

The Insolvency Act 1986

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

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

Name of Company

Glassford Property Management Limited

Company number

SC243298

We

A C O'Keefe
The Zenith Building
26 Spring Gardens
Manchester
M2 1AB

E G Mackay
Cornerstone
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G2 2BA

S Wilson
The Zenith Building
26 Spring Gardens
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Administrators of the above company attach a progress report for the period

from

26 July 2015

to

25 January 2016

Signed

Joint Administrator

Dated

17.2.16

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

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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
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Administrators' Progress Report for the period 26 July 2015 to 25 January 2016

Glassford Property Management Limited
In Administration

17 February 2016

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1 Statutory information

- 1.1 Anne O'Keefe of AlixPartners, The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB and Simon Wilson of the Zenith Building, 26 Spring Gardens, Manchester, M2 1AB were appointed Administrators of Glassford Property Management Limited together with Elizabeth Mackay of AlixPartners, Cornerstone, 107 West Regent Street, Glasgow, G2 2BA on 26 July 2013 by the qualifying floating chargeholder, Nationwide Building Society plc, Nationwide House, Pipers Way, Swindon, SN38 1NW (**Nationwide**).
- 1.2 The Administration is being handled by AlixPartners' Manchester office, situated at The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB.
- 1.3 The Administration is registered in the Court of Session; no reference number was provided.
- 1.4 The registered office of the Company has been changed to c/o AlixPartners, Cornerstone, 107 West Regent Street, Glasgow, G2 2BA and the registered number is SC243298.
- 1.5 This report covers the period 26 July 2015 to 25 January 2016 (the **Period**) and should be read in conjunction to all previous reports.
- 1.6 The Administration was initially extended for a period of six months with the consent of Nationwide. On 20 November 2014 the Administration was extended for a further 12 months to 25 January 2016 with the consent of the court. On 11 December 2015, the court granted a further two year extension to the Administration; the Administration will now expire on 25 January 2018.
- 1.7 In accordance with paragraph 100(2) of schedule B1 of the Insolvency Act 1986, all functions of the Administrators are to be exercised by any or all of the Administrators. All references to the Administrators should be read as the Joint Administrators.

2 Progress of the Administration

- 2.1 Attached at Appendix A is the Administrators' Receipts and Payments Account for the Period, together with a Cumulative Account for the period since appointment.
- 2.2 The Administrators are pursuing the third statutory objective of the Administration, by realising the Company's property in order to make a distribution to the secured creditor.

Property

- 2.3 The Company's only asset is the property 'The Glasshouse' located at Glassford Street, Glasgow, G1 1UP (the **Property**). The Property is a mixed use development, comprising leisure units and 24-hour, 527 space multi-story car park.
- 2.4 There is a fixed interest loan product between Nationwide and the Company which expires in January 2017. Realising the Property prior to this date will require an early release of the fixed interest loan product and result in significant break costs being incurred. Nationwide, as the only creditor to benefit from the sale of the Property, has expressed its preference for the Property to be held until January 2017 and for the agreement not to be broken.
- 2.5 GVA Grimley Limited (**GVA**) continues to manage the Property and collect rental income. To date, rental income collected totals £3.3 million.
- 2.6 Net rental income, after costs and GVA's management fee, is remitted to Nationwide pursuant to the terms of the rental assignment. As a result, rental income and associated costs are not reflected on the Receipts and Payments Account at Appendix A. The Administrators are required to account for VAT relating to income and expenditure for and on behalf of the Company. Therefore, any VAT payable to HMRC is transferred from GVA to the Company on a quarterly basis to allow the Company to remit payment in line with HMRC deadlines.

Tenancy

- 2.7 As detailed in the Administrators' previous progress report, the Property was fully tenanted receiving annual rent of approximately £1.4 million.
- 2.8 A3D2 Limited (**A3D2**), a tenant who operated a nightclub from the Property, had ten years remaining on its lease which generated rental income of £389,450 per annum.
- 2.9 Cedar Dean (**CD**), A3D2's advisors, approached the Administrators in October 2015 to advise that the venue was underperforming and was under considerable financial stress. CD advised that A3D2 intended to surrender its lease and requested the Administrators' consent to this.
- 2.10 Following lengthy discussions with Nationwide, GVA and the Administrators, A3D2 agreed to provide a surrender premium equivalent to ten month's rent, totalling £324,542. A3D2 also agreed to provide a £5,000 retention which would only be released once the Property had been inspected, to ensure that the Property was left in a reasonable condition.
- 2.11 The Administrators provided their consent to surrender the lease and on 18 January 2016, the lease was formally surrendered and A3D2 vacated the Property. GVA confirmed that the Property was left in a reasonable condition and the retention has been released.
- 2.12 The surrender premium is currently held by the Administrators' legal advisors, DWF LLP (**DWF**), and are therefore not reflected on the Receipts and Payments Account at Appendix A. The funds will be remitted to the Administration account shortly.

- 2.13 Following legal advice from DWF, it was confirmed that the surrender premium was subject to Nationwide's floating charge. As a result, a 'Prescribed Part' fund as defined in paragraph 5.6 has been created for the benefit of the unsecured creditors of the Company. Further details are provided in section 5 of this report.
- 2.14 GVA has recommended a 'twin-track' strategy for marketing the vacant unit. GVA has proposed to market the unit in its current condition and as a reconfigured unit, targeting individual tenants for each floor. It is anticipated that a marketing period of two years will be required for both strategies. GVA's recommendation is being reviewed by the Administrators and Nationwide and a further update will be provided in the next report.

Other

- 2.15 In the Period, a sundry refund and bank interest of £106 and £84 have been received.

3 Assets still to be realised

- 3.1 Given the agreed strategy, it is unlikely that a sale of the Property will be achieved before January 2017. As detailed in paragraph 1.6, the Administration has been extended until 25 January 2018 in order to allow sufficient time to market and sell the Property following the expiration of the fixed interest loan product in January 2017.

4 Administrators' fees

- 4.1 Approval to draw fees was sought from the secured creditor as the Company has insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of the Prescribed Part (see section 5.6).
- 4.2 On 30 October 2013, Nationwide approved that the basis of the Administrators' fees be fixed by reference to the time properly spent by the Administrators and their staff on matters arising in the Administration.
- 4.3 Approval of the Administrators' fees has been sought from Nationwide in accordance with Rule 2.39 of the Insolvency (Scotland) Rules 1986 as amended. Nationwide has made a contribution of £10,000 to cover fees and sundry costs, from which Administrators' fees of £8,333 have been drawn.
- 4.4 The Administrators' time costs for the Period are £33,676. This represents 110 hours at an average rate of £305 per hour. Attached as Appendix B is a Time Analysis for the Period which provides details of the activity costs incurred by staff grade.
- 4.5 Principal areas of activity during the Period are discussed in further detail below.
- Administration and planning - time has been incurred monitoring the case strategy, complying with statutory duties and performing general administrative work. Case related treasury and support time is also recorded here.
 - Realisation of assets: fixed charge - time has been incurred monitoring GVA's management of the Property and reconciling VAT funds received. The Administrators have also attended various meetings and conference calls to discuss the marketing strategy and management of the Property.
 - Realisation of assets: floating charge – negotiating with CD and A3D2 in respect of the lease surrender. Time has also been spent liaising with Nationwide to provide advice and recommendations as to whether the surrender should be accepted. The Administrators also incurred time reviewing A3D2's offer, surrender documents and arranging for signatory on all documents.
 - Creditors - time has been incurred preparing the progress report, the court extension report and reporting to Nationwide in respect of the surrender of A3D2's lease.
- 4.6 A copy of 'A Creditors' Guide to Administrations (Scotland)' which includes guidance on Administrators' fees can be downloaded from AlixPartners' creditor portal (<http://www.alixpartnersinfoportal.com>). If you would prefer this to be sent to you in hard copy please contact Hannah Smallwood on 0161 838 4552 or creditorreports@alixpartners.com.
- 4.7 Attached at Appendix C is a Cumulative Time Analysis for the period since appointment which provides details of the activity costs incurred by staff grade since the Administrators' appointment.
- 4.8 To date, category 1 disbursements of £11 have been drawn. No category 2 disbursements have been drawn at present.
- 4.9 Attached as Appendix D is additional information in relation to our policy on staffing, the use of sub-contractors, disbursements and details of our current charge-out rates by staff grade.

5 Estimated outcome for creditors

Secured creditor – Nationwide Building Society plc

- 5.1 The Company granted a standard security over the Property on 27 January 2006 and a floating charge on 20 January 2006. There are also cross-guarantees with Stylegreen Limited and Trongate (GLA) Limited, associated group companies that were also insolvent and placed into Administration on 26 July 2013. Stylegreen Limited was dissolved on 29 April 2014. All rental income was assigned to Nationwide prior to the Administrators' appointment.
- 5.2 At the date of the Administrators' appointment, Nationwide was owed approximately £32.6 million from the Company and a total of £64.9 million across the group (excluding interest and charges, which continue to accrue).
- 5.3 Nationwide will receive a floating charge distribution of approximately £237,000 in respect of the surrender premium.
- 5.4 The overall return to Nationwide is uncertain and will be quantified following the sale of the group's assets. Based on current asset valuations, Nationwide will suffer a shortfall.

Preferential creditors

- 5.5 The Company had no employees therefore there are no preferential creditors.

Unsecured creditors' fund

- 5.6 Pursuant to section 176A of the Insolvency Act 1986, where there is a floating charge which post dates 15 September 2003, the Administrators are required to create a fund from the Company's net property available for the benefit of unsecured creditors (**Unsecured Creditors' Fund**).
- 5.7 As the Company granted a floating charge to the secured creditor after 15 September 2003, the Administrators are required to create an Unsecured Creditors' Fund. As detailed in section 2, DWF has confirmed that the surrender premium is captured by Nationwide's floating charge. The Administrators can confirm that, based on realisations achieved from the surrender premium and estimated future costs, the amount available for the Unsecured Creditors' Fund is £62,903.
- 5.8 Unsecured creditor claims received to date total £38,162. Should these claims be agreed in full and no further claims are received, the unsecured creditors will be paid in full.

6 Ending the Administration

- 6.1 The Administration is due to end automatically on 25 January 2018. The Administrators are unable to confirm that it will be possible to conclude all outstanding matters in the Administration prior to this date. The closure of the Administration will depend upon the marketing strategy and the level of interest received. The Administrators may be required to extend the Administration for a further period to ensure that a sale of the Property completes.
- 6.2 On 30 October 2013, Nationwide approved for the Administrators to be discharged from liability under paragraph 98 of schedule B1 to the Insolvency Act 1986 directly after their appointment as Administrators ceases to have effect.

7 Next report

- 7.1 The Administrators are required to provide a progress report within six weeks of the end of the next six months of the Administration, or the date they cease to act as Administrators, if earlier.

For and on behalf of
Glassford Property Management Limited

A handwritten signature in black ink, appearing to read 'Anne O'Keefe', with a stylized flourish at the end.

Anne O'Keefe
Administrator

Encs

Appendix A. Receipts and Payments Account for the period 26 July 2015 to 25 January 2016 and a Cumulative Account for the period since appointment

Statement of Affairs £	Period £	Cumulative £
Fixed charge assets		
Receipts		
19,900,000 Freehold property	-	-
Contribution from the chargeholder	-	10,000
Sundry receipt	106	2,943
Bank interest	84	487
	190	13,430
Payments		
Administrators' fees	-	8,333
Category 1 disbursements:		
Registers of Scotland	-	11
Legal fees	-	2,952
Bank charges	-	24
	-	(11,320)
Balance	190	2,110
Represented by		
Interest bearing account		48,265
VAT payable		(46,155)
		2,110

Appendix B. Time analysis for the period 26 July 2015 to 25 January 2016

	Employee grade (hours)				£	
	Managing director /director	Associate director /senior associate	Associate/ analyst	Junior analyst/ support	Total hours	Average rate per hour
Administration and planning						
Statutory duties	-	-	0.8	0.6	1.4	280.00
Case administration	-	0.4	-	0.6	1.0	234.00
Accounting and treasury	0.1	1.4	6.2	3.7	11.4	2,494.50
Internal documentation	-	-	-	1.0	1.0	75.00
Realisation of assets - standard security						
Asset realisation strategy	0.5	2.4	0.2	-	3.1	1,161.00
Asset identification and valuation	0.5	-	3.4	-	3.9	1,109.00
Sale of assets	-	1.3	-	-	1.3	468.00
Asset accounting and administration	0.1	-	1.1	1.5	2.7	604.00
Realisation of assets - floating charge						
Asset identification and valuation	0.9	7.1	8.5	-	14.5	4,647.00
Recovery of assets	2.2	29.8	8.3	-	41.1	14,087.00
Asset accounting and administration	0.2	-	0.3	-	0.5	176.00
Creditors						
Reporting to creditors	2.7	2.3	6.8	3.2	17.8	4,984.00
Secured creditors	3.0	1.0	6.3	-	10.3	3,348.00
Unsecured creditors	-	-	0.3	-	0.3	78.00
Totals	10.2	45.5	44.0	10.6	110.3	33,875.50

Appendix C. Cumulative time analysis for the period since appointment

	Employee grade (hours)				£		
	Managing director Director	Associate director Senior associate	Associate/analyst	Junior analyst/ support	Total hours	Total cost	Average rate per hour
Administration and planning							
Strategy and control	3.7	6.4	0.8	0.5	11.5	4,180.00	362
Statutory duties	0.3	3.6	2.2	6.9	13.0	2,776.50	214
Case administration	0.3	8.3	2.0	14.7	25.3	5,330.00	211
Accounting and treasury	0.6	7.6	11.0	39.2	58.4	10,013.50	171
Internal documentation	0.1	0.1	0.6	4.2	5.0	541.00	108
Investigations							
Director conduct reports	0.9	-	0.3	2.2	3.4	705.00	207
Internal documentation	-	-	-	0.5	0.5	75.00	150
Realisation of assets - standard security							
Asset realisation strategy	0.5	6.5	2.1	1.1	10.2	3,065.00	300
Asset identification and valuation	-	2.3	8.1	9.1	19.5	4,039.50	207
Sale of assets	-	1.0	0.5	-	1.5	484.00	323
Dealing with third party assets	-	-	0.6	-	0.6	132.00	220
Asset accounting and administration	0.6	0.3	2.0	10.6	13.5	2,163.50	160
Realisation of assets - floating charge							
Asset identification and valuation	0.9	7.1	8.5	-	14.5	4,587.00	323
Recovery of assets	2.2	29.8	9.3	-	41.1	14,087.00	343
Asset accounting and administration	0.2	-	0.3	-	0.5	176.00	352
Creditors							
Creditor claims	-	-	-	0.2	0.2	30.00	150
Internal documentation	-	-	0.2	0.1	0.3	52.50	175
Reporting to creditors	6.1	10.0	33.8	18.4	68.4	17,034.50	249
Secured creditors	0.5	1.0	14.2	1.7	17.4	4,448.00	256
Unsecured creditors	-	0.9	0.3	1.0	2.1	481.50	220
Totals	18.9	84.6	94.9	110.5	306.9	74,461.50	243

Appendix D. Additional information in relation to Administrators' fees pursuant to Statement of Insolvency Practice 9 (Scotland)

Policy

Detailed below is AlixPartners' policy in relation to:

- staff allocation and the use of sub-contractors;
- professional advisors; and
- disbursements.

Staff allocation and the use of sub-contractors

The Administrators' general approach to resourcing their assignments is to allocate staff with the skills and experience to meet the specific requirements of the case.

The case team will usually consist of a managing director or director, an associate director or a senior associate, an associate and an analyst. The exact case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment. On larger, more complex cases, several staff at all grades may be allocated to meet the demands of the case. The Administrators' charge-out rate schedule below provides details of all grades of staff and their experience level.

With regard to support staff, time spent by treasury in relation to specific tasks on an assignment is charged but secretarial time is only recovered if a large block of time is incurred, eg report compilation and distribution.

The following services have been provided on this assignment by external sub-contractors.

Professional advisors

On this assignment the Administrators have used the professional advisors listed below. The Administrators have also indicated the basis of their fee arrangement with them, which is subject to review on a regular basis.

Name of professional advisor	Basis of fee arrangement
DWF LLP (legal advice)	Hourly rate and disbursements
Bircroft Insurance Services Limited (insurance)	Risk based premium
GVA Grimley Limited (valuation and disposal advice)	Fixed fee and percentage of realisations

The Administrators' choice was based on their perception of the professional advisors' experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of the fee arrangement with them.

Disbursements

Category 1 disbursements do not require approval by creditors. Category 1 disbursements may include external supplies of incidental services specifically identifiable to the case, eg postage, case advertising, invoiced travel and external printing, room hire and document storage. Also chargeable will be any properly reimbursed expenses incurred by the Administrators and their staff will also be chargeable.

Category 2 disbursements do require prior approval by creditors before they are paid. Any incurred in this case have been drawn in accordance with the Administrators' proposals, which approved Category 2 disbursements as follows:

- photocopying – charged at the rate of 10 pence per sheet for notifications and reports to creditors and other copying;
- printing – charged at the rate of 10 pence per sheet for black and white printing and 15 pence per sheet for colour; and
- Business mileage for staff travel, charged at the rate of 45 pence per mile.

Charge-out rates

A schedule of AlixPartners' charge-out rates for this assignment effective from 1 April 2015 is detailed below. Time is charged by managing directors and case staff in units of six minutes.

Description	Rates from 1 April 2015 £
Managing director 1	490
Managing director 2	450
Director	430
Associate director	360
Senior associate	295
Associate	260
Analyst	230
Junior analyst	150
Senior treasury associate	170
Treasury associate	110
Treasury analyst	85
Support	85