

## Swan Group

### Progress Report: October 2023 – January 2024

Following the turn on the New Year, Swan Group are eager to continue the progress made at the back end of 2023. Swan Group experienced a series of positive developments, with progress observed across various sites in line with the development timeline. Despite the challenges posed by high inflation affecting the broader economy, Swan Group has managed to operate at full capacity.

Efficient progress continues at the Newhall Street development, and it remains on track for timely completion. Additionally, McTaggart's Construction are continuing work at Royston Road following the projects commencement. Meanwhile, the Corton site continues to advance towards planning approval. The simultaneous advancement of these three notable sites is a source of excitement for the team, reinforcing the Group's capabilities and elevating its reputation as a national housebuilder.

Swan Group are continually presented with new opportunities, notably numerous in England which are being explored. The company's forecasts are robust, and internal discussions are marked by a positive outlook for future growth. Enclosed for investors is a comprehensive overview of each major Swan Group development.

#### **Newhall Street:**

The Newhall Street development commenced in August 2022 and is nearing completion. The Group are gathering regular photography and videography to capture the progress and be used to update the Swan Group website.

The Group are glad to see another development approaching completion and final delivering, reaffirming the teams work and ability efficiently deliver high quality housing.

#### **Royston Road:**

Swan Group previously communicated the selection of McTaggart's Construction as the contractor for the Royston Road project which is now underway. Anticipated completion and delivery are projected for the 4th quarter of 2025.

The Royston Road undertaking is poised to make a significant contribution to Glasgow's regeneration objectives, providing residents with direct and secure access to the city centre. The sustained effort of the team is again demonstrated as another phase of the development process reaches fruition.

#### **Edinburgh Road:**

Following receipt of the Minded-to-Grant letter, after considerable delay from the council, disappointingly Swan Group are still awaiting full planning approval being granted.

As explained in the previous report, the collaboration from the council on this project has been unacceptable. However, the Group are focussed on pushing past this phase of the process and gaining approval so that work can begin with the teams normal and reliable working partners.

Swan Group have an end user in place who is waiting funds and final approval, to which Swan will then look to transact on the land.

**Exchequer House:**

The Exchequer House update is unfortunately consistent with the previous release. Swan Group received multiple tenders offers from regional contractors, which were reviewed and unviable. Therefore, the teams project manger has told all who submitted tenders, to re-visit the costings and see if a more competitive and viable option can be submitted.

The team reviewed the new tenders and most remained unviable. Therefore, Swan Group are looking elsewhere to try and gain a viable tender and progress on with the original plans.

**Corton:**

The Corton site and project is progressing however is slightly delayed due to limited collaboration from the council and delays in reply. The Groups in-house team and in constant dialogue with all working partners and are hoping to get an estimated start date for infrastructure works in due course.

The management team maintains an ongoing dialogue with the Group's funding partners, Micota Capital and Arrow Global, both of whom are actively monitoring the entire process.

The delivery of approximately 800 homes, complemented by 104,000 sqft of retail, employment, and local community facilities, is poised to significantly enhance the company's overall reach and capacity in the forthcoming years.

**Avon House:**

There is still no update or progress at Avon House concerning the status of the site and negotiations remain at a standstill. Therefore, below you will find the situation as previously explained in the last general update for those who are unfamiliar:

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 remains in dialogue with the council regarding the offer made by 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 their refusal 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 deems 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 Group's proposal.

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

**Bond Sites:**

The situation with the Bond Sites is consistent with Avon House in that there is no update to report. Therefore, the explanation of the situation has been included below for those who are unfamiliar. Swan Group also want to stress the importance of gaining the required majority to enable the development of the sites and subsequent repayments to bondholders.

Regarding the sites held under the CSE Bond (e.g., Bowling, Garscube Road, Lochore), Swan Group is still trying to obtain a 75% majority of signed resolutions that permits the ability to amend the current trustee document. Swan Group has sought a majority agreement via a Written Resolution to adjust the arranged security package and shift the sites from a 1st ranking charge to a 2nd ranking charge. Swan Group is hoping to apply development finance to receive the necessary funds to complete the sites in discussion which in turn would provide future capital to repay bondholders. Currently, all the remaining sites under the bond are sitting dormant within the initial security structure and therefore being left undeveloped.

To date, Swan Group is yet to receive the full majority. It is understood that many have already submitted responses, however, the most frustrating part is that there is still a significant portion of votes left unresponsive. Upon review, there are still 3,390,423 outstanding votes which total 59% of the total holdings. This represents a huge issue that Swan Group has highlighted to Woodside Trustees. Swan Group was subsequently made aware that several nominee bondholders holding such bonds for underline clients have gone into liquidation, representing a significant portion of the unresponsive amount. Upon review, the in-house team calculated that the total amount held by bondholders in liquidation is 1,705,823 bonds, representing 50% of all current outstanding votes.

This is a significant pain for Swan Group as the team is trying to find a resolution to this issue. The team has now sent out correspondence to each liquidator that is dealing with the respective bondholder's administration process hoping they could be of assistance. Such letters were sent out last week hoping that any replies can help guide the situation to either a 75% majority vote or an alternative solution.

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 has 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 is 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 bondholders. The Group believes 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 have been completed thus far.