



Swan Group

Progress Report: 2nd Quarter 2024 (April – June 2024)

Swan Group continues its dedicated focus on advancing current projects and pursuing new opportunities within a dynamic economic environment. Despite the challenges posed by inflationary pressures, the Group persists in navigating these obstacles while upholding operational efficiency.

Newhall Street:

The Newhall Street development is now two months from final completion and full handover. Swan Group has already successfully handed over two blocks to eagerly awaiting tenants, with the final blocks nearing completion and soon to be tenanted. This development has been a tremendous success for the company and all working partners, on track to deliver all 151 apartments on time and without any delays. The positive feedback from tenants and partners alike highlights the project's success and the value it adds to the community. We are proud of the collaborative effort that has brought this development to fruition and look forward to continuing our work on future projects with the same dedication and success.

Royston Road:

Similarly to the Newhall Street project, progress on the Royston Road development is advancing swiftly, staying on schedule for completion in the fourth quarter of 2025. As this development unfolds, Swan Group and our partners are excited to witness another significant addition to Glasgow's landscape. Initial units have already been erected following the completion of crucial infrastructure works on-site, with the remainder of the units set to follow soon thereafter. This project underscores our commitment to delivering high-quality developments efficiently, further enhancing our reputation for excellence in the industry. We look forward to continuing this momentum and delivering another successful project for the community and stakeholders alike.

Edinburgh Road:

The Edinburgh Road project has experienced significant delays due to extended planning processes and other departmental issues within the council. These setbacks have resulted in the project being several years behind the initially anticipated start date. Despite these challenges, the project remains a valuable asset for the group, reflecting our robust track record in managing and delivering successful developments. The prolonged delays have necessitated the use of bridging finance, which has adversely affected the project's profitability. The interest and associated costs of the bridging finance have significantly eaten into the potential profit margins. Nonetheless, the site is expected to generate a substantial return, which will be instrumental in advancing other projects within our portfolio. The Edinburgh Road site is currently in the final stages of legal formalities with a Housing Association, who are set to purchase the site under a forward fund agreement. This partnership is a testament to the site's value and the confidence in its potential to deliver significant returns. The construction phase of the project is planned to span 30 months, during which we will maintain a rigorous schedule to ensure timely delivery.



Exchequer House:

Swan Group continues to make diligent efforts to secure viable tender offers for the Exchequer House project. Through ongoing reviews and discussions, we are focused on optimizing the project's feasibility. Despite the challenges encountered, we remain proactive in exploring alternative approaches to move this initiative forward. For instance, following discussions with agents in the area, the Group were informed that student accommodation is currently high in demand in the city centre. Therefore, the team are now exploring the potential for a full student scheme and opening dialogue with local contractors to gauge estimated development costs.

Corton:

The Corton project has experienced severe delays since its purchase in November 2021, funded by equity investors and a debt provider. Initially, the project was targeted to start infrastructure work in the summer of 2022. However, it wasn't until February 2024 that significant progress was made in planning decisions concerning residential and retail components. Despite this progress, recent discussions with the council regarding common infrastructure works and Section 75 funding have been slow and unproductive. These talks have currently stalled due to the summer recess, and the council will not reconvene until September to finalize these points. Corton is Swan's largest project to date, encompassing 850 houses and 106,000 square feet of retail space. The extended delays have had a significant financial impact, particularly regarding the cost of finance. The original debt of £20.8 million has now increased to over £32 million due to accumulated interest. While the project maintains a strong profit margin, the majority of the company's profit on this project will be consumed by interest payments to our funders. Despite this, potential returns remain promising, although they are contingent on avoiding further delays from the council. Our equity funding partners and debt funders have been exceptionally patient and supportive, recognizing that the delays have been due to council inefficiencies rather than any fault of Swan. We are currently aiming to commence on-site infrastructure work by the end of October or November 2024. The infrastructure phase is expected to take 18 months, after which we can begin exiting serviced parcels to housebuilders and continue with the retail development.

Avon House:

Regarding Avon House, there has been no communication from NL Council in recent months. Costs are escalating, including utilities and building management fees, which we are currently contesting as the site and surrounding buildings are vacant. It is difficult to understand why the council is leaving the site in limbo, but we cannot proceed until they make an offer. This uncertainty leaves us without a clear understanding of the site's value or potential loss. Despite our regular follow-ups and significant investment in this much-needed affordable housing project, we still await a definitive response from the council.



Bond Sites:

Secured CSE Bond Debt/Unsecured IOM Investment

Due to recent developments and delays in various projects, the Group has experienced significant setbacks, pushing build programs back substantially. The bond projects are still pending security amendments as they are still yet to receive the majority vote to amend the bond trust document to apply the senior debt, therefore site progress is slow and cash flow constraints have arisen. This has impacted our ability to meet loan note redemptions in August 2024, the original extended maturity date. Available cash flow will need to support ongoing projects, including bond sites where loan notes hold unsecured investments, if the majority vote from bondholders is not obtained. This approach will keep projects moving forward, although it will extend the timeframe and delay liquidity more than the Isle of Man entity initially anticipated.

The original extension of the unsecured loan was set for August 2024. Given the current situation, rather than setting a new maturity target date, we will leave the notes open-ended and monitor the group's progress until the end of 2024 before making further decisions on setting a new maturity date. The Group has a substantial pipeline with a solid operating structure and partnerships, along with strong exit strategies to deliver housing. We are actively delivering affordable housing, which is being tenanted, and we have built a strong track record of providing quality products to housing associations. The inability to meet redemptions in August is solely due to cash flow being tied up in several large projects that are significantly delayed.

Isle of Man Loan Note Cell C and Investors in Cells A and B

Swan Holding PCC Limited Isle of Man is currently undergoing a restoration process with the Isle of Man company registrar. We are currently appointing a new registered agent since the previous one is no longer operating, in which all accounts for the Isle of Man entity will be aligned and all investors will be informed once this is in place. The UK side of the Group will continue managing projects that hold investment from the Isle of Man company and will provide regular updates to investors on all projects. The group remains committed to delivering its projects despite the financial challenges posed by delays and cash flow constraints. The focus will be on achieving the necessary amendments and ensuring all stakeholders are kept informed of progress.