

TO ALL KNOWN CREDITORS

11 May 2020

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Dear Sirs

Heritable Capital Partners Limited (In Administration) ("the Company")

High Court of Justice, Number 8979 of 2008

Registered office address: 1 More London Place, London, SE1 2AF

Registered company number: 01494348

I write, in accordance with Rule 18.6 of the Insolvency Rules 2016, to provide the Court with a report on the progress of the Administration. This report covers the period from 15 October 2019 to 14 April 2020 and should be read in conjunction with the Administrators' proposals dated 21 November 2008 (the "Proposals") and the Administrators' progress reports dated 13 May 2009 (the "May 2009 Report"), 9 November 2009 (the "November 2009 Report"), 13 May 2010 (the "May 2010 Report"), 10 November 2010 (the "November 2010 Report"), 11 May 2011 (the "May 2011 Report"), 10 November 2011 (the "November 2011 Report"), 2 May 2012 (the "May 2012 Report"), 14 November 2012 (the "November 2012 Report"), 7 May 2013 (the "May 2013 Report"), 12 November 2013 (the "November 2013 Report"), 13 May 2014 (the "May 2014 Report"), 5 November 2014 (the "November 2014 Report"), 6 May 2015 (the "May 2015 Report"), 12 November 2015 (the "November 2015 Report"), 10 May 2016 (the "May 2016 Report"), 11 November 2016 (the "November 2016 Report") and 4 May 2017 (the "May 2017 Report"), 14 November 2017 (the "November 2017 Report"), 8 May 2018 (the "May 2018 Report"), 14 November 2018 (the "November 2018 Report"), 20 May 2019 (the "May 2019 Report") and 21 November 2019 ("the November 2019 Report").

The Company entered Administration on 15 October 2008 and Alan Robert Bloom and Thomas Merchant Burton were appointed to act as Joint Administrators (the "Administrators"). The appointment was made by the Company's directors under the provisions of paragraph 22(2) of Schedule B1 to the Insolvency Act 1986 (the "Act").

As previously advised, Thomas Merchant Burton was removed as a Joint Administrator and Colin Peter Dempster was appointed as his replacement by an order of the Court made on 17 June 2013 under the provisions of paragraph 88 of Schedule B1 of the Act and rule 7.10B(2) of the Insolvency Rules 1986.

Summary of Progress since the November 2019 Report

1. Swaylands, Penshurst, Kent

At the date of Administration, the Company had a total exposure of £25.4 million to its original six project partners.

Please see the May 2018 and November 2018 reports for the background to the Swaylands exposure and the potential leaseholder claims in respect of both Swaylands House and Drummond Hall.

To come to an early resolution of the claims, in May 2018, the Joint Administrators made a without prejudice offer of settlement to SEML and the leaseholders concerned, which was not accepted. In October 2018 they made a further offer of settlement, which was also not accepted. On 12 March 2019, the Joint Administrators received a counter offer from SEML. Shortly after providing SEML's counter offer, SEML's solicitors informed the Joint Administrators that they have issued proceedings in order to preserve their client's claim for limitation purposes but that they do not intend to serve a claim form at that stage.

In June 2019, the Administrators held a without prejudice meeting with SEML and the residents of Swaylands House. Shortly afterwards, the Administrators advanced a further without prejudice offer. I can confirm that this offer was accepted and the payments to individual Swaylands residents and SEML were made in September 2019. This full and final payment settled all claims in respect of Swaylands.

2. Closure

The Joint Administrators consider that the administration of the Company is now ready to be concluded. Since the November 2019 report, the Joint Administrators have been planning the closure of the administration to dissolution, the timetable for this in line with relevant legislation and considering the mechanics to enable a final distribution to be made to creditors from the Company's parent entity, Heritable Bank plc ("Heritable"). Due to the Covid-19 pandemic, it is likely that the Joint Administrators may experience a delay in executing the timetable, and consequently to the closure of the administration. However, they are taking all measures to ensure that any delay is as minimal as possible and that the administration is closed at the earliest feasible time.

3. Statutory Matters

The Joint Administrators continue to fulfil their statutory requirements in respect of the Administration.

4. Receipts and Payments Account

I enclose a receipts and payments account for the period from 15 October 2008 to 14 April 2020. This does not reflect estimated future realisations or costs.

To date, receipts total £15,170,817.18. Cash held by the Joint Administrators as at 14 April 2020 amounts to £102,349.12 after total payments of £15,068,468.06. Of the total receipts, £14,613,160.19 has been received from Heritable by way of intercompany loans for the purposes of allowing the Company to provide funds where required in respect of the above-mentioned developments, such loan ranking as an expense of the Administration.

5. Joint Administrators' Remuneration and Disbursements

The Joint Administrators' remuneration was fixed on a time-cost basis by a resolution of the creditors passed on 9 December 2008. To date, the Administrators have incurred time costs, excluding VAT, of £1,326,781.55, against which the sum of £1,299,869.19 has been drawn. An analysis of the time spent is attached as Appendix 2 to this report. At Appendix 3 there is a statement of the Administrators' policy in relation to charging time and disbursements.

To date, Category 1 disbursements in the sum of £52 have been drawn.

7. Creditors

7.1 Secured Creditors

The Company's only secured creditor is Heritable, which holds fixed and floating charges over all of the Company's assets.

7.2 Preferential Creditors

There are no preferential creditors of the Company as all employees were employed by Heritable and, as such, have claimed within that Administration.

7.3 Non-preferential Creditors

Intercompany

At the date of Administration, the intercompany balance owed by the Company to Heritable was £24.1 million. The total amount owing has subsequently reduced to £20.0 million by reason of the set-off described in the May 2009 Report in connection with the Swaylands project.

Other Creditors

The indebtedness to Heritable makes up the majority of the Company's creditor balance, with other creditor claims totalling £1.3 million. To date, we have received claims from unsecured creditors totalling £491,529. As no distribution will be made to unsecured creditors, these claims will not be adjudicated upon.

The Joint Administrators had also received a claim from SEML in the sum of £322,590. This claim has been rejected.

The Prescribed Part

The prescribed part is a proportion of floating charge assets set aside for unsecured creditors pursuant to section 176A of the Act. The prescribed part applies to floating charges created on or after 15 September 2003.

As stated above, a floating charge was granted by the Company over all present and future assets in favour of Heritable. As the charge was created after 15 September 2003, the prescribed part does apply.

As reported previously, however, having reviewed the scope of the security, the Administrators do not believe that there are any assets subject to this floating charge which are not also the subject of (prior ranking) fixed charges granted in favour of Heritable. As such, there is no net property available under the floating charge out of which a prescribed part could be set aside.

Distributions to Creditors

As previously reported, the Company's investments were in large complicated joint venture developments that have taken considerable time to unwind. Due to the fact that the Company's exposures rank behind the Heritable debt funding and that impairments have also been experienced across a number of the loans, it is unlikely that there will be any return to unsecured creditor.

As stated above, I am taking the necessary steps to close the administration alongside the closure of Heritable. The Joint Administrators anticipate that the closure will take place within the next 6 months.

Yours faithfully
for Heritable Capital Partners Limited (In Administration)



AR Bloom
Joint Administrator

Enc: Joint Administrators' Receipts and Payments Account
Summary of Joint Administrators' Time-Costs and Category 2 Disbursements
Joint Administrators' Policy on Fees and Disbursements
Form 2.24B Administrators' progress report

The Institute of Chartered Accountants in England and Wales authorises Alan Robert Bloom to act as Insolvency Practitioner under section 390(2)(a) of the Insolvency Act 1986 and the Institute of Chartered Accountants of Scotland authorises Colin Dempster to act as an Insolvency Practitioner 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, Alan Robert Bloom and Colin Dempster, who act as agents of the Company only and without personal liability.

The Joint Administrators may act as data controllers of personal data as defined by the General Data Protection Regulation 2016/679, depending upon the specific processing activities undertaken. Ernst & Young LLP and/or the Company may act as a data processor on the instructions of the Joint Administrators. Personal data will be kept secure and processed only for matters relating to the Joint Administrator's appointment. The Office Holder Data Privacy Notice can be found at www.ey.com/uk/officeholderprivacy.

Appendix 1

Heritable Capital Partners Limited (In Administration)

Joint Administrators' Abstract of Receipts and Payments from 15 October 2008 to 14 April 2020

	Balance as at		Movement between	
	14 October 2019		15 October 2019 to 14 April 2020	
	£	£	£	£
Receipts				
Funds received from Heritable	14,613,160.19		0.00	14,613,160.19
Capital Repayment	321,525.27		0.00	321,525.27
VAT reimbursement	23,040.85		0.00	23,040.85
Interest Repayment	5,573.72		0.00	5,573.72
Capital Reduction	200,000.00		0.00	200,000.00
Miscellaneous Refunds	400.41		0.00	400.41
Bank Interest	6,914.50		202.24	7,116.74
	15,170,614.94		202.24	15,170,817.18
Payments				
Administrators' Fees	1,297,477.08		2,392.11	1,299,869.19
Legal Fees	1,341,186.08		0.00	1,341,186.08
Insurance	49,575.62		0.00	49,575.62
Legal Disbursements	1,792.13		0.00	1,792.13
HCP Drawdowns	4,634,230.39		0.00	4,634,230.39
Fire safety settlement	107,000.00		0.00	107,000.00
Swaylands	4,490,431.87		0.00	4,490,431.87
Interest Payments	1,408,856.37		0.00	1,408,856.37
Bank Charges	78.50		0.00	78.50
Sundry Payments*	4,996.63		0.00	4,996.63
Other Staff Costs*	50,110.22		0.00	50,110.22
Salaries*	877,011.42		0.00	877,011.42
Employee Benefits*	84,367.89		0.00	84,367.89
Equipment Supplies*	25,917.89		0.00	25,917.89
IT Costs*	145,734.41		0.00	145,734.41
Premises*	201,452.72		0.00	201,452.72
Finance*	157,497.92		0.00	157,497.92
House Management*	105,194.81		0.00	105,194.81
Human Resources*	24,666.00		0.00	24,666.00
Loans Administration*	58,498.00		0.00	58,498.00
	15,066,075.95		2,392.11	15,068,468.06
	104,538.99		(2,189.87)	102,349.12
Represented by:				
Royal Bank of Scotland	104,538.99		(2,189.87)	102,349.12

*Amounts recharged from Heritable Bank Plc (In Administration)

NB: Fees shown are inclusive of VAT

Appendix 2

Heritable Capital Partners Limited (In Administration)

Summary of Joint Administrators' Time-Costs and Category 2 Disbursements from 15 October 2019 to 14 April 2020 (excluding VAT)

Classification of work function	Senior Manager	Manager	Senior	Staff	Total Hours	Total Time Costs (£)	Average Hourly Rate (£)
Accounting & Administration		3.7	0.5	1.2	5.4	898.24	166.34
Creditors		1.9		1.2	3.1	463.51	149.52
Legal Issues		8.8			8.8	1698.71	193.04
Statutory Duties		1.1			1.1	212.34	193.04
VAT & Taxation	1.5				1.5	625.70	417.13
Total	1.5	15.5	0.5	2.4	19.9	3,898.51	195.90

Summary of Joint Administrators' Time-Costs and Category 2 Disbursements from 15 October 2008 to 14 April 2020 (excluding VAT)

Classification of work function	Partner	Executive Director	Senior Manager	Manager	Senior	Staff	Total Hours	Total Time Costs (£)	Average Hourly Rate (£)
Accounting & Administration	-	-	0.6	9.7	23.7	78.2	112.2	£24,576.65	£219.04
Bank & Statutory Reporting	1.5	-	19.5	22.0	24.9	24.7	92.6	£31,698.23	£342.31
Creditors	1.0	-	19.6	50.9	37.4	30.1	139.0	£44,938.11	£323.30
Debtors	-	-	-	-	5.0	-	5.0	£1,505.00	£301.00
Investigations & CDDA	-	-	-	-	15.7	-	15.7	£3,218.50	£205.00
Legal Issues	3.0	-	2.0	9.8	0.6	17.6	33.0	£9,639.04	£292.09
Other Matters	-	-	7.9	-	3.0	-	10.9	£5,543.50	£508.58
Property	356.3	229.3	659.2	19.0	496.9	29.8	1,790.5	£1,038,985.35	£580.28
Sale Process	8.6	3.0	2.0	-	-	-	13.6	£9,055.00	£665.81
Statutory Duties	5.3	-	12.8	32.0	129.2	16.7	196.0	£67,626.54	£345.03
Trading	-	-	4.5	1.0	3.0	-	8.5	£3,495.00	£411.18
VAT & Taxation	-	2.0	34.3	36.2	54.8	82.9	210.2	£86,500.63	£411.52
Total	375.7	234.3	762.4	180.6	794.2	280.0	2,627.2	1,326,781.55	£505.02

Category 2 Disbursements

There have been no Category 2 disbursements.

Appendix 3

Heritable Capital Partners Limited (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 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 cashiers dealing with the company's bank accounts and statutory compliance diaries, secretaries providing typing and other support services and filing clerks. 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 ("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.

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.