

TO ALL KNOWN CREDITORS

6 September 2015

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

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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 14 February 2015 to 13 August 2015 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"), 11 February 2013 (the "February 2013 Report"), 9 September 2013 (the "September 2013 Report"), 25 March 2014 (the "March 2014 Report"), 29 August 2014 (the "August 2014 Report") and 16 March 2015 ("the March 2015 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 11 September 2013, Thomas Merchant Burton was replaced as a Joint Administrator of the Company by Colin Peter Dempster of Ernst & Young LLP, 10 George Street, Edinburgh, EH2 2DZ by a Court Order.

On 16 September 2014, the Court of Session in Scotland approved a further extension of the Administration for a further year, to 6 October 2015, in accordance with paragraph 76 of Schedule B1 to the Insolvency Act 1986.

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 to resolve the water ingress issues relating to Swaylands, as per paragraph 3.1 of this report.

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 18 September 2015.

## **Summary of progress since the February 2015 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. 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 (as detailed in section 3.1).

#### **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 2015, including interest collections, capital repayments and the sale to Mars Capital Finance Limited, total £660.1 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”)**

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 previously reported, on 23 December 2013, the Joint Administrators of HCP became aware that several units in the Drummond Hall and Woodgate Manor blocks of the Swaylands development were materially affected by water ingress issues. Consequently, in February 2014 the Joint Administrators and SEML jointly instructed the Building Research Establishment (the “BRE”) to investigate the causes of the water ingress affecting the two new build apartment blocks on the Swaylands estate: Drummond Hall and Woodgate Manor.

The final BRE report, which was received on 18 June 2014, recommended that further investigations be carried out to confirm the causes and extent of the defects.

Subsequently, the National House Building Council (the “NHBC”) wrote to the Joint Administrators of HCP on 8 August 2014 to notify that a claim has been made to them in respect of the water ingress issues at Swaylands and that an investigation will take place. Until the results of the NHBC investigation have become available, the Joint Administrators of HCP will not know whether it will be necessary for them to take any action in relation to the water ingress issues, nor what the cost of such action might be.

It is not presently known how long the NHBC investigation will take to complete, but given the complexity of the issues and the number of parties involved, it is possible that it may take in excess of a year for the matter to be resolved.

### **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 were settled as an expense of the Administration.

Following the sale of the Company’s loan book to Mars Capital Finance Limited in May 2013, the Joint Administrators have now received the amount of £2.0 million back from HSBC in full.

## **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.

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

I enclose an abstract of receipts and payments account for the period 7 October 2008 to 13 August 2015. This does not reflect estimated future realisations or costs.

To date, receipts total £1,368.7 million. Cash at bank as at 13 August 2015 was £37.8 million after total payments of £1,300.0 million. For the period 14 February 2015 to 13 August 2015, the balance of receipts and payments totalled a receipt of £30,913,264.

## 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 £29.8 million (including VAT) against which the sum of £29.6 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 £106,364 (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 amount to c. £1,073.0 million. These claims were adjudicated upon and admitted in the following amounts:

|   |                              |
|---|------------------------------|
| Retail Deposits – Financial Services Compensation Scheme (“FSCS”) | £547,062,084                 |
| Settlement with LBI hf (non-deferred)                             | £70,000,000                  |
| 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   | £1,621,426                   |
| Trade Creditors   | £1,400,117                   |
| Employees   | £1,693,595                   |
| RPO   | £128,931                     |
| Settlement of Trust   | <u>(£6,977,773)</u>          |
|   | <u><u>£1,073,011,508</u></u> |

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

The claims submitted by LBI hf (“LBI”) and the conclusion to the settlement discussions in relation to these claims are discussed further 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, comprising of amounts due to wholesale brokers and trade suppliers, of which claims totalling £1.4 million have been admitted.

### **9.3.5 Employees**

The non-preferential element of employees’ claims admitted to date totals £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 has been 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 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 LBI appeal and held that the existence and quantum of LBI liabilities to the Company should be determined in accordance with Scots law.

On 1 October 2013, the Outer House, Court of Session agreed 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 against LBI that the Company is seeking to set off against LBI claim in the Company’s administration. The matter has therefore been remitted to the English High Court for determination, but no steps have yet been taken to commence the proceedings in England.

Following the Supreme Court’s judgment in favour of the Company and before commencing proceedings in England, the Administrators decided that it would be in the best interests of the Company’s creditors to explore whether a settlement with LBI could be reached in respect of its claim in the Company’s administration.

As per the Administrators’ letter to all known creditors dated 21 May 2015, a settlement was reached with LBI to agree a claim of £77m in respect of their claim under the revolving credit

facility. As part of this agreement, LBI have agreed to defer £7m of this claim and will not be entitled to receive any further dividend or payment in respect of that sum until (amongst other matters) all of the Company's other unsecured creditors have received 100p in respect of their identified claims.

All other aspect of LBI's claims in the administration were either withdrawn or agreed and given a nil value for all purposes.

Following no objections being received from creditors, the Court of Session granted a Joint Minute dated 20 May 2015 to agree this settlement. LBI were subsequently paid a catch up dividend in respect of their entitlement under the non-deferred £70m aspect of their claim.

#### **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.



Following settlement with LBI, a dividend to unsecured creditors in the amount of c.3.98p in the £ was announced, due to be paid in August 2015.

The Administrators have retained a reserve to fully provide for Administrators' costs and expenses until closure of the administration following the conclusion of matters at Swaylands. The Administrators do not intend to make any final distribution to unsecured creditors until the conclusion of this matter.

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**  
**Joint Administrators' proposed Scheme of Division**  
**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 Colin Peter Dempster 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 2015

|  | Balance as at 13<br>February 2015 | Movement from 14<br>February 2015 to 13<br>August 2015 | Balance as at 13<br>August 2015 |
|--|-----------------------------------|--|---------------------------------|
|  | £                                 | £  | £                               |
| <b>Receipts</b>                                |                                   |  |                                 |
| SPF Interest                                   | 13,163,278                        | (82,000)   | 13,081,278                      |
| Mortgage Receipts                              | 108,323,856                       | -  | 108,323,856                     |
| Sundry   | 24,448                            | 2,729  | 27,177                          |
| Mortgage Redemptions                           | 551,706,076                       | 102,384  | 551,808,460                     |
| Funds from Aldermore Bank                      | 158,062                           | -  | 158,062                         |
| SPF Loan Book Sale                             | 6,313,208                         | -  | 6,313,208                       |
| SPF Plot Sale                                  | 491,842,472                       | -  | 491,842,472                     |
| SPF Capital Reduction                          | 11,994,035                        | -  | 11,994,035                      |
| Post Appointment VAT refund                    | 1,413,592                         | 76,950   | 1,490,542                       |
| Receipts from ING                              | 935,926                           | -  | 935,926                         |
| Refund of Cash Ratio from BOE                  | 597,406                           | -  | 597,406                         |
| Financing                                      | 113,995                           | -  | 113,995                         |
| Bank Interest                                  | 1,322,213                         | 91,634   | 1,413,847                       |
| 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                     | 4,515,051                         | -  | 4,515,051                       |
| Transfer from Claims Reserve                   | 2,172,970                         | 19,819,237   | 21,992,207                      |
| HSBC Direct Debit Indemnity Return             | 2,000,000                         | -  | 2,000,000                       |
|  | <u>1,348,640,700</u>              | <u>20,010,934</u>                                      | <u>1,368,651,635</u>            |
| <b>Payments</b>                                |                                   |  |                                 |
| Direct Labour                                  | 12,067                            | -  | 12,067                          |
| Pension  | 1,000,545                         | -  | 1,000,545                       |
| Net Wages                                      | 7,623,251                         | 35,737   | 7,658,988                       |
| Employees NIC Reimbursement / NIC              | 47,936                            | 8,207  | 56,143                          |
| Employee Life Insurance                        | 11,795                            | -  | 11,795                          |
| RML Other                                      | 70,744                            | -  | 70,744                          |
| Professional Fees                              | 260,536                           | -  | 260,536                         |
| Scottish Lodgement Fee                         | 15                                | -  | 15                              |
| Refund of overpayment                          | 144,482                           | -  | 144,482                         |
| Business Rates                                 | 2,245,845                         | -  | 2,245,845                       |
| Repayment of post-appointment receipts         | 52,859                            | -  | 52,859                          |
| Employee Expenses                              | 38,161                            | -  | 38,161                          |
| Sundry Expenses                                | 486,798                           | -  | 486,798                         |
| Bank Charges and Interest                      | 67,903                            | 206  | 68,109                          |
| Administrators Fees                            | 27,877,843                        | 1,753,024  | 29,630,867                      |
| Administrators Disbursements                   | 62,323                            | 44,040   | 106,364                         |
| Legal Disbursements                            | 121,636                           | 32   | 121,668                         |
| Legal Fees                                     | 13,205,118                        | 163,525  | 13,368,643                      |
| Loans to Subs                                  | 6,310                             | -  | 6,310                           |
| SPF - Legal                                    | 1,698,347                         | -  | 1,698,347                       |
| Purchase Orders/Trade Suppliers                | 12,302,862                        | 107,603  | 12,410,465                      |
| SPF Drawdown                                   | 98,443,802                        | -  | 98,443,802                      |
| RML Drawdown                                   | 2,699,594                         | -  | 2,699,594                       |
| HCP Drawdown                                   | 663,743                           | -  | 663,743                         |
| Ransom Payments - Trade / Legal                | 273,080                           | -  | 273,080                         |
| RML - Legal                                    | 330,386                           | -  | 330,386                         |
| Bawag Loan Interest                            | 22,657,706                        | -  | 22,657,706                      |
| Bawag Loan fee                                 | 1,000,000                         | -  | 1,000,000                       |
| Transfer to claims reserve account             | 82,113,006                        | (79,003,792)   | 3,109,214                       |
| Payments on behalf of HCP                      | 12,997,183                        | 122,717  | 13,119,901                      |
| Direct Debit Indemnity Claims                  | 69,729                            | -  | 69,729                          |
| Insurance                                      | 532,293                           | 31,005   | 563,298                         |
| PAYE   | 5,282,946                         | 23,224   | 5,306,170                       |
| 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       | 408,474                           | -  | 408,474                         |
| 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 | 30,265,568                        | -  | 30,265,568                      |
| Fourteenth distribution to unsecured creditors | 167,787,541                       | -  | 167,787,541                     |
| Catch up dividend to LBI-hf                    | 0                                 | 65,812,142   | 65,812,142                      |
| Oakwood Management Fee                         | 10,612,090                        | -  | 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/nic deductions re emp dividend        | 188,416                           | -  | 188,416                         |
|  | <u>1,310,860,831</u>              | <u>(10,902,329)</u>                                    | <u>1,299,958,502</u>            |
| <b>Balance at bank</b>                         | <u>37,779,869</u>                 | <u>30,913,264</u>                                      | <u>68,693,133</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 2015

| 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 | 313.30          | 27.70              | 999.20           | 1,400.00         | 4,215.70         | 9,303.40         | 16,259.30        | 262.06                  | £4,260,939.79             |
| Creditors and Debtors  | 257.50          | 28.80              | 901.70           | 1,704.80         | 3,516.40         | 2,415.90         | 8,825.10         | 281.01                  | £2,479,914.11             |
| Employee Matters   | 42.70           | -                  | 166.40           | 83.50            | 705.60           | 46.00            | 1,044.20         | 323.49                  | £337,792.49               |
| FSA/BoE Reporting  | 7.50            | 1.00               | 112.30           | 90.50            | 191.00           | -                | 402.30           | 369.15                  | £148,507.65               |
| Investigations   | 2.00            | 0.50               | 14.00            | 3.50             | 17.00            | 38.00            | 75.00            | 125.43                  | £9,407.50                 |
| IT   | 20.00           | -                  | 555.50           | 322.00           | 155.50           | 6.40             | 1,059.40         | 544.83                  | £577,197.03               |
| Legal Issues   | 103.00          | 9.00               | 32.50            | 5.00             | 109.20           | 83.40            | 342.10           | 396.08                  | £135,499.70               |
| 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   | 121.80          | 130.80             | 764.00           | 69.00            | 144.80           | 2.70             | 1,233.10         | 563.87                  | £695,312.25               |
| 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             | 425.30           | 355.00           | 1,491.00         | 76.40            | 2,652.30         | 428.04                  | £1,135,300.08             |
| Structured Property Finance  | 663.80          | 865.80             | 5,719.20         | 3,732.30         | 8,391.10         | 1,562.60         | 20,934.80        | 430.71                  | £9,016,848.61             |
| 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   | 190.10          | 278.20             | 573.90           | 745.20           | 981.00           | 618.60           | 3,387.00         | 497.22                  | £1,684,080.94             |
| Wholesale Depositors   | -               | -                  | -                | -                | 25.60            | 40.00            | 65.60            | 103.41                  | £6,784.00                 |
| <b>Grand Total</b>   | <b>2,508.80</b> | <b>1,840.40</b>    | <b>12,088.30</b> | <b>12,262.00</b> | <b>23,396.80</b> | <b>14,938.20</b> | <b>68,559.30</b> | <b>367.86</b>           | <b>£25,220,289.05</b>     |

#### Charge out rates for the Administration team

| Grade                    | Rates for Restructuring 2014/2015 | Rates for M&A 2014/2015 |
|--------------------------|-----------------------------------|-------------------------|
| 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.

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

## **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 Fifteenth Interim Dividend as at 13 August 2015

|   | £             | £                      |
|---|---------------|------------------------|
| Balance of Receipts and Payments account                                    |               | 68,693,132.92          |
| <u>Provisions for Estimated Payments</u>                                    |               |                        |
| Administrators' fees (unbilled)   | 133,461.47    |                        |
| Provisions for costs until the end of the Administration                    | 25,825,330.07 |                        |
|   |               | <u>(25,958,791.54)</u> |
| Balance available for fifteenth interim dividend to unsecured creditors     |               | 42,734,341.38          |
| Dividend payable of c.3.98p/£ for fifteenth dividend to unsecured creditors |               | <u>42,705,858.02</u>   |

The estimated sum of £42,705,858.02 represents a dividend of c.3.98 pence in the pound to unsecured creditors whose claims total £1,073,011,507.95.

