

TO ALL KNOWN CREDITORS

9 September 2013

Ref: MLP7E/ARB/DE/SB/LO3465/PF16.1

Direct line: 020 7951 5608

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Dear Sirs

**Heritable Bank Plc (In Administration) ("the Company")**

**Court of Session number: P1684/08**

**Registered office address: Ernst & Young LLP, George House, Glasgow, G2 1RR**

**Registered company number: SC000717**

I write, in accordance with Rule 2.38 of the Insolvency (Scotland) Rules 1986 (the "Rules"), to provide creditors with a report on the progress of the Administration. This report covers the period from 1 January 2013 to 13 August 2013 and should be read in conjunction with the Administrators' proposals dated 20 November 2008 (the "Proposals") and the Administrators' previous progress reports dated 17 April 2009, 13 August 2009, 14 January 2010, 30 April 2010, 11 August 2010, 10 November 2010 (the "November 2010 Report"), 10 February 2011 (the "February 2011 Report"), 11 May 2011 (the "May 2011 Report"), 10 August 2011 (the "August 2011 Report"), 4 November 2011 (the "November 2011 Report"), 10 February 2012 (the "February 2012 Report"), 2 May 2012 (the "May 2012 Report"), 27 July 2012 (the "July 2012 Report") and 11 February 2013 (the "February 2013" Report).

The Company, registered number SC000717, entered Administration on 7 October 2008 and AR Bloom, PJ Brazzill, TM Burton and ME Mills were appointed to act as Joint Administrators (the "Administrators"). The appointment was made by the Court of Session in Scotland under the provisions of paragraph 13 of Schedule B1 to the Insolvency Act 1986 (the "Act"). Under the terms of the appointment, any act required or authorised to be done by the Administrators can be done by any of them.

On 10 October 2012, the Court of Session in Scotland approved the extension of the Administration for a further year, to 7 October 2013, in accordance with paragraph 76 of Schedule B1 to the Insolvency Act 1986.

Under the Rules, a progress report must be sent to creditors within six weeks after the end of each accounting period. Accounting periods are usually consecutive six-month periods commencing on an administrator's appointment, although accounting periods may be altered with the court's permission. Following an application by the Administrators in October 2009 and in accordance with the judgment of the Court of Session in Scotland, the Company's accounting periods may now be altered with the consent of the Company's creditors' committee. Following receipt of the consent of the Company's creditors' committee, the fourteenth accounting period ended on 13 August 2013.



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The Administrators propose to apply to the Court of Session in Scotland for a further extension to the Administration for a period of one year. The key reason for the proposed application for an extension is to allow sufficient time for the ongoing litigation with Landsbanki Islands h.f. ("LIHF") (discussed at paragraph 9.4.1) to proceed to a conclusion.

Any creditor who wishes to object to the proposed extension to the Administration is invited to intimate that objection in writing to the Joint Administrators of Heritable Bank plc, c/o Ernst & Young LLP, 1 More London Place, London SE1 2AF no later than 5pm on 20 September 2013.

## **Summary of progress since the July 2012 Report**

### **1. Deposits**

#### **1.1 Trust claims**

As previously reported, the trust settlement was concluded on 22 March 2012 and the necessary payments required under the Settlement Deed were made by the Administrators.

### **2. Books of business**

#### **2.1 Structured Property Finance ("SPF")**

At the time of the Administrators' appointment, the SPF loan book comprised 252 loans with a book value of £372.4 million (£317.2 million net of impairments). The net book value of the loan book as at the date of Administration was revised to £330.1 million, which reflected the Administrators' recovery expectations. Also included within the SPF loan book at the date of Administration were 99 short term funding loans ("STLB") with a net book value of £26.9 million. The net book value of the STLB was subsequently revised to £41.1 million following a transfer of more complex STLB accounts from the residential mortgage loan book to SPF, a write back of £4.6 million of impairments and also additional litigation receipts of £8.0 million.

As previously reported, in January 2012 the Administrators received an offer from the management of the SPF book to acquire the majority of the SPF and STLB loan books and this offer was subsequently accepted. The sale of the remainder of the SPF and STLB loan books, with the exception of four loans, was completed on 13 April 2012 and generated net receipts of £12.2 million.

Net cash receipts totalled £371.0 million as at 31 December 2012. This comprised of 296 loan redemptions and other capital receipts of £511.0 million and interest and fees of £16.0 million (less work in progress draw-downs of £111.8 million and less payments to Landsbanki Guernsey Limited (in Administration) of £44.2 million).

The number of loans outstanding has decreased from 351 to one remaining loan and funds have been set aside to fund work in progress payments for the Swaylands development project.

## **2.2 Landsbanki Guernsey Limited (In Administration) (“LBG”)**

As described in the February 2013 Report, a settlement agreement was reached to release the Company’s security relating to the one remaining site that we worked collaboratively with the Administrators of LBG to assist them in recovering.

## **2.3 Residential Mortgages (“RM”)**

As previously reported, the RM loan book was in run-off until market conditions improved and/or the Administrators considered that creditors’ interests would be best served by a sale of the book. The gross value of the RM loan book on appointment was £690.0 million (including £64.7 million in relation to the STLB).

On 15 May 2013, following a targeted marketing campaign, the Administrators agreed to sell the remaining RM loan book to Mars Capital Finance Limited for £223.8 million (based on the value of the RM loan book as at 30 November 2012). This represented a return on the remaining RM loan book of c. 88 pence in the pound.

Gross receipts to 13 August 2013, including interest collections, capital repayments and the sale to Mars Capital Finance Limited, total £658.4 million.

Following the sale to Mars Capital Finance Limited, the Administrators have terminated the agreement with Oakwood Global Finance LLP in relation to the outsourcing of the administration of the RM loan book.

## **3. Subsidiary companies**

### **3.1 Heritable Capital Partners Limited (In Administration) (“HCP”)**

As previously reported, the Company is the largest creditor of HCP, being the beneficiary of an intercompany loan of £20.0 million in relation to the Swaylands development project (“Swaylands”).

As at 31 December 2012, HCP had one loan outstanding to Neptune (Ealing Road) LLP (“Neptune”). As its only asset was sold in May 2012, and there is no other prospect of recovery, the remaining outstanding loan was written off and the Neptune entity is in the process of being wound up.

In relation to Swaylands, as previously reported, the sale of all units within the development has been completed and receipts have been sufficient to allow HCP to repay the capital balance of its loan (in relation to this project) to the Company in full. HCP remains liable to carry out remedial works to the development including the re-roofing of Swaylands House. These and other final completion works are ongoing but are expected to be completed shortly.

### **3.2 Heritable Asset Finance Limited (In Administration) (“HAF”)**

Following a sale of the remaining loan book to Aldermore Bank Plc on 2 March 2010 for a consideration of £23.0 million, which represented a return on the remaining book of 83.0 pence in the pound, HAF was subsequently dissolved on 13 September 2011.

HAF made an overall return to creditors of 95.4 pence in the pound, of which the Company received a total of £71.5 million.

### **3.3 Key Business Finance Limited and Key Business Finance Corporation Plc (formerly in Administration) (“KBFL” and “KBFC” respectively)**

Following a sale of the KBFL and KBFC loans, the Administrators concluded that KBFL and KBFC had no remaining property which might permit any further distributions to creditors. Accordingly, both companies were dissolved on 12 April 2010.

### **4. Customer collections**

As previously reported, the terms of an agreement reached with HSBC Bank Plc (“HSBC”) provided for funds of £2.0 million to be retained by HSBC as collateral against claims brought against it as a result of its previous and ongoing sponsorship of the Company.

To date, direct debit indemnity claims totalling £69,729 have been settled as an expense of the Administration.

Once the Administrators are in a position to cease trading and bring the Administration to a close, they will need to negotiate a mechanism to deal with any residual indemnity claims by HSBC. Any excess cash collateral held by HSBC will then be released to the Company.

### **5. Employees**

There are now no remaining members of staff employed by the Company.

### **6. Statutory matters**

The Administrators have complied with their statutory duties under the Act in respect of the Administration.

### **7. Receipts and payments account**

I enclose an abstract of receipts and payments account for the period 7 October 2008 to 13 August 2013. This does not reflect estimated future realisations or costs.

To date, receipts total £1,345.1 million. Cash at bank as at 13 August 2013 was £224.5 million after total payments of £1,120.7 million.

For the period 1 January 2013 to 13 August 2013, receipts totalled £221.7 million and payments totalled £30.6 million (substantially comprising payments made to creditors in respect of the thirteenth interim dividend).

Please note that a fourteenth interim dividend of c. 16.7 pence in the pound, totalling £185.1 million, was paid on 21 August 2013 as reported below. As such, the cash balance detailed above has since been reduced by this sum.

## 8. Administrators' remuneration and disbursements

The Administrators' remuneration was fixed on a time-cost basis by a resolution of the creditors' committee passed on 22 December 2008. The Administrators have incurred time costs of £27.8 million (including VAT) against which the sum of £25.7 million (including VAT) has been drawn. An analysis of the time spent is included at Appendix 2 of this report. Appendix 3 includes a statement of the Administrators' policy in relation to charging time and disbursements.

All remuneration drawn to date has been reviewed and approved by the Company's creditors' committee.

To date, the sum of £58,521 (including VAT) has been drawn in respect of disbursements, as recorded in the abstract of receipts and payments at Appendix 1.

## 9. Creditors

### 9.1 Secured creditors

The Company has no secured creditors.

### 9.2 Preferential creditors

As previously reported, we have adjudicated upon preferential claims and a first and final dividend of 100 pence in the pound was paid to all preferential creditors on 28 July 2009. The amount of this distribution was £34,843.21.

### 9.3 Non-preferential creditors

Total non-preferential claims received (excluding those received from Landsbanki Islands h.f. ("LIHF")) amount to c. £1,003.0 million. These claims were adjudicated upon and admitted in the following amounts:

Retail Deposits – Financial Services Compensation Scheme ("FSCS")	£547,062,084
In House and Pending Accounts – FSCS	£8,150,595
In House and Pending Accounts – not paid by FSCS	£641,097
Landsbanki Guernsey	£34,347,647
Wholesale Deposits – not paid by FSCS	£414,943,788
Wholesale Deposits – FSCS	£490,324
Trade Creditors	£1,400,117
Employees	£1,693,595
RPO	£128,931
Settlement of Trust	(£6,977,773)
	<u>£1,003,011,507</u>

Claims of c. £0.2 million have been formally rejected.

The claims submitted by LIHF and the Administrators' treatment of these claims is discussed in section 9.4.1 below.

### **9.3.1 Retail deposits**

The position remains as previously reported.

### **9.3.2 Other creditors**

The Administrators have received claims of £1.6 million from other unsecured non-preferential creditors. These comprise amounts due to wholesale brokers and trade suppliers. We have admitted claims totalling £1.4 million for the purposes of the fourteenth interim dividend (claims of £1.4 million were admitted for the thirteenth dividend) and rejected claims totalling £0.2 million.

### **9.3.5 Employees**

The non-preferential element of employees' claims admitted for the purposes of the fourteenth interim dividend totalled £1.7 million.

The Redundancy Payment Office ("RPO") claim relating to payments made to employees in respect of the non-preferential elements of their claims was admitted for £0.1 million.

## **9.4 Intercompany claims**

### **9.4.1 Intercompany liabilities**

We refer to the summary of developments and the Administrators' position as set out in their previous reports.

The Supreme Court appeal hearing in respect of the preliminary issue was held on 4 and 5 February 2013, and judgment was handed down on 27 February 2013. The Court dismissed Landsbanki's appeal and held that the existence and quantum of Landsbanki's liabilities to the Company should be determined in accordance with Scots law.

Landsbanki has been ordered to pay the Company's costs of litigating the preliminary issue. Landsbanki has agreed to pay £250,000 to the Company in respect of its costs of the appeal to the Supreme Court. The Company's costs of the Outer and Inner House, Court of Session proceedings in Scotland are yet to be determined.

The Company will now need to prove the existence and quantum of its claims against Landsbanki that it is seeking to set off against Landsbanki's claim in the Company's administration. A procedural hearing before the Outer House, Court of Session has been listed for 1 October 2013. Since each of the Company's claims against Landsbanki is governed by English law, the Company is proposing to ask the Outer House to issue a letter of request to the English High Court under section 426 of the Insolvency Act 1986 asking it to determine the existence and quantum of the Company's claims. It is understood that Landsbanki will not oppose this application, but it is ultimately a discretionary matter for the Court.

If the letter of request is issued, the matter will be remitted to the English High Court for determination. If the Outer House declines to issue the letter of request, the matter will be determined in Scotland, and the Company expects that the Outer House will then make a number of procedural orders to set out a timetable to trial (which may only be on the question of Landsbanki's liability to the Company, with the issue of quantum to be determined subsequently if liability is established).

The Administrators shall report further on developments in their next report.

#### **9.4.2 Intercompany receivables**

As previously reported, intercompany receivables (other than the amounts claimed by the Company from LIHF) are made up of the following amounts owed by its subsidiaries:

Key Business Finance Corporation Plc	£48,976,122
Heritable Asset Finance Limited (in Administration)	£75,147,222
Heritable Capital Partners Limited (in Administration)	<u>£19,989,588</u>
	<u>£144,112,932</u>

As previously reported, the Company's claim in the Administration of HAF had increased by £0.1 million. This was due to an assignment by KBFC to the Company of a claim KBFC had against HAF, arising from certain payments made to HMRC by KBFC in respect of group VAT liabilities incurred by HAF.

Claims had been submitted by the Company in the Administration of the respective subsidiaries as a creditor for the above amounts.

As stated previously, KBFC had paid the Company total dividends of £46.1 million and had moved to dissolution.

HAF had paid the Company total dividends of £71.6 million. The Administrators of HAF filed for dissolution on 13 September 2011 and HAF has now been dissolved.

The Administrators of HCP are not in a position to make any distribution at the present time.

#### **10. Distributions to creditors**

The Company declared and paid a first and final dividend of 100 pence in the pound to preferential creditors in July 2009.

The Company has declared and paid the following interim dividends to the Company's unsecured non-preferential creditors:

- (i) a first interim dividend of c. 16.1 pence in the pound in an amount of c. £162.7 million on 28 July 2009;

- (ii) a second interim dividend of c. 12.7 pence in the pound in an amount of c. £127.7 million on 16 December 2009;
- (iii) a third interim dividend of c. 6.2 pence in the pound in an amount of c. £62.5 million on 26 March 2010;
- (iv) a fourth interim dividend of c. 6.3 pence in the pound in an amount of c. £63.3 million on 15 July 2010;
- (v) a fifth interim dividend of c. 4.1 pence in the pound in an amount of c. £41.8 million on 14 October 2010;
- (vi) a sixth interim dividend of c. 4.7 pence in the pound in an amount of c. £47.6 million on 14 January 2011;
- (vii) a seventh interim dividend of c. 6.2 pence in the pound in an amount of c. £63.1 million on 15 April 2011;
- (viii) an eighth interim dividend of c. 4.1 pence in the pound in an amount of c. £41.0 million on 13 July 2011;
- (ix) a ninth interim dividend of c. 4.2 pence in the pound in an amount of £42.2 million on 18 October 2011;
- (x) a tenth interim dividend of c. 3.3 pence in the pound in an amount of £33.5 million on 18 January 2012;
- (xi) an eleventh interim dividend of c. 3.8 pence in the pound in an amount of £38.0 million on 18 April 2012;
- xii) a twelfth interim dividend of c. 2.9 pence in the pound in an amount of £31.8 million on 19 July 2012;
- xiii) a thirteenth interim dividend of c. 2.7 pence in the pound in an amount of £30.3 million on 15 January 2013; and
- xiv) a fourteenth interim dividend of 16.7 pence in the pound in an amount of £185.1 million on 21 August 2013.

The fourteenth dividend has been made in accordance with the scheme of division included in Appendix 4 to this report.

The Administrators have retained a reserve of £39.3 million to fully provide for legal costs in relation to the Landsbanki claim and for Administrators' costs and expenses until its conclusion. The Administrators do not intend to make any further distributions to unsecured creditors until the conclusion of this matter, with the quantum and timing dependent on the progress and outcome of the trial referred to in 9.4.1.





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I will report to you again within six weeks of the end of the next accounting period.

Yours faithfully  
for Heritable Bank Plc (In Administration)

AR Bloom  
Joint Administrator

Enc: Joint Administrators' Abstract of Receipts and Payments Account  
Summary of Joint Administrators' Time-Costs and Category 2 Disbursements  
Joint Administrators' Policy on Fees and Disbursements  
Scheme of division in respect of the fourteenth interim dividend  
Form 2.20B (Scot)

The Insolvency Practitioners Association in the UK authorises Patrick Joseph Brazzill to act as an Insolvency Practitioner under section 390(2)(a) of the Insolvency Act 1986 and the Institute of Chartered Accountants of Scotland in the UK authorises Thomas Merchant Burton to act as an Insolvency Practitioner under section 390(2)(a) of the Insolvency Act 1986. The Institute of Chartered Accountants in England and Wales in the UK authorises Alan Robert Bloom and Margaret Elizabeth Mills to act as Insolvency Practitioners under section 390(2)(a) of the Insolvency Act 1986.

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

## Appendix 1

### Heritable Bank Plc (In Administration) - Joint Administrators' Abstract of Receipts and Payments from 7 October 2008 to 13 August 2013

	Balance as at 31 December 2012	Movement from 1 January 2013 to 13 August 2013	Balance as at 13 August 2013
	£	£	£
<b>Receipts</b>			
SPF Interest	12,948,824	179,454	13,128,278
Mortgage Receipts	102,669,059	5,599,681	108,268,740
Sundry	23,969	479	24,448
Mortgage Redemptions	335,849,012	214,945,743	550,794,755
Funds from Aldermore Bank	158,062	-	158,062
SPF Loan Book Sale	6,313,208	-	6,313,208
SPF Plot Sale	491,242,642	462,773	491,705,415
SPF Capital Reduction	11,994,035	-	11,994,035
Post Appointment VAT refund	1,284,464	2,529	1,286,993
Receipts from ING	935,926	-	935,926
Refund of Cash Ratio from BOE	597,406	-	597,406
Financing	113,995	-	113,995
Bank Interest	815,070	263,039	1,078,108
Dividends From Subsidiaries	119,143,450	-	119,143,450
Intercompany Recharges	5,523,462	-	5,523,462
Cash at Bank	49,689	-	49,689
Bawag Loan	20,000,000	-	20,000,000
Recovered Court Costs	-	250,000	250,000
Dividends Received From Related Parties	7,550	-	7,550
Settlement from Trust Account	6,977,774	-	6,977,774
Transfer from Direct Debit indemnity	92,187	-	92,187
Transfer from Euro account	4,507,365	7,686	4,515,051
Transfer from Claims Reserve	2,172,970	-	2,172,970
	<u>1,123,420,118</u>	<u>221,711,383</u>	<u>1,345,131,502</u>
<b>Payments</b>			
Direct Labour	12,067	-	12,067
Pension	1,000,545	-	1,000,545
Net Wages	7,457,919	51,423	7,509,342
Employees NIC Reimbursement / NIC	31,476	-	31,476
Employee Life Insurance	11,795	-	11,795
RML Other	70,744	-	70,744
Professional Fees	256,236	4,301	260,536
Scottish Lodgement Fee	15	-	15
Refund of overpayment	144,482	-	144,482
Business Rates	1,994,794	251,050	2,245,845
Repayment of post-appointment receipts	52,859	-	52,859
Employee Expenses	34,190	2,303	36,493
Sundry Expenses	485,544	1,209	486,753
Bank Charges and Interest	60,617	4,986	65,603
Administrators Fees	24,326,572	1,343,709	25,670,280
Administrators Disbursements	56,590	1,931	58,521
Legal Disbursements	121,636	-	121,636
Legal Fees	11,000,319	1,128,521	12,128,841
Loans to Subs	6,310	-	6,310
SPF - Legal	1,698,347	-	1,698,347
Purchase Orders/Trade Suppliers	9,824,423	1,427,818	11,252,240
SPF Drawdown	98,425,877	17,925	98,443,802
RML Drawdown	2,699,594	-	2,699,594
HCP Drawdown	657,635	5,508	663,143
Ransom Payments - Trade / Legal	273,080	-	273,080
RML - Legal	256,321	-	256,321
Bawag Loan Interest	22,657,706	-	22,657,706
Bawag Loan fee	1,000,000	-	1,000,000
Transfer to claims reserve account	72,355,631	(7,400,000)	64,955,631
Payments on behalf of HCP	12,115,755	370,163	12,485,918
Direct Debit Indemnity Claims	69,729	-	69,729
Insurance	469,624	34,335	503,959
PAYE	5,159,354	52,365	5,211,719
Transfer to HSBC DD Cash Collateral A/c	148,224	-	148,224
Newcastle building society	670,025	-	670,025
Payments to Landsbanki Guernsey	44,014,930	-	44,014,930
Sale process due diligence costs	-	150,000	150,000
VAT Payment	1,844,170	-	1,844,170
Distribution to preferential creditors	36,564	-	36,564
First distribution to unsecured creditors	163,195,292	-	163,195,292
Second distribution to unsecured creditors	127,732,167	-	127,732,167
Third distribution to unsecured creditors	62,482,199	-	62,482,199
Fourth distribution to unsecured creditors	63,317,833	-	63,317,833
Catch up payments for previous dividends	353,289	53,965	407,254
Fifth distribution to unsecured creditors	41,752,900	-	41,752,900
Sixth distribution to unsecured creditors	47,610,416	-	47,610,416
Seventh distribution to unsecured creditors	63,111,769	-	63,111,769
Eighth distribution to unsecured creditors	45,565,923	-	45,565,923
Ninth distribution to unsecured creditors	42,203,502	-	42,203,502
Tenth distribution to unsecured creditors	36,752,076	-	36,752,076
Eleventh distribution to unsecured creditors	37,560,274	-	37,560,274
Twelfth distribution to unsecured creditors	28,679,470	-	28,679,470
Thirteenth distribution to unsecured creditors	-	30,267,660	30,267,660
Oakwood Management Fee	7,830,620	2,781,470	10,612,090
Assignment of VAT Liability	128,165	-	128,165
Petty Cash	14,000	-	14,000
Property Surrender Payment	228,000	-	228,000
HMRC tax/nc deductions re emp dividend	91,580	10,983	102,563
	<u>1,090,111,173</u>	<u>30,561,624</u>	<u>1,120,672,797</u>
	<u>33,308,945</u>	<u>191,149,759</u>	<u>224,458,705</u>
<b>Represented By:</b>			
Royal Bank of Scotland	6,975,950	86,726,583	93,702,533
Santander	6,806,309	(6,805,360)	949
HBOS	6,809,123	38,718,649	45,527,772
HSBC Current Account	5,644,286	(5,627,652)	16,634
HSBC - SPF account	258,664	42,343,555	42,602,219
Co-op	6,814,613	(6,814,613)	-
Barclays	-	42,608,598	42,608,598
	<u>33,308,945</u>	<u>191,149,759</u>	<u>224,458,705</u>

## Appendix 2

### Heritable Bank Plc (In Administration)

#### Summary of Joint Administrators' time-costs and category 2 disbursements from 7 October 2008 to 13 August 2013

Classification of work function	Partner	Executive Director	Senior Manager	Manager	Senior	Staff	Total Hours	Average Hourly Rate (£)	Time costs for period (£)
Accounting, Administration, Bank & Statutory Reporting, Statutory Duties and Immediate Tasks	299.80	24.30	969.40	1,217.30	4,089.30	8,635.70	15,235.80	262.83	£4,004,452.28
Creditors and Debtors	257.50	26.40	354.20	1,374.20	3,169.90	2,284.80	7,467.00	252.64	£1,886,442.27
Employee Matters	42.70	-	166.20	83.50	678.80	39.80	1,011.00	324.82	£328,396.60
FSA/BoE Reporting	7.50	1.00	110.80	90.50	191.00	-	400.80	369.43	148,069.39
Investigations	2.00	0.50	14.00	3.50	17.00	38.00	75.00	125.43	£9,407.50
IT	20.00	-	544.50	321.50	153.00	6.40	1,045.40	544.10	£568,800.47
Legal Issues	93.00	3.00	22.50	5.00	59.20	83.40	266.10	380.84	£101,342.60
Other Assets and KBFC	10.00	0.50	8.20	75.60	20.80	16.00	131.10	420.14	55,080.81
Public Relations	6.10	4.00	6.00	3.00	-	-	19.10	450.79	8,610.00
Residential Mortgage	588.30	374.40	1,746.80	1,698.80	1,760.10	412.40	6,580.80	441.32	£2,904,225.61
Outsourcing of Residential Mortgage Book	11.00	130.80	764.00	57.00	85.00	-	1,047.80	518.38	543,157.50
Retail Book	45.80	1.50	182.50	668.50	516.00	219.30	1,633.60	329.25	£537,861.56
Retention of Title	1.50	-	1.10	-	5.50	-	8.10	356.36	2,886.50
Sale Process	180.80	123.80	398.30	355.00	1,491.00	55.00	2,603.90	426.19	£1,109,764.74
Structured Property Finance	663.80	865.80	5,418.20	3,707.80	8,199.10	1,542.00	20,396.70	426.18	£8,692,733.05
Steps pre-appointment	12.00	4.00	15.00	-	-	-	31.00	567.42	17,590.00
Trading	4.00	-	391.80	1,611.20	1,264.20	604.20	3,875.40	311.31	£1,206,450.41
VAT & Taxation	109.50	263.80	537.70	661.70	927.00	402.20	2,901.90	515.14	£1,494,898.64
Wholesale Depositors	-	-	-	-	25.60	40.00	65.60	103.41	£6,784.00
<b>Grand Total</b>	<b>2,355.30</b>	<b>1,823.80</b>	<b>11,651.20</b>	<b>11,934.10</b>	<b>22,652.50</b>	<b>14,379.20</b>	<b>64,796.10</b>	<b>364.64</b>	<b>£23,626,953.93</b>

Please note that this includes fees and other charges reclaimed in relation to services performed for ING under the Transfer orders, as referred to in the Administrators' Statement of Proposals

#### Charge out rates for the Administration team

Grade	Standard Rates for Restructuring 2012/2013	Standard Rates for M&A 2012/2013
Partner	765	836
Director	694	732
Assistant Director	536	602
Senior Executive	393	448
Executive	289	361
Assistant Executive	224	-
Client Service Associate	213	-
Analyst	185	-
Business Trainee	158	-

The above rates represent a 3% uplift as approved by the Creditors' Committee effective from 1 July 2012.

## **Appendix 3**

### **Heritable Bank Plc (In Administration)**

#### **Office Holders' Charging Policy for Fees**

The Company's creditors have determined that the Administrators' remuneration should be fixed on the basis of time properly spent by the Administrators and their staff in attending to matters arising in the Company's Administration.

The Administrators have engaged a manager and other staff to work on the cases. The work required is delegated to the most appropriate level of staff taking account of the nature of the work and the individual's experience. Additional assistance is provided by Accounting and Treasury Executives dealing with the Company's bank accounts and statutory compliance issues. Work carried out by all staff is subject to the overall supervision of the Administrators.

All time spent by staff working directly on case-related matters is charged to a separate time code established for each case. Each member of staff has a specific hourly rate, which is subject to change over time. The average hourly rate for each category of staff over the period is shown in Appendix 2, as are the current hourly rates used. The current hourly rates may be higher than the average rates, if hourly rates have increased over the period covered by this report.

#### **Office Holders' Charging Policy for Disbursements**

Statement of Insolvency Practice No. 9 (Scotland) ("SIP 9") published by R3 (The Association of Business Recovery Professionals) divides disbursements into two categories.

Category 1 disbursements comprise payments made by the office holders' firm, which comprise specific expenditure relating to the administration of the insolvent's affairs and referable to payment to an independent third party. These disbursements can be paid from the insolvent's assets without approval from the Committee. In line with SIP 9, it is our policy to disclose such disbursements drawn but not to seek approval for their payment. We are prepared to provide such additional information as the Committee require to support the disbursements drawn.

Category 2 disbursements comprise payments made by the office holders' firm which include elements of shared or overhead costs. Such disbursements are subject to approval from the Company's creditors as if they were remuneration. It is our policy, in line with SIP 9, to seek approval for this category of disbursement before they are drawn.

We do not propose to draw any Category 2 disbursements.

## Appendix 4

### Heritable Bank Plc (In Administration) ("the Company")

#### Administrators' Proposed Scheme of Division for the Fourteenth Interim Dividend as at 13 August 2013

	£	£
Balance of Receipts and Payments account		224,458,704.54
Balance of Reserve account		81,117,930.37
 <u>Provisions for Estimated Payments</u>		
Administrators' fees (unbilled)	1,839,635.48	
Provisions for costs until the end of the Administration	37,487,900.00	
		<hr/>
		(39,327,535.48)
Provision for potential payments in respect of first, second, third, fourth, fifth, sixth, seventh, eighth, ninth, tenth, eleventh, twelfth, thirteenth and fourteenth interim dividends		(81,117,930.37)
		185,131,169.06
Balance available for fourteenth interim dividend to unsecured creditors		
Provision for potential payments in respect of fourteenth interim dividend <sup>1</sup>		(17,257,120.39)
		<hr/>
Dividend payable for fourteenth dividend to unsecured creditors		167,874,048.67

The estimated sum of £185,131,169.06 represents a dividend of c. 16.73 pence in the pound to unsecured creditors whose claims total £1,003,011,507.95.

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<sup>1</sup> Breakdown set out below

Provision for potential payments in respect of fourteenth interim dividend:

	Note	£	£
<u>Claims submitted by Landsbanki (each as defined below):</u>			
RCF Claim	1	85,985,378.60	
MPA Claim	2	17,122,221.92	
Guarantee Claim	3	0.00	
Subordinated Debt Claim	4	0.00	
			103,107,600.52
Total Provisions			103,107,600.52
Dividend of 16.73p/£			17,257,120.39

Notes:

1. This relates to a claim made by Landsbanki for the balance drawn by the Company under the £400 million revolving credit facility between the parties dated 31 May 2002 (as amended) (the "**RCF Claim**"). The RCF Claim has been rejected by the Administrators in full. Landsbanki has appealed the rejection of the RCF Claim and under applicable Scottish legislation, the Company is required to make a provision for the dividend payable in respect of the full amount of the RCF Claim pending resolution of the appeal.
2. This relates to a claim made by Landsbanki under the Master Participation Agreement between the parties dated 29 May 2001 (the "**MPA Claim**"). The MPA Claim has been rejected by the Administrators in full. Landsbanki has appealed the rejection of the MPA Claim and, under applicable Scottish legislation, the Company is required to make a provision for the dividend payable in respect of the full amount of the MPA Claim pending resolution of the appeal.
3. This relates to a claim made by Landsbanki in respect of the guarantee dated 19 January 2004 pursuant to which Landsbanki agreed to guarantee all amounts owing by the Company to its other creditors (the "**Guarantee Claim**"). The Administrators have treated the Guarantee Claim as a contingent claim and attributed to it a value of zero. Although Landsbanki has appealed the valuation, it has confirmed that the Administrators do not presently need to make a provision in respect of this claim.
4. This relates to a claim made by Landsbanki for amounts borrowed by the Company under a £50 million subordinated loan agreement between the parties dated 13 August 2001 (the "**Subordinated Debt Claim**"). The Administrators have treated the Subordinated Debt Claim as a contingent claim and attributed to it a value of zero. Although Landsbanki has appealed the valuation, it has confirmed that the Administrators do not presently need to make a provision in respect of this claim.

**Administrators' progress report****Pursuant to Rule 2.38 of the Insolvency (Scotland) Rules 1986**

Name of Company Heritable Bank Plc (In Administration)	Company number SC000717
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(a) Insert full name(s) I / We and address(es) of administrator(s) (a) Alan Robert Bloom, Patrick Joseph Brazzill, Margaret Elizabeth Mills and Thomas Merchant Burton  
of Ernst & Young LLP, 1 More London Place, London SE1 2AF

administrator(s) of the above company attach a progress report for the period

	from	to
(b) Insert date	(b) <u>1 January 2013</u>	(b) <u>13 August 2013</u>

Signed



Joint Administrator

Dated

4 September 2013**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

Scott Brady	
Ernst & Young LLP, 1 More London Place, London SE1 2AF	
	Tel: 0207 951 5608
DX Number:	DX Exchange:

Companies House receipt date  
barcode

When you have completed and signed this form please send it to the Registrar of Companies at:

Companies House, 37 Castle Terrace, Edinburgh, EH1 2EB  
DX 235 Edinburgh / LP 4 Edinburgh-2