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TO ALL KNOWN CREDITORS

31 August 2018

Ref: ML5W/ARB/DE/TH/OD/LO3465  
Direct line: 020 7951 3476  
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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 2018 to 13 August 2018 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"), 16 March 2015 ("the March 2015 Report"), 6 September 2015 ("the September 2015 Report"), 10 March 2016 ("the March 2016 Report"), 16 September 2016 ("the September 2016 Report"), 20 March 2017 ("the March 2017 Report"), 30 August 2017 ("the August 2017 Report") and 19 March 2018 ("the March 2018 Report").

The Company, registered number SC000717, entered Administration on 7 October 2008 and AR Bloom, PJ Brazill, 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.

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 investigations in relation to the Swaylands development project (discussed at paragraph 3.1) to proceed to a conclusion. The Joint Administrators continue to seek a resolution to this issue and hope to be in a position to resolve matters in the foreseeable future.

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 14 September 2018.

## **Summary of progress since the February 2018 Report**

### **1. Books of business**

#### **1.1 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 2018, including interest collections, capital repayments and the sale to Mars Capital Finance Limited, total £660.2m.

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

### **2. Subsidiary companies**

#### **2.1 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”).

The Joint Administrators have received claims of water ingress in relation to two buildings at Swaylands, being Swaylands House and Drummond Hall. These claims are outlined below:

#### **Swaylands House:**

As previously reported, towards the end of 2015, notice of a potential claim was made by Swaylands Estate Management Limited (“SEML”) in relation to water ingress issues at Swaylands House, the re-developed original building at Swaylands. Formal notice of a claim has also been received from an individual leaseholder in relation to water ingress in an apartment. In February 2017, the Joint Administrators instructed an expert to inspect the reported water ingress issues and to produce a formal report of his findings. In June 2017, this report was finalised, and shared on a non-reliance and without prejudice basis with SEML and the leaseholder concerned. In summary, the report stated that there are a number of material issues with the workmanship and design of the structure.

The Joint Administrators have asked SEML and all other long leaseholders who consider they may have a potential claim to provide full details, including quantum, of their potential claims. Several other long leaseholders have now done so. SEML and the leaseholder concerned previously indicated that they intend to assert that at least some of their claims rank as expenses of the administration. If SEML or any of the other leaseholders are able to establish that any of their claims rank as expenses claims in the administration then such expenses could be payable out of the funds received by the Company from HCP or the leaseholders in respect of property subject to the Company's fixed charge.

**Drummond Hall:**

As previously reported, in December 2013, the Joint Administrators became aware that several units in another block on the Swaylands Estate, Drummond Hall, were materially affected by water ingress issues.

We understand that in around November 2015, certain National House Building Council ("NHBC") works were commissioned at Drummond Hall (in response to claims by leaseholders under their individual NHBC insurance policies) in relation to alleged defects and instances of water ingress. In July 2016, the Joint Administrators were informed that certain leaseholders at Drummond Hall would pursue claims against HCP in the event that the NHBC works were unsuccessful. Certain leaseholders since confirmed that they would bring claims directly against HCP notwithstanding the ongoing correspondence with, and investigations by, the NHBC. Such claims have now been received from leaseholders and SEML at Drummond Hall. As with Swaylands House, to the extent that any of these parties are able to establish that any of their claims rank as expenses claims in the administration then such expenses could be payable out of the funds received by the Company from HCP or the leaseholders in respect of property subject to the Company's fixed charge.

In May 2017, the Joint Administrators arranged for a non-intrusive inspection of Drummond Hall. In August 2018, the Joint Administrators instructed an expert to perform an intrusive inspection of the reported water ingress issues and to produce a formal report of his findings, which is due to be finalised in September 2018.

**Generally:**

In relation to both Swaylands House and Drummond Hall, the Joint Administrators continue to take steps to investigate the basis of claims made by the leaseholders and SEML, and continue to request further information in order to consider the validity of claims, whilst exploring potential resolutions. On 23 February 2018 the Administrators distributed a letter to all relevant leaseholders and SEML giving notice of the Administrators' intention to make an application to the court to set a bar date by which all claims must be received, the date of which has now passed.

Subject to the progression of the consensual resolution of the above claims, we anticipate a bar date application will be made shortly and that a hearing shall be scheduled in the coming months. As a guide, the bar date is likely to be set 3 months after the date of the court order, although this is at the courts discretion.



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### **3. Employees**

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

### **4. Statutory matters**

The Administrators have complied with their statutory duties under the Act.

### **5. Receipts and payments account**

I enclose an abstract of receipts and payments account for the period 7 October 2008 to 13 August 2018. This does not reflect estimated future realisations or costs.

To date, receipts total £1,371.3 million. Cash at bank as at 13 August 2018 was £23.9 million after total payments of £1,347.4 million. For the period 14 February 2018 to 13 August 2018, the balance of receipts and payments totalled a payment of (£0.4) million.

### **6. 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 total time costs of £31.0 million (including VAT) against which the sum of £30.7 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 £106,698 (including VAT) has been drawn in respect of disbursements, as recorded in the abstract of receipts and payments at Appendix 1.

### **7. Creditors**

#### **7.1 Secured creditors**

The Company has no secured creditors.

#### **7.2 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.

#### **7.3 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	(£6,977,773)
	<u>£1,073,011,508</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.

### 7.3.1 Retail deposits

The position remains as previously reported.

### 7.3.2 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.

### 7.3.3 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.

## 7.4 Intercompany claims

### 7.4.1 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.



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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.

#### **7.4.2 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.



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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.

## **8. 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;



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xiv) a fourteenth interim dividend of 16.7 pence in the pound in an amount of £185.1 million on 21 August 2013; and

xv) a fifteenth interim dividend of 3.98 pence in the pound in an amount of £50.3 million on 26 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 (as detailed at Section 2.1 of this report). 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  
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 2018

	Balance as at 13 February 2018	Movement from 14 February 2018 to 13 August 2018	Balance as at 13 August 2018
	£	£	£
<b>Receipts</b>			
SPF Interest	13,081,278	-	13,081,278
Mortgage Receipts	108,333,055	18,973	108,352,028
Sundry	130,733	-	130,733
Mortgage Redemptions	551,870,183	-	551,870,183
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	1,618,818	95,290	1,714,108
Receipts from ING	935,926	-	935,926
Refund of Cash Ratio from BOE	597,406	-	597,406
Financing	113,995	-	113,995
Bank Interest	1,633,184	62,414	1,695,598
Dividends From Subsidiaries	119,143,450	-	119,143,450
Intercompany Recharges	5,523,462	-	5,523,462
Cash at Bank	49,689	-	49,689
Bawaq 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	21,992,205	-	21,992,205
HSBC Direct Debit Indemnity Return	2,000,000	-	2,000,000
Corporation Tax Refund	1,946,336	-	1,946,336
	<b>1,371,120,059</b>	<b>176,676</b>	<b>1,371,296,735</b>
<b>Payments</b>			
Direct Labour	12,067	-	12,067
Pension	1,000,545	-	1,000,545
Net Wages	7,839,044	35,743	7,874,787
Employees NIC Reimbursement / NIC	87,568	-	87,568
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	486,844	-	486,844
Bank Charges and Interest	68,800	15	68,815
Administrators Fees	30,700,462	-	30,700,462
Administrators Disbursements	106,698	-	106,698
Legal Disbursements	121,668	-	121,668
Legal Fees	13,669,186	119,92	13,669,306
Loans to Subs	6,310	-	6,310
SPF - Legal	1,698,347	-	1,698,347
Purchase Orders/Trade Suppliers	12,756,586	13,847	12,770,432
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
Bawaq Loan Interest	22,657,706	-	22,657,706
Bawaq Loan fee	1,000,000	-	1,000,000
Transfer to claims reserve account	3,109,214	-	3,109,214
Payments on behalf of HCP	15,134,606	448,419	15,583,025
Direct Debit Indemnity Claims	69,729	-	69,729
Insurance	621,107	27,888	648,995
PAYE / NIC	5,374,740	31,387	5,406,127
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
Fifteenth distribution to unsecured creditors	42,697,099	-	42,697,099
Catch up dividend to LBI-HF	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/hic deductions re emp dividend	218,723	-	218,723
Corporation Tax	35,387	18,063	53,450
Redemption Fee	6,863	-	6,863
	<b>1,346,798,054</b>	<b>575,480.70</b>	<b>1,347,373,534.49</b>
<b>Balance of receipts and payments</b>	<b>24,321,027</b>	<b>398,804.63</b>	<b>23,923,201</b>

## Appendix 2

### Heritable Bank Plc (In Administration)

### Summary of Joint Administrators' time-costs and category 2 disbursements from 7 October 2008 to 13 February 2018

Classification of work function	Partner	Executive Director	Senior Manager	Manager	Senior	Staff	Total Hours	Average Hourly Rate (£)	Time costs to 13 February 2018 (£)	Time costs in the period 14 February 2018 to 13 August 2018 (£)	Total time costs to 13 August 2018 (£)
Accounting, Administration, Bank & Statutory Reporting, Statutory Duties and Immediate Tasks	320.7	30.5	1,040.8	1,475.2	4,374.5	9,951.4	17,193.1	259.10	£4,454,791.70	£42,331.95	£4,497,123.64
Creditors and Debtors	257.5	28.8	1,150.3	1,832.2	3,695.1	2,493.3	9,457.2	294.81	£2,788,074.74	£14,502.13	£2,802,576.86
Employee Matters	42.7	-	177.3	84.3	729.4	47.4	1,081.1	323.85	£350,109.16	£1,322.20	£351,431.36
FSA/BoE Reporting	7.5	1.0	112.3	93.0	199.0	-	412.8	367.36	£151,645.74	£1,035.44	£152,681.18
Investigations	2.0	0.5	14.0	3.5	17.0	38.0	75.0	125.43	£9,407.50	-	£9,407.50
IT	20.0	-	562.5	322.0	155.5	6.4	1,066.4	545.85	£582,093.57	-	£582,093.57
Legal Issues	103.5	9.2	40.5	6.6	306.6	107.8	574.2	387.10	£222,273.35	£161.53	£222,434.88
Other Assets and KBFC	10.0	0.5	8.2	75.6	20.8	16.0	131.1	420.14	£55,080.81	-	£55,080.81
Property	-	-	136.0	76.7	64.5	4.5	281.7	291.20	£82,030.02	£106,838.35	£188,868.37
Public Relations	6.1	4.0	6.0	3.0	-	-	19.1	450.79	£8,610.00	-	£8,610.00
Residential Mortgage	625.1	374.4	1,746.8	1,699.8	1,760.1	412.4	6,618.6	443.52	£2,935,504.37	-	£2,935,504.37
Outsourcing of Residential Mortgage Book	129.5	130.8	764.0	69.0	144.8	2.7	1,240.8	560.37	£695,312.25	-	£695,312.25
Retail Book	69.1	1.5	182.5	668.5	516.0	219.3	1,656.9	324.62	£537,861.56	£19,356.01	£557,217.58
Retention of Title	1.5	-	1.1	-	5.5	-	8.1	356.36	£2,886.50	-	£2,886.50
Sale Process	180.8	123.8	425.3	355.0	1,491.0	76.4	2,652.3	428.04	£1,135,300.08	-	£1,135,300.08
Structured Property Finance	663.8	865.8	5,721.2	3,740.8	8,433.1	1,562.6	20,987.3	431.09	£9,047,465.21	-	£9,047,465.21
Steps pre-appointment	12.0	4.0	15.0	-	-	-	31.0	567.42	£17,590.00	-	£17,590.00
Trading	4.0	-	391.8	1,611.2	1,264.2	604.2	3,875.4	311.31	£1,206,450.41	-	£1,206,450.41
VAT & Taxation	193.2	290.6	613.9	766.6	1,061.4	765.5	3,691.2	488.98	£1,804,923.80	£17,677.38	£1,822,601.18
Wholesale Depositors	-	-	-	-	25.6	40.0	65.6	103.41	£6,784.00	-	£6,784.00
<b>Grand Total</b>	<b>2,625.7</b>	<b>1,858.9</b>	<b>12,976.2</b>	<b>12,737.1</b>	<b>24,211.0</b>	<b>16,209.6</b>	<b>70,618.5</b>	<b>369.51</b>	<b>£26,094,194.77</b>	<b>£203,224.99</b>	<b>£26,297,419.75</b>

### Charge out rates for the Administration team

#### Agreed Restructuring rates 2018/2019

Grade	
Partner	842
Executive Director	810
Senior Manager	547
Manager	414
Senior	241
Staff	170

The above rates represent a 3% per annum uplift as approved by the Creditors' Committee effective from 1 July 2012 to 30 June 2015.

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.