

Swan Group

Progress Report: July – December 2022

As outlined in the previous progress report, the economy continues to manage the ongoing effects of the Covid-19 pandemic and the subsequent Ukraine-Russia conflict. While high inflation and supply chain constraints are hampering the construction industry, Swan Group are glad to announce that progress is being made across several sites. Additionally, the Group are happy to announce a recent employee hire with the appointment of a new project manager to monitor and assess the progress of notable sites such as Newhall Street and Royston Road.

Company forecasts are looking much better as the Group now have more reliable timeframes as delays subside. As common, the Group are continuing to look for new opportunities that arise working alongside the Groups funding lines, with multiple options being put through in-house feasibility models. Regaining stable timeframes and bringing developments back on track will aim to bring the company's overall cash flow back to more secure situation so to produce liquidity. Below investors will find an overview in relation to each major Swan Group development.

Newhall Street:

Swan Group are proud to announce that the Newhall Street development has commenced with full construction now underway. As previously announced, the Group have appointed Marshall Construction to construct the development with completion expected in August 2024. The complete Development Funding Agreement is now underway in partnership with Places for People.

Swan Group are delighted to be starting this development after the recent Covid-19 pandemic and consequent lockdowns caused delays to the initial project timeline. The Group utilised such time effectively to resolve any remaining matters in preparation for the return to normal working conditions.

The team have instructed regular 360-degree photos/video footage to offer investors and the public updates as to how construction progresses, which can be found on the Swan Group website.

Royston:

As previously announced, the Group were glad to announce planning being granted at the Royston Road site for a revised 136-unit scheme. Current updates on the site are concurrent with the previous investor update, in which a full tender has been circulated to contractors.

Given recent inflation increases, contractors have struggled to price jobs given the week-by-week changes. Therefore, Swan have granted the contractors more time to ensure a fair price is determined and therefore keep the development on track. Once a contractor is appointed and the development commences, the agreed Development Funding Agreement will commence as normal in collaboration with Places for People.

Edinburgh Road:

Unfortunately, there is no significant update at the Edinburgh Road site. The team have been trying to organise frequent meetings with the council on the matters at hand, however with limited responses. An upcoming meeting is scheduled for the end of January to discuss the finer details of the scheme, which once finalised the Group expect to be suitable for planning to issue final approval. In

the meantime, the team have also been engaged in talks with various exit options, such as Buy-to-Rent funds, Housing Associations and Private Sales.

Exchequer House:

There has been limited updates on the Exchequer House development as the team recently refinanced the site and are now currently awaiting tenders. Once various tenders have been received, the team will then internally discuss the best way forward. The team have been in dialogue with numerous contractors and hope to have final tenders soon.

Corton:

Corton has been at the forefront of team attention and manpower in recent months. After securing the site in collaboration with Micota Capital and Arrow Global, the Group are happy to see the development progressing along as planned. The Group have now received offers from multiple National Housebuilders which remain in ongoing discussions and due to be finalised in the coming weeks. The team continue regular meetings with the appointed planning consultants and relevant parties. All parties are all confident that final amendments to the section 75 will be agreed once all requirements are concluded, following such all infrastructure will be able to commence.

Corton represents the team's largest development to date and will serve as a noteworthy flagship project. Delivering circa 800 homes along with 104,000 sqft of retail, employment and local community uses all within one site will help enhance the company's overall scope and capacity for the coming years.

Avon House:

The case of Avon House has become a prominent back and forth between Swan and the council. Resulting in a prolonged period in which nothing has progressed, and negotiations remain at a standstill. Senior management remain in dialogue with the council regarding the offer made from the council being significantly lower than what the Group had deemed fair in the proposal provided. The council's explanation for such a low counteroffer included them refusing to consider the funds spent to date by Swan. It is evident that the development was a work in progress and the council's intervention in pursuing a site purchase and negotiations stopped all development progress which therefore prevented full completion and any realised profits. Senior management deem it unacceptable for the council to dismiss the reimbursement of costs to date and instead determine that the site is worth considerably less than what has been outlined in the Groups proposal.

Senior management remain in dialogue with the council and agent Avison Young, with hopes to come to a resolution soon. The Group want to stress the reluctance of preventing any local regeneration work, however, are unwilling to accept insufficient offers for the funds and time spent on the site to not be developed.

Bond Sites:

In relation to the sites held under the CSE Bond (e.g., Bowling, Garscube Road, Lochore), Swan Group are still trying to obtain a 75% majority of signed resolutions that permits the ability to amend the current trustee document. As stated in previous Group update documents, the reason for this is to allow third-party funding to be applied to the sites which would enable Swan to complete the development of each site and in turn the redemption payments to the existing bondholders.

Given the insufficient funding raised through the bond, the Group have deemed it necessary to use third party funding to progress these sites towards completion and prevent the sites lying dormant for any longer. As the bond holds security over the included sites, Swan Group require bondholder permission to release the existing security. Therefore, the Group urge all nominees to contact and follow up on any un-returned resolutions from underlined bondholders/clients to achieve the required 75% majority.

All the developments remain with lapse consents with ongoing discussions progressing on the type of scheme/mix that would be preferred on each site. Progress has been made at the Bowling site as the team have managed to secure demolition approval for the onsite listed building. Demolition will commence once the required 75% majority has been gained, allowing the team to undertake the beginning of the development process.

Swan Group are eager to progress the mentioned sites, as the proposed schemes are attractive and once developed will generate the revenue that will be used to repay delayed redemptions and coupon payments. The Group believe the timeline to completion on the sites would be approx. 24 months from when third-party funding is applied, as considerable pre-planning work and design has been completed thus far.