Square, Temple Street, Liverpool, L2 5RH
Tel: +44 (0)744 2798412
Email: BRCMTNorthandScotland@bdo.co.uk
Reference: 00423581

PROGRESS IN THE PERIOD

Asset realisations

The receipts and payments account attached at Appendix C details the asset realisations during the Period. These are discussed in further detail below.

Fixed Charged Assets

The Company was a special purpose vehicle created for the development of a residential apartment block overlooking Chester Road, Castlefield on the edge of Manchester city centre, known as Sky Gardens. The development comprises of 166 residential units, two commercial units on the ground floor and basement car parking.

At the date of the Joint Administrators' appointment, the Company's assets consisted of 36 unsold residential units, 17 car parking spaces, two commercial units and the interest in the ground rents of the development.

Following the Joint Administrators' appointment, Roger Hannah was instructed as property agent to provide strategic advice and realise the property assets.

Residential units and car parking spaces

The 36 units consist of one and two-bedroom apartments, with square footage varying from 351 to 1,084 per unit, averaging 595 square foot across the remaining portfolio. Roger Hannah has advised that the configuration and internal finish of some units is poor, and extensive rectification works may be required. Some two-bedroom units may need to be reconfigured into one-bedroom units.

On appointment, 15 residential units were encumbered by unilateral notices registered against the title. In addition, of the remaining 21 apartments, several units were subject to exchanged contracts with deposits paid by investors to the Company prior to the Administration.

Following the recommendation of Roger Hannah, the 36 residential units and 17 car parking spaces were marketed as a portfolio requesting offers in the region of £6 million.

Several offers were received and an offer for the portfolio has been accepted. The offer is subject to certain conditions. Legal advice is being obtained in relation to the unilateral notice and security position in respect of the residential units, this is required prior to completion of a sale. All unilateral notice holders are requested to submit any supporting documentation to assist with resolving outstanding queries.

Certain purchasers who are party to contracts that exchanged prior to the Administration have also expressed interest in completing the purchase of units. These offers are being reviewed on an individual basis and legal advice is being sought.

Further details of the accepted offers have not been provided to avoid prejudicing the sales. An update will be provided in the next report if appropriate and it will not be prejudicial.

Common Law Tenancy Agreements

Prior to the Administration, NPP was instructed by the Company as letting agent. RMG was instructed as property management agent dealing with the management of the development, tenant and owner queries in respect of the individual units and the collection of service charges. The Joint Administrators have retained the services of NPP and RMG in the Administration.

Prior to the appointment, in some instances, the Company offered a guaranteed return of rent in respect of the residential units as a sales incentive. This involved:

- Upon purchase of a unit, the unit owner would immediately grant a two-year CLT to the Company.
 - The CLT would provide for the unit owner to be the landlord and the Company to be the tenant.
-

- The unit owner would receive a guaranteed rent under the CLT agreement owed from the tenant (i.e. the Company under the terms of the CLT); therefore, creating a liability owed to the unit owner by the Company.
- Under the terms of the CLT, the Company would be entitled to grant an AST to a tenant.
- Under the terms of the AST, the tenant would pay rent to the Company, acting as landlord.

On appointment, there were 27 units where the owner had been guaranteed a rental income by the Company. The position as regards these units can be summarised as follows:

- 14 units named the Company in both the AST and CLT.
- 4 units are not occupied and therefore there is no rental income.
- 1 unit where the tenancy commenced post Administration; however, the Company is not a party to the tenancy arrangement.
- 7 units where a different DeTrafford entity is recorded in the AST.
- 1 unit where documentation has not been provided to confirm the position.

During the Period, of the 14 units where the Company is named in both the CLT and AST, 11 CLTs have ended. Following the receipt of legal advice, the Company is in discussions on the three remaining CLTs.

As noted above, there are seven units where a different DeTrafford entity (not the Company) is recorded in the AST. As such, legal advice has confirmed that where the Company is not recorded on the AST, it does not have an entitlement to receive rent due from the tenant.

Residential rental income

NPP has continued to collect rent from the tenants who occupy the units where a CLT and AST are in the name of the Company. During the Period, rental income totalling £46,818 has been collected and remitted to the Company by NPP.

As per the terms of the CLTs, rent totalling £33,447 has been remitted to the unit owners during the Period. Collections in relation to the three remaining units remain ongoing until the CLTs are ended.

Commercial units

The Sky Gardens development includes two ground floor commercial units, which are currently tenanted to a pizzeria and Tesco. The terms of the leases were agreed prior to the Administration.

Pizzeria commercial unit

The Company granted and executed a 10-year lease to a pizzeria, commencing on 20 October 2022 with annual rent payable of £75,000 plus VAT. The pizzeria had negotiated with the Company for the rent commencement date to be delayed until 1 April 2023. To date, the tenant has paid rent, service charge and insurance contributions totalling £29,625.

Rent, service charges and insurance contributions will continue to be collected until the unit is sold.

The tenant is currently undertaking works at the unit prior to commencing trade, which is expected to be in September 2023. Roger Hannah has recommended that the unit is marketed once the works are complete and trading commences.

A further update will be provided in the next report.

Tesco commercial unit

The Company granted a 15-year term lease to Tesco, commencing on 28 November 2022, with annual rent payable of £100,000 plus VAT, subject to an 18-month rent free period.

Although the lease terms and agreement for lease had been agreed prior to the appointment, the lease has not yet been executed. Prior to completion of the lease, Tesco requested formal letters of consent to the execution of the lease from the secured creditors, CBRE (Daiwa) and Maslow. The lease is expected to be executed shortly.

Tesco commercial unit - Marketing

The unit has been marketed for sale by Roger Hannah, requesting offers in the region of £1.6 million. Several offers were received and a cash offer has been accepted.

Prior to exchanging contracts with the purchaser, as required by Part 1 of the LTA 1987, notices pursuant to Section 5 and 5A of the LTA 1987 are required to be served on individual unit owners, with a minimum notice period of two months. The notices were served on the unit owners on 14 July 2023 and the deadline for a response is 18 September 2023. On expiry of the deadline and if no responses are received, contracts with the purchaser will be exchanged.

The quantum of the accepted offer has not been provided to avoid prejudicing the sale, further details will be provided in the next report.

Ground rent

The Company has the benefit of a long leasehold to the development site, granted by MCC in December 2016, which is due to expire in 2166, referred to as the headlease. On 30 June 2022, the Leasehold Reform (Ground Rent) Act 2022 came into effect, which ensures future leases are created with ground rent charged at a peppercorn amount.

Where contracts were exchanged prior to 30 June 2022, ground rents were created within the leases of each residential unit. The amount of Ground rent chargeable is between £250 and £300 per unit per annum, resulting in potential gross collections of £47,000 per annum. RMG has been instructed to issue ground rent demands to the unit owners and collect the payments due.

Roger Hannah has valued the ground rent interest at c£600,000. The ground rents will be marketed for sale shortly. A sale will also be subject to the consent of MCC as freeholder.

Cash at bank and bank interest

Cash at bank of £6,992 has been received from the Company's pre-appointment bank account. No further funds are expected.

Bank interest of £65 has been received during the Period.

Potential claims

Company information and information provided by management is being reviewed to establish if any claims exist. Asset realisations are currently uncertain.

Associated company debtors

| Company | £ |
|--|------------------|
| DeTrafford (WS) Limited (now named Manchester (WS) Limited) | 7,474 |
| DeTrafford Living Limited | 134,000 |
| DeTrafford Gallery Gardens Block A Limited - in Administration | 2,615,266 |
| DeTrafford Great Jackson Street Limited (now named Meadow Road Site (UK) Limited | 176,740 |
| DeTrafford Wavelength Limited - in Administration | 238,692 |
| Total | 3,172,172 |

DeTrafford Gallery Gardens Block A Limited and DeTrafford Wavelength Limited are both in Administration. The total amount due from these entities is unlikely to be recovered.

The Joint Administrators will seek to realise all the above associated company debtors, however the balances due are yet to be verified and as such the recoverability of these sums remains uncertain.

Investigations

The Joint Administrators have a duty to investigate the affairs of the Company and conduct of the director. With respect to the investigation into the conduct of the director, the Joint Administrators must submit a confidential statutory report to the disqualification unit of the Department for Business, Energy & Industrial Strategy. We can confirm that this report has been submitted.

The Joint Administrators continue to review the Company's affairs to establish if there are any actions to investigate for the benefit of creditors. For reasons of legal professional privilege, and to avoid any commercial prejudice in relation to any claims that the Administration may have, which could in turn be contrary to the best interests of the creditors, it would not be appropriate to go into greater detail in the Report in respect of ongoing or potential litigation. To the extent possible, we will provide further updates to the creditors in future reports.

Distributions to creditors

Secured creditors

The secured creditors in the Administration are detailed below.

CBRE Loan Services Limited (Daiwa)

CBRE, who act as junior and security agent for Daiwa, hold a fixed and floating charge debenture dated 20 December 2016 over the assets of the Company, together with a legal charge over the Sky Gardens development, plus cross guarantees over connected entities, DeTrafford Gallery Gardens Block A Ltd and DeTrafford (Regiment) Limited - both in Administration. CBRE (Daiwa) also hold a personal guarantee from the director for part of its lending to the Company.

At the date of appointment, the amount outstanding to CBRE (Daiwa) was c£25.1m. It is currently anticipated that CBRE (Daiwa) will receive a total return of c£8 million. It is not anticipated that CBRE (Daiwa) will be repaid in full.

Maslow 2 Limited

Maslow holds a fixed and floating charge debenture dated 13 November 2020, which ranks behind CBRE (Daiwa).

Maslow are owed c£11.0m in relation to a cross guarantee provided by the Company in respect of lending to two entities (DeTrafford St Georges Gardens Ltd and DeTrafford City Gardens Ltd) within the DeTrafford group. Both entities are also in Administration and Maslow is the first ranking creditor. It is not anticipated that Maslow will receive a distribution from the Company.

Unilateral notices and equitable interest

The Joint Administrators and their lawyers have reviewed the charges registered at HMLR in respect of the unsold units.

HMLR confirms there are unilateral notices registered against 15 residential units, which post-date CBRE (Daiwa)'s security. We are not currently aware of any unilateral notices that pre-date the CBRE (Daiwa) charge. Legal advice is being obtained in relation to the security position of the unilateral notices. The amounts owed to these creditors are estimated to be £249,000; however, this figure may differ once the position has been reviewed and legal advice has been received.

There are also several units where contracts were exchanged and deposits were paid prior to the Administration. The Joint Administrators are making further enquiries and seeking legal advice in relation to whether these parties hold any equitable rights over those specific units.

Preferential creditors

The Company did not have any employees. As such, there are no known preferential creditors in this Administration.

Secondary preferential creditors

There are no known secondary preferential creditors in this Administration.

Prescribed Part

As detailed above, the Joint Administrators are investigating if any claims exists against third parties in relation to the Sky Gardens development. Any potential realisations are likely to be categorised as a floating charge asset. Expected realisations are currently uncertain; as such, it is currently anticipated that there will not be a distribution under the floating charge security and therefore the Prescribed Part will not apply in this Administration.

Unsecured creditors

To date, claims totalling £1.43 million have been received.

Based on current information, we do not anticipate that there will be a distribution to unsecured creditors however, this may be subject to change.

Other matters

In addition to the above matters, we have dealt with all statutory matters required by legislation and administrative work incidental to our duties as Joint Administrators in this Administration.

Pre-Administration costs

The Proposals detailed unpaid pre-Administration costs. The Joint Administrators have not sought approval for the payment of these costs, which have been written off.

Joint Administrators' remuneration

In the Proposals, the remuneration of the Joint Administrators was proposed to be approved on a time costs basis.

During the Period, time costs of £521,296 were incurred over 1,168 hours at an average rate of £446 per hour. No remuneration was drawn in the Period.

A detailed report of the time incurred by the Joint Administrators and a narrative of the work done during the Period is attached in Appendix D.

Joint Administrators' expenses

Expenses paid during the Period are detailed in the receipts and payments account at Appendix C.

A breakdown of expenses incurred is set out in Appendix E.

Approval of the Joint Administrators' remuneration and category 2 expenses

It is proposed that the remuneration of the Joint Administrators is approved on a time costs basis in accordance with the time costs estimate totalling £750,100 attached at Appendix F.

It is also proposed that the Joint Administrators be authorised to draw mileage based on the scale approved by HM Revenue & Customs, currently 45p per mile, as an expense of the Administration.

As the Company has insufficient property to enable a distribution to be made to unsecured creditors, other than by virtue of the Prescribed Part, approval of the payment of the remuneration of the Joint Administrators and that the above expenses ('category 2 expenses') be drawn from the Administration estate will be sought from the secured charge holders.

FUTURE ACTIONS

Extension of the Administration

The Administration is due to end on 26 January 2024.

An extension to the Administration will be required to provide sufficient time to realise the Company's assets. Approval will be sought from all known secured creditors and an application to court may be required.

Joint Administrators' discharge from liability

Approval will be sought prior to closure from the secured creditors on the registration of the notice to move from Administration and the final progress report with the registrar of companies.

Remaining matters

The Joint Administrators will continue to manage the affairs and property of the Company to achieve the objective of the Administration. The remaining matters to be resolved prior to the conclusion of the Administration includes the following:

Asset realisations

- Terminate the remaining three CLTs.
- Collect rental income from NPP for distribution to apartment owners under the terms of the CLT.
- Complete a sale of the residential units and car parking spaces (subject to legal and agent advice).
- Execute the lease with Tesco.
- Complete a sale of the Tesco commercial unit.
- Market and sell the pizzeria commercial unit.
- Continue to collect rent, service charge and insurance contributions from the pizzeria.
- Market and sell the ground rent interest.
- Complete investigations into the Company's affairs to establish if there are any actions to be pursued for the benefit of the Administration.
- Investigate and obtain legal advice in relation to any potential claims.

Statutory requirements

- Extend the Administration to provide sufficient time to realise the Company's assets and complete statutory duties.
- Prepare VAT returns and de-register the Company from VAT, when appropriate.
- Prepare and file Corporation Tax returns.

Creditors

- Distribute to the secured creditors following the realisation of assets.
 - Provide written and verbal updates to the secured creditors.
 - Respond to unsecured creditor correspondence.
 - Circulate statutory reports.
-

APPENDIX A

STATUTORY INFORMATION

Information

| | |
|-------------------------------|--|
| Company name | DeTrafford Sky Gardens Ltd |
| Company registration number | 08996753 |
| Registered office | c/o BDO LLP, 5 Temple Square, Temple Street, Liverpool, L2 5RH |
| Court name and reference | High Court of Justice, Business and Property Courts in Manchester - 2023-MAN-000101 |
| Date of appointment | 27 January 2023 |
| Appointor | CBRE Loan Services Limited, a QFCH pursuant to Paragraph 14 of Sch.B1 to the Act |
| Joint Administrators | <p>Kerry Bailey Lee Causer</p> <p><i>Under the provisions of paragraph 100(2) of Sch.B1 to the Act the Joint Administrators carry out their functions jointly and severally meaning any action can be done by one Administrator or by both of them.</i></p> |
| Joint Administrators' address | BDO LLP, 3 Hardman Street, Spinningfields, Manchester, M3 3AT |
| Data Control and GDPR | Kerry Bailey and Lee Causer are authorised to act as Insolvency Practitioners by the Institute of Chartered Accountants in England and Wales in the UK. The Joint Administrators are Data Controllers as defined by the General Data Protection Regulations. BDO LLP will act as Data Processor on the instruction of the Data Controllers. Personal data will be kept secure and processed only for matters relating to the Administration of DeTrafford Sky Gardens Ltd. Please see the privacy statement at https://www.bdo.co.uk/en-gb/privacy-notice/insolvencies |

APPENDIX B

CREDITORS' RIGHTS

Within 21 days of receipt of the Report (1) a secured creditor, (2) an unsecured creditor with the concurrence of at least 5% in value (including the creditor in question) of the unsecured creditors; or (3) any unsecured creditor with the permission of the court, may request in writing that the Joint Administrators provide further information about their remuneration or expenses which are itemised in the Report.

Within 14 days of receipt of the request, the Joint Administrators must provide all of the information asked for, unless they think that:

- the time or cost in preparing the information would be excessive, or
- 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
- the Joint Administrators are subject to confidentiality obligations in respect of the information.

The Joint Administrators must give reasons for not providing all of the requested information.

Any secured creditor or an unsecured creditor with the concurrence of at least 10% in value of the unsecured creditors may, within eight weeks of receipt of the Report, make an application to court that the basis fixed for the Joint Administrators' remuneration, the remuneration charged, or the expenses incurred by the Joint Administrators, as set out in the Report, are excessive.

Copies of BDO LLP's charging and expenses policy, 'A Creditors' Guide to Administrators' Fees' and information on the rights, duties and functions of a creditors' committee are available at <https://www.bdo.co.uk/en-gb/insights/advisory/business-restructuring/creditors-guides>.

The Insolvency Service has established a central gateway for considering complaints in respect of Insolvency Practitioners. In the event that you make a complaint to us but are not satisfied with the response, then you should visit <https://www.gov.uk/complain-about-insolvency-practitioner> where you will find further information on how you may pursue the complaint.

The Joint Administrators are bound by the Insolvency Code of Ethics when carrying out all professional work relating to this Administration. A copy of the code can be found at <https://www.icaew.com/technical/ethics/icaew-code-of-ethics/icaew-code-of-ethics>.

APPENDIX C

RECEIPTS AND PAYMENTS ACCOUNT

DeTrafford Sky Gardens Ltd
(In Administration)
Joint Administrators' Summary of Receipts & Payments

| Statement of Affairs £ | From 27/01/2023 To 26/07/2023 £ | From 27/01/2023 To 26/07/2023 £ |
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| | <u>29,625.13</u> | <u>29,625.13</u> |
| FIXED CHARGE COSTS | | |
| Legal Fees & Expenses | 1,500.00 | 1,500.00 |
| Legal disbursements | 6,400.00 | 6,400.00 |
| | <u>(7,900.00)</u> | <u>(7,900.00)</u> |
| ASSET REALISATIONS | | |
| Cash at Bank | 6,992.45 | 6,992.45 |
| Residential Rental Income | 46,818.28 | 46,818.28 |
| Interest Gross | 64.88 | 64.88 |
| | <u>53,875.61</u> | <u>53,875.61</u> |
| COST OF REALISATIONS | | |
| Rent due to apartment owner | 33,447.28 | 33,447.28 |
| NPP Management Fee - Rent | 2,539.09 | 2,539.09 |
| Agents' Fees & Expenses | 162.33 | 162.33 |
| Bank Charges | 15.00 | 15.00 |
| | <u>(36,163.70)</u> | <u>(36,163.70)</u> |
| | <u>39,437.04</u> | <u>39,437.04</u> |
| REPRESENTED BY | | |
| Input VAT | | 540.29 |
| Fixed Current Account | | 25,606.20 |
| Floating Current Account | | 22,932.54 |
| Trade Creditors | | (5,800.28) |
| Output VAT | | (3,841.71) |
| | | <u>39,437.04</u> |

APPENDIX D

JOINT ADMINISTRATORS' REMUNERATION

Time costs of £521,296 have been incurred during the Period and a breakdown is detailed below together with details of the work undertaken.

| Activity | Partner | Director | Senior manager | Manager | Senior executive | Executive | Total hours | Time costs | £ | Av. Rate £ |
|-----------------------------------|--------------|---------------|----------------|---------------|------------------|--------------|-----------------|-------------------|---|---------------|
| Steps on appointment | | 2.25 | 21.75 | 22.90 | 19.45 | 4.95 | 71.30 | 28,362.35 | | 397.79 |
| Planning and strategy | 3.60 | 0.45 | 10.55 | 64.65 | 4.90 | 1.50 | 85.65 | 34,627.20 | | 404.29 |
| Statutory reporting and decisions | 2.60 | 6.65 | 10.25 | 18.40 | 0.10 | 2.50 | 40.50 | 19,141.90 | | 470.94 |
| General administration | 0.60 | 4.35 | 1.10 | 20.95 | 28.85 | 22.45 | 78.30 | 17,045.15 | | 217.69 |
| Assets | 9.95 | 64.70 | 85.25 | 250.90 | 6.35 | 11.95 | 429.10 | 209,332.50 | | 487.84 |
| Trading | | | | 0.50 | | | 0.50 | 235.00 | | 470.00 |
| Investigations | 0.70 | 4.55 | 7.10 | 6.20 | | | 18.55 | 10,203.75 | | 550.07 |
| Employees and pensions | | | | | | | | | | |
| Creditors | | 55.15 | 102.35 | 219.55 | 14.95 | 20.80 | 412.80 | 190,978.75 | | 462.64 |
| Committee | | | | | | | | | | |
| Post appointment taxation | 1.25 | 1.75 | 1.75 | 17.00 | 5.40 | 4.60 | 31.75 | 11,369.40 | | 358.09 |
| TOTAL | 18.70 | 139.85 | 240.10 | 621.05 | 80.00 | 68.75 | 1,168.45 | 521,296.00 | | 446.14 |

Steps on appointment

- Case set up
- Initial statutory notifications and advertisements
- Initial correspondence with the director and senior management personnel with requests for information and statement of affairs
- Information gathering from external sources such as Land Registry, lawyers, RMG, NPP, creditors and the DeTrafford entities not in Administration.
- Collection of the Company's electronic books and records
- Liaising with the Company's former professional advisors and bankers
- Taking steps to identify, gather in and protect assets
- Attending the business premises
- Instructing solicitors to review the validity of appointment

Planning and strategy

- Case reviews
- Internal meetings and discussions
- Preparation and review of strategy documents including estimated outcome statements

Statutory reporting and decisions

- Preparation of the Joint Administrators' proposals
- Reviewing the proposed fees estimate for the secured creditors' consideration

General administration

- Setting up and ongoing maintenance and reconciliation of the Company bank account and other cashiering functions
- Maintaining the Joint Administrators' files

Assets

General

- Arranging and monitoring of insurance of the Company's assets
- Instructing agent's, Roger Hannah to provide strategic and marketing advice in respect of the property assets and reviewing and discussing the same
- Attending regular calls with lawyers and agents in relation to the disposal strategy and legal requirements in relation to the same

Residential units and car parking

- Reviewing charges registered at HMLR
- Reviewing company information regarding the assets, including car parking spaces
- Dealing with queries from tenants and their legal representatives and liaising with managing agent, RMG, in respect of the same
- Reviewing information received from management, lawyers, agent's and purchasers in relation to exchanged contracts, unilateral notices, outstanding deposits and termination agreements
- Obtaining legal advice in relation to the security position of CBRE (Daiwa) and unilateral notice holders in respect of the sale of the residential units
- Obtaining legal and agent advice where a contract has exchanged prior to the appointment and the purchaser has expressed interest in completing the purchase in Administration.
- Liaising with the purchasers to gather further information to consider their offer for purchasing a unit
- Dealing with enquiries from apartment owners regarding water leakage issues. Liaising with RMG and insurers to resolve
- Liaising with RMG as regards enquiries from tenants
- Liaising with DeTrafford, RMG and Roger Hannah as regards car parking spaces and allocations

Commercial units

- Reviewing the Tesco agreement for lease and lease for execution. Discussions with lawyers, agents and the secured creditors in this regard
 - Reviewing offers received for the Tesco unit. Discussing the offers with agents, lawyers and secured creditors
 - Obtaining legal advice in relation to issuing notices in accordance with Section 5 of the Landlord and Tenant Act 1987
-

- Calculating rent, service charge and insurance figures due from pizzeria tenant. Issuing invoices and monitoring collections from the tenant. Liaising with the tenant regarding the works to complete and proposed date for commencing to trade
- Discussions with RH regarding marketing the pizzeria unit

Ground rent

- Reviewing the head lease terms
- Assessing the proposed marketing strategy

Other

- Recovering the cash held in the pre-appointment bank account
- Reviewing company information in relation to potential claims. Discussing the same internally and with lawyers

Investigations

- Review work pursuant to the Statement of Insolvency Practice 2 including review of the Company's bank statements, books and records and the creditors' questionnaires
- Submission on the actions of the directors to the disqualification unit of the Department for Business, Energy and Industrial Strategy

Creditors

- Liaising with and reporting to the secured creditors
- Obtaining legal advice in relation to the rent guarantee position
- Reviewing rent reconciliation prepared by NPP. Liaising with NPP to address queries
- Preparing communications to rent guarantee creditors and liaising with lawyers to agree content
- Preparing and distributing rent to apartment owners under the terms of the CLT
- Writing to apartment owners and Company solicitors for copy documentation to evidence rent guarantees
- Dealing with telephone calls and email correspondence from the unit owners in relation to the CLTs and ASTs
- Reviewing CLTs and ASTs to confirm the rent guarantee position in respect of each individual unit. Discussing the same with lawyers and agents
- Communications with unit owners party to CLTs in relation to terminating the agreement. Reconciling and remitting rent to be paid as per the rent guarantee terms
- Obtaining legal advice on the validity of security
- Processing of creditors' claim forms and entering onto IPS
- Dealing with creditor enquiries, including where parties have paid deposits that have not been returned.
- Identifying whether additional supporting evidence is required

Post appointment taxation

- Preparation and issuance of VAT returns
 - Opting to tax the titles of the commercial units
-

- Gathering information in preparation for the submission of Corporation Tax returns

The current charge out rates per hour of staff within the firm who may be involved in working on the Administration are as follows:

| Grade | £ |
|------------------------------|---------|
| Partner | 745 |
| Director | 417-834 |
| Senior Manager | 347-694 |
| Manager | 190-507 |
| Senior Executive | 152-354 |
| Executive | 93-186 |
| BDO LLP tax department (max) | 1,304 |

APPENDIX E

JOINT ADMINISTRATORS' EXPENSES

The Joint Administrators' expenses incurred and paid are detailed below.

| | Estimated £ | Incurred in Period 27/01/2023 to 26/07/2023 £ | Total Incurred 27/01/2023 to 26/07/2023 £ | Total Paid 27/01/2023 to 26/07/2023 £ |
|--|----------------|--|--|--|
| Category 1 | | | | |
| Legal Fees and Disbursements | | | | |
| Freeths fees ¹ | 102,000.00 | 19,110.00 | 19,110.00 | 0.00 |
| Freeths disbursements ¹ | 22,000.00 | 7,900.00 | 7,900.00 | 7,900.00 |
| *Boyes Turner ² | 7,500.00 | 3,810.00 | 3,810.00 | 0.00 |
| *Cardium Law ³ | 7,500.00 | 0.00 | 0.00 | 0.00 |
| Agents' Fees & Expenses | | | | |
| *Roger Hannah ⁴ | 80,000.00 | 0.00 | 0.00 | 0.00 |
| NPP Management Fee - rent ⁵ | 4,000.00 | 2,539.09 | 2,539.09 | 2,539.09 |
| Travel plan ⁶ | 4,000.00 | 162.33 | 162.33 | 162.33 |
| *Insurance ⁷ | 118,608.00 | 77,231.86 | 77,231.86 | 0.00 |
| Ground rent ⁸ | 15,000.00 | 5,000.00 | 5,000.00 | 0.00 |
| *ICO Data Protection Fees | 80.00 | 40.00 | 40.00 | 0.00 |
| *Statutory Advertising | 95.00 | 95.00 | 95.00 | 0.00 |
| *Bonding | 200.00 | 200.00 | 200.00 | 0.00 |
| *HM Land Registry | 400.00 | 378.00 | 378.00 | 0.00 |
| Category 2 | | | | |
| Mileage | - | - | - | - |

*incurred but not yet paid from the case. The other expenses shown are self-explanatory however we would specifically comment on the following expenses which were incurred or paid in the Period:

1. Freeths has been instructed to provide advice in relation to the property asset disposals. Freeths were selected due to knowledge and expertise. To date, Freeths has raised invoices totalling £19,100.

In the Period, Freeths has been paid £7,900 to fund disbursements; £6,400 is associated with serving the notices on the leaseholders in respect of the Tesco unit sale (as required by LTA 1947) and £1,500 in relation to obtaining third party legal advice for Maslow in relation to providing the letter of consent for the execution of the Tesco lease.

The estimated fee is based on an agreed fee at the outset of the Administration. There are a significant number of legal matters that remain ongoing and therefore it is likely that this estimate will increase.

2. Boyes Turner have been instructed to provide advice in relation to the validity of appointment, CLTs and ASTs and general insolvency advice. Boyes Turner was selected due to knowledge and expertise.

To date, fees totalling £3,810 have been incurred. Boyes Turner has not yet received any payments.

3. Cardium Law Limited is being instructed to provide advice in respect of any potential claims the Company may pursue. An initial fixed fee has been agreed. Disbursements and further fees may be incurred if a claim is pursued.

4. Roger Hannah has been instructed as selling agent to provide marketing and strategic advice. Fees have been agreed based on a percentage of realisations and are therefore subject to change.
 5. NPP Residential is collecting rent from the tenants who occupy the units where there is a CLT and AST in place in the name of the Company. It is agreed that NPP will receive a fee of 6% of rent collected therefore, the fee paid is subject to change.
 6. As per the terms of the planning permission granted, a travel plan must be prepared. Singleton has incurred time in relation to the travel plan and has been paid £162 during the Period. Further costs are expected.
 7. Marsh (the Joint Administrators insurance brokers) has arranged insurance cover with Aviva Insurance Ltd as regards the Company's assets. The figures noted above represent the costs incurred during the Period. A recent re-instatement inspection of the Sky Gardens development has been undertaken and these figures may be subject to change. Details are awaited from Marsh. The insurance may be recharged to the commercial tenants and the residential unit owners.
 8. Ground rent is payable to MCC in accordance with the terms of the head lease.
-

APPENDIX F

FEES AND EXPENSES ESTIMATE AS AT 26 JULY 2023

| 1 | Joint Administrators' remuneration | Total hours | Average Rate £ | Estimated time costs £ | Incurred to date £ |
|---|------------------------------------|-----------------|----------------|------------------------|--------------------|
| | Steps on appointment | 71.30 | 397.79 | 28,362.35 | 28,362.35 |
| | Planning and strategy | 156.35 | 442.76 | 69,226.20 | 34,627.20 |
| | Statutory reporting and decisions | 118.30 | 388.91 | 46,008.00 | 19,141.90 |
| | General administration | 187.70 | 286.34 | 53,746.60 | 17,045.15 |
| | Assets | 571.35 | 471.64 | 269,472.05 | 209,332.50 |
| | Trading | 0.50 | 470.00 | 235.00 | 235.00 |
| | Investigations | 47.75 | 468.74 | 22,382.25 | 10,203.75 |
| | Employees and pensions | - | - | - | - |
| | Creditors | 536.75 | 427.55 | 229,487.30 | 190,978.75 |
| | Committee | - | - | - | - |
| | Post appointment taxation | 50.05 | 375.83 | 18,810.05 | 11,369.40 |
| | Closure | 39.10 | 316.37 | 12,370.00 | - |
| | TOTAL | 1,779.15 | 421.61 | 750,099.80 | 521,296.00 |

| 2 | Joint Administrators' category 1 expenses | £ | Total £ |
|-----|---|------------|------------|
| 2.1 | Agents' fees and expenses | | 84,000.00 |
| | Roger Hannah - selling agent | 80,000.00 | |
| | NPP Residential | 4,000.00 | |
| 2.2 | Legal fees and expenses | | 139,000.00 |
| | Freeths fees | 102,000.00 | |
| | Freeths disbursements | 22,000.00 | |
| | Boyes Turner fees | 7,500.00 | |
| | Cardium Law fees | 7,500.00 | |
| 2.4 | Other expenses | | 123,843.00 |
| | Ground rent | | |
| | Information Commission fees | 40.00 | |

| | |
|------------------------|------------|
| Bonding | 200.00 |
| Advertising | 95.00 |
| Insurance | 118,608.00 |
| Printing and postage | 500.00 |
| Land registry searches | 400.00 |
| Travel plan | 4,000.00 |

1 Joint Administrators' remuneration

The above fees (remuneration) estimate is based on the information currently available. Assuming that there are no major unanticipated factors, we would expect that the Joint Administrators' remuneration may be lower than the estimate. Where applicable, all remuneration and expenses will be subject to VAT at the prevailing rate.

The current hourly charge out rates are detailed in Appendix D.

In addition to the work detailed in Appendix D, the following work is expected to be undertaken.

Statutory reporting and decisions

- Preparation of the fees and expenses estimate
- Obtaining remuneration and category 2 expenses approval
- Preparation of the periodic progress reports

The fees estimate has been prepared on the basis that a creditors' committee is not established. If a creditors' committee is established there will be additional reporting and it may be necessary to seek further fee approval.

In estimating costs in respect of reporting we have formed a view of the duration of the case and estimated how many reports will be required. These activities do not contribute to the financial outcome for creditors, they are statutory duties imposed by the relevant legislation. However, they do contribute to the creditors' understanding of the work being undertaken on their behalf.

Assets

- Liaising with agents in relation to the disposal strategy and legal requirements in relation to the same
- Completing a sale of the residential units and car parking spaces
- Completing a sale of the commercial units
- Instructing agents and reviewing the marketing strategy to complete a sale of the ground rent interest

Creditors

- Calculating and distributing funds to the secured creditor

There are no preferential or secondary preferential claims in the Administration. Based on current information, it is not anticipated that there will be sufficient floating charge realisations to enable a distribution to unsecured creditors.

No provision has been made to deal with any applications to Court brought by creditors in respect of their claims. If we are required to deal with these, it may be necessary to seek further fee approval.

Post appointment taxation

- Calculation of capital gains tax
- Preparation of corporation tax returns
- Obtaining tax clearances

Closure

- Closure planning including approval for the Joint Administrators' discharge from liability
- Preparation of the final progress report
- Statutory notifications
- Closure administration

This estimate does not include any provision for the Company moving into Liquidation.

2 Joint Administrators' category 1 expenses

These are expenses relating directly to the case incurred by an independent third party.

Creditor approval is not required to pay these expenses which will be charged to the case at cost.

2.1 Agents' fees and expenses

Roger Hannah has been instructed as selling agent to provide marketing and strategic advice. Fees have been agreed based on a percentage of realisations, as follows:

- Residential units - between 0.75% and 1% of the sales value; 1% in relation to the units unencumbered by a unilateral notice.
- Car parking spaces - 1% of the sales value
- Tesco unit - 1% of the sales value
- Pizzeria unit - 0.75% of the sales value
- Ground rent - 0.75% of the sales value

NPP is collecting rent from the tenants who occupy the units where there is a CLT and AST in place in the name of the Company. It is agreed that NPP will receive a fee of 6% of rent collections.

As per the terms of the head lease, a travel plan must be prepared. Singleton have been instructed to undertake this work. It is anticipated that fees of c£4,000 will be paid.

2.3 Legal fees and expenses

Freeths has been instructed to provide advice in relation to the property asset disposals. Freeths' fees are incurred on a time costs basis and subject to the approval of the secured creditor, CBRE (Daiwa). On appointment, a fee of £102,000 was agreed. In addition, disbursements totalling £21,000 were expected.

There are a significant number of legal matters that remain ongoing and therefore it is likely that this estimate will increase.

Boyes Turner has been instructed to provide advice in relation to the validity of appointment, CLTs and ASTs and general insolvency advice. Boyes Turners' fees are incurred on a time costs basis and subject to the approval of the secured creditor, CBRE (Daiwa). It is currently anticipated that Boyes Turner will be paid c£7,500 for their advice.

Cardium Law Limited is being instructed to provide advice in relation to any potential claims the Company may pursue. An initial fixed fee has been agreed. Further fees and disbursements may be required if a claim is pursued.

The estimated legal fees and expenses do not include the potential costs of a court application. Should any court application be required, it is likely that the estimates provided will be exceeded.

2.4 Other expenses

In addition to professional fees and expenses other expenses may include items such as bonding, advertising, insurance, external printing costs, couriers, travel (by public transport), land registry searches, fees in respect of swearing legal documents and storage of the Company's records and ground rent.

Printing and postage of circulars may be sub-contracted to external printers who have the capacity to deal with large circulars to a volume of creditors in a timely manner.

3 Joint Administrators' category 2 expenses

These are expenses relating directly to the case that have been incurred by an associated party or which have an element of shared costs.

Creditor approval is required to pay category 2 expenses.

BDO LLP

21 August 2023
