Kaupthing Singer & Friedlander Limited - (In Administration)

Administrators' Progress Report to creditors for the six month period from 8 April 2012 to 7 October 2012

Ernst & Young

Abbreviations

The following abbreviations are used in this report:

Administrators	Margaret Elizabeth Mills, Alan Robert Bloom, Patrick Joseph Brazzill and Thomas Merchant Burton all of Ernst & Young LLP
BoE	The Bank of England
CfD	Contract for difference
Edge	The Edge internet deposit facility
FSA	Financial Services Authority
FSCS	Financial Services Compensation Scheme
Funding	Singer & Friedlander Funding plc
GP	KCP II (GP) Limited
HMRC	Her Majesty's Revenue & Customs
HMT	Her Majesty's Treasury
ING	ING Direct N.V.
Initial Meeting	The initial meeting of creditors held on 1 December 2008
IT	Information technology
Khf	Kaupthing Bank hf
KSF	Kaupthing Singer & Friedlander Limited
KSF Group	KSF and its subsidiary companies
KSIOM	Kaupthing Singer & Friedlander (Isle of Man) Limited
LPA	Law of Property Act 1925
LTV	Loan to Value
Master	Kaupthing Capital Partners II Master L.P. Inc
Overriding Objectives	Certain objectives set out in the Transfer Order which overrode those in paragraph 3(1) of Schedule B1 to the Act for a period of six months from 8 October 2008
Proposals	Administrators' Statement of Proposals dated 14 November 2008 as provided to creditors pursuant to paragraph 49 of Schedule B1 to the Act
Repo	Repurchase Agreement
SAF	Singers Asset Finance
SAFH	Singers Asset Finance Holdings Limited
Scheme	Singer & Friedlander Limited Pension and Assurance Scheme
SCML	Singer Capital Markets Limited, formerly Kaupthing Singer & Friedlander Capital Markets Limited
SFAM	Singer & Friedlander Asset Management Limited
SFAM LLP	Singer & Friedlander Asset Management LLP
SFCM	Singer & Friedlander Capital Management Limited
SFIM Group	Singer & Friedlander Investment Management Limited and its subsidiaries
SFIP	Singer & Friedlander Investment Properties Limited
Shawbrook	Shawbrook Bank Limited
SIP	Statement of Insolvency Practice
SoA	Statement of Affairs
The Act	The Insolvency Act 1986 (as amended)
The Company	Kaupthing Singer & Friedlander Limited
The Group	Kaupthing Singer & Friedlander Group Plc and its subsidiaries
The Notes	A £250m floating rate guaranteed note issued by Funding on 26 January 2005
The Rules	The Insolvency Rules 1986 (as amended)
Transfer Order	Kaupthing Singer & Friedlander Limited Transfer of Certain Rights and Liabilities Order 2008 (as amended)
TSA	Transitional Services Agreement

Notice: about this report

This report has been prepared by the Administrators solely to provide creditors with additional information concerning the progress of the Administration in accordance with Rule 2.47(3) of the Rules. Nothing in this report should be relied upon for any purpose including, without limitation, in connection with any investment decision in relation to the debt, securities or any other financial interest of any member of the KSF Group including for the avoidance of doubt any decision to buy or sell or not to buy and sell any debt, securities or other financial interest. Anyone making such investment decisions should rely on their own enquiries prior to making such decisions and none of the Administrators, Ernst & Young LLP, its partners, members, employees, professional advisers or agents accept any liability and/or assume any duty of care to any third party, (whether it is an assignee or successor of another third party or otherwise) in respect of this report.

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The information contained in this report has been prepared by the Administrators. In preparing this report, the Administrators have relied upon information from the KSF Group records. Although the Administrators have no reason to doubt the accuracy of that information, they are unable to warrant or represent that it or any information provided by a third party is accurate or complete. The Administrators act at all times solely as agents of KSF and without personal liability.

Please note that amounts included in this report are stated in Sterling. However, there are some amounts that are denominated in other currencies and, therefore, may be subject to foreign exchange movements. These foreign exchange movements have been highlighted as foreign exchange gains/losses in the Receipts and Payments account.

The estimated outcome described in this report is provided as an illustration only and may not represent the actual value of future dividends which may be paid to creditors. A number of assumptions have been made to arrive at these figures, some of which may prove to be incorrect. Any actual future dividends received by creditors will depend on a number of factors including the actual realisations of KSF and its actual liabilities. Clearly, an increase or decrease in the asset realisations and/or an increase or decrease in the liabilities of KSF will impact the final outcome for creditors.

Contents

1. Introduction

Background

On 8 October 2008, KSF entered into Administration and ME Mills, AR Bloom, PJ Brazzill and TM Burton were appointed to act as Administrators by order of the High Court in London. Under the terms of the appointment, any act required or authorised to be done by the Administrators may be carried out by any one of them. Further statutory and other information is shown in Appendix B of this report.

This report, including its appendices, constitutes the Administrators' eighth six monthly report on the progress of the Administration pursuant to Rule 2.47(3) of the Rules. This report provides details of the work undertaken in the period 8 April 2012 to 7 October 2012 and should be read in conjunction with the Administrators' previous reports and updates and certain other formal announcements.

Copies of the above documents and other announcements are available on the KSF website, www.kaupthingsingers.co.uk.

Summary of the Administration objectives

The objective of the Administration is to realise KSF's business and assets in a manner which will result in a more advantageous realisation for KSF creditors as a whole than would be achieved on a winding up (a formal liquidation, as defined in the Act), without first being in Administration. Additionally, for the first six months of the Administration, the Administrators were directed by the Transfer Order to achieve the Overriding Objectives of:

- Ensuring that KSF provides, and manages the affairs, business and property of KSF to enable it to provide, the services and facilities reasonably required by ING to discharge its obligations in respect of the rights and liabilities under the second transfer (as defined in the Transfer Order).
- Ensuring that KSF performs the other obligations imposed on it by or under the Transfer Order.

As previously reported, the above Overriding Objectives have been completed.

Following the successful sale of the Asset Finance business in March 2012, the key focus of the administration is now recovering the outstanding loans from the banking loan book.

Creditors' Committee

The Administrators and their staff continue to meet regularly with the Creditors' Committee to provide them with our reports on the progress of the administration and to consult with them on any major matters, by way of actual meetings or via conference calls. These and other Committee matters are dealt with separately in the body of this report.

Permission to make distributions and extension to the Administration

The Administrators applied to Court in April 2009 to (i) request the Court's permission to make distributions to unsecured creditors pursuant to Paragraph 65(3) of Schedule B1 to the Act, and (ii) extend the Administration for a period of up to three years, until 7 October 2012. As previously reported, the application was successful and an Order of the Court was issued on 24 April 2009.

By application notice dated 18 May 2012, the Administrators applied to Court to extend the administration for a further period of three years, until 7 October 2015. The application was successful and an Order of the Court was issued on 10 August 2012.

Future reporting

The Administrators' next formal report to creditors will be in approximately six months time covering progress in the period to 7 April 2013.

2. Summarised key developments

Progress in the period

The body of the report below details the major areas of progress since 7 April 2012, the areas of particular significance being:

- Banking loan book recoveries of c.£91m, increasing total loan recoveries to £1,958m as at 7 October 2012;
- Payment of the eighth dividend to unsecured creditors on 2 May 2012 at a rate of 10p in the £;
- Agreement with the Khf Winding-up Committee of a significant part of KSF's claim;
- By notice dated 22 June 2012, the Administrators provided an update to the estimated range for the total dividends to non-preferential creditors to 82.5p to 86p in £;
- Issuing the ninth notice of intended dividend to unsecured creditors on 10 September 2012. The ninth dividend of 3p in the £ was paid on 31 October 2012; and
- In this report, the Administrators have amended their estimate of the range for the total dividends to non-preferential creditors to 84p to 86.5p in the £.

Full details of recoveries made for the period of this report together with the total realisations to 7 October 2012 are set out in Appendix A, being the Administrators' Receipts and Payments account.

Dividends to creditors

On 10 September 2012, a notice of intention to declare a ninth dividend to unsecured creditors was issued and a copy published at www.kaupthingsingers.co.uk.

Although subsequent to the reporting period, creditors should be aware that an update in respect of the indicative dividend range and timing was released on the KSF website on 23 October 2012 advising creditors that the dividend will be paid on 31 October 2012, being not less than 3p in £. Subsequently, on 29 October 2012, the Administrators confirmed that the level of the ninth dividend was 3p in £.

The historical and estimated future distribution timetable is set out below:

Dividends	Date of Distribution	Quantum (p in £)
First dividend	22 July 2009	20p in £
Second dividend	9 December 2009	10p in £
Third dividend	30 March 2010	5p in £
Fourth dividend	28 July 2010	10p in £
Fifth dividend	8 December 2010	8p in £
Sixth dividend	25 May 2011	5p in £
Seventh dividend	8 October 2011	5p in £
Eighth dividend	2 May 2012	10p in £
Ninth dividend	31 October 2012	3p in £
Total paid to date		**76p in £**

3. Update on conduct of the Administration

Banking loan book

KSF loan books

The KSF loan books comprise three distinct portfolios: private banking, property and corporate. The SoA value (these are book values and not estimated to realise values) of each loan book and collections to date are set out below:

(£'m)	SoA as at 8 October 2008	Actual capital cash collections to 7 October 2012	Actual total cash collections to 7 October 2012
Corporate	631	611	666
Property	864	469	496
Private Banking	1,115	739	796
Sub participations – KSIOM	167	-	
Sub participations – Khf	190	-	
Total	**2,967**	**1,819**	**1,958**

Notes:

1. *Cash collections are converted into sterling as at transaction date exchange rates.*
2. *Corporate banking receipts exclude cash received from warrant cancellation and Swap settlements of c.£26m.*
3. *Property banking receipts exclude swap settlements of c.£1m.*
4. *For the purpose of the loan book update, recoveries have been rounded to the nearest £'m.*
5. *The explanation of the differences between the loan book receipts as per the 7 October 2012 Receipts and Payments (Appendix A) and the above collections is detailed below.*

Total cash receipts to 7 October 2012 from the Banking loan book are £1,958m comprising £1,819m capital repayments, £125m interest repayments and £14m fees. As previously noted, the loan book analysis in this section quotes different numbers to the Receipts and Payments section of the report. This is because the analysis above translates all foreign currency receipts into sterling ("GBP") at transaction date exchange rates, whereas the receipts and payments table translates USD and EUR balances into GBP as at the receipts and payment reporting date's exchange rates. In addition, the receipts and payments analysis includes swap settlements and warrant cancellations not included above.

The focus of the Administrators continues to be to manage the loan books recovery to maximise realisations for creditors.

As reported in the April 2012 report, SFAM LLP, an entity owned and operated by the former KSF banking staff, has entered into and is operating in accordance with the Services and Secondment Agreement ("SSA") with KSF. Under this agreement which is for two years to December 2013, the staff of SFAM LLP are seconded to KSF. Under the supervision of the Administrators and their staff, the secondees manage the day-to-day recovery operations of the loan book. All credit related decisions are presented to the Administrators at Credit Committee meetings for approval. Credit committee meetings are held two times a week.

The strategy for each individual exposure that was established at the outset of the Administration following the detailed facility by facility review continues to drive the overall recovery strategy on the Banking loan book. However, as necessary, the Administrators regularly review these strategies in light of new developments and changing circumstances with the aim of maximising realisations and, where possible, seeking early repayment and recovery as appropriate.

Historically, it has been necessary for KSF to make further loan advances to customers to preserve/enhance value in KSF's security or to comply with requirements under the relevant facility documentation. To date, drawdowns of this nature total £45m, of which £41m has been recovered through capital repayments on the associated loans. As such, the current net drawdown position is £4m, which is the same as at the date of our last report. To the extent that KSF has had to provide further funds beyond those initially envisaged as debt finance, where the facility agreements permit, an appropriate commercial rate of interest is being charged.

Loan book provisions are reviewed quarterly on a loan by loan basis. Write-offs are only crystallised when all possible collection routes for a particular debt have been fully explored. Any write-offs are verified and approved by the Administrators. The amount written off in the period was £5m, bringing write-offs to date to £535m.

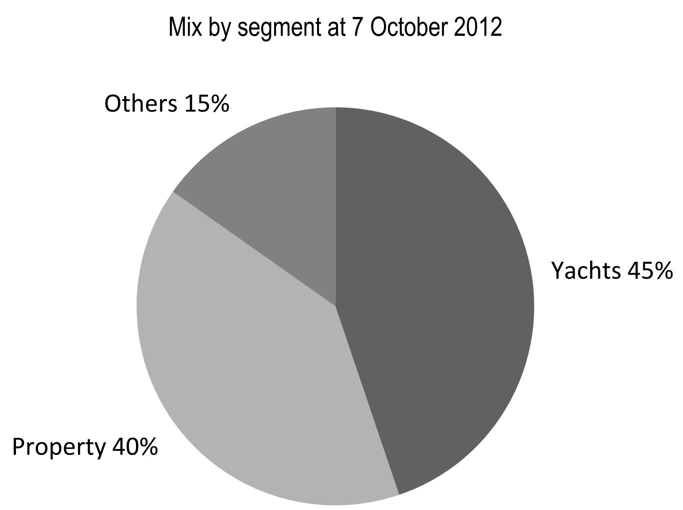
Information on estimated future recoveries is monitored by the Bank, the Administrators and their staff on a loan-by-loan basis. However, the Administrators are not able to provide further information with respect to estimated future recoveries due to the commercial sensitivity of the data. In addition, it is also subject to various other factors that may affect quantum and timing. Therefore, this information has been withheld from this report.

Private Banking

Actual cash collected (£'m)	8 October 2008 to 7 April 2012	8 April 2012 to 7 October 2012	8 October 2008 to 7 October 2012
Capital	715	24	739
Interest	54	1	55
Fees	2	-	2
Total	**771**	**25**	**796**

(£'m)	SoA value as at 8 October 2008	SoA value less actual capital collections to 7 October 2012	SoA value less actual total collections to 7 October 2012
Book value	1,115	376	319
Sub participations – KSIOM	167	-	-
No. of borrowers	372	39	39

The chart below sets out the mix by segment of the Private Banking loan book by the value of amounts outstanding as at 7 October 2012:



Note: 'Other' includes, securities backed loans, unsecured loans and cash backed loans.

The Private Banking loan book continues to be managed in three segments; property, yacht & aircraft and 'other'. During the period to 7 October 2012, the Bank exited from its final aircraft loan, leaving only portfolios secured by yachts.

The typical UK residential mortgage written by Private Banking was a five year, interest only mortgage to a high net worth individual customer. Such loans remain difficult to refinance given high LTV ratios, the limited number of active lenders in the current market and increased default risk given the current economic conditions. In addition, a significant proportion of the remaining loans are regulated mortgages, increasing the forbearance required to be granted to borrowers pursuant to the provisions governing such mortgages. As a result, KSF's strategy for these loans continues to be focused on early communication with customers of the need to refinance on or before maturity subject to regulated mortgage provisions.

As at 7 October 2012, 45% of the total Private Banking loan book by book value was secured against large luxury yachts.

Activity continues to focus on encouraging borrowers to refinance or to sell the security on a voluntary basis. KSF had managed to exit 24 of its 26 positions in respect of the yacht & aircraft book as at 7 October 2012 and efforts continue to encourage the refinance of the remaining longer maturing loans.

As previously reported, KSF had sub-participated in a number of loans advanced by KSFIOM. The loans represented a claim against KSFIOM which was the subject of a mandatory set-off against the claim submitted in the administration of KSF by KSFIOM. The terms of a settlement agreement were finalised with KSFIOM in February 2011, in accordance with which KSF received set-off of the sub-participated loans valued in accordance with the Rules.

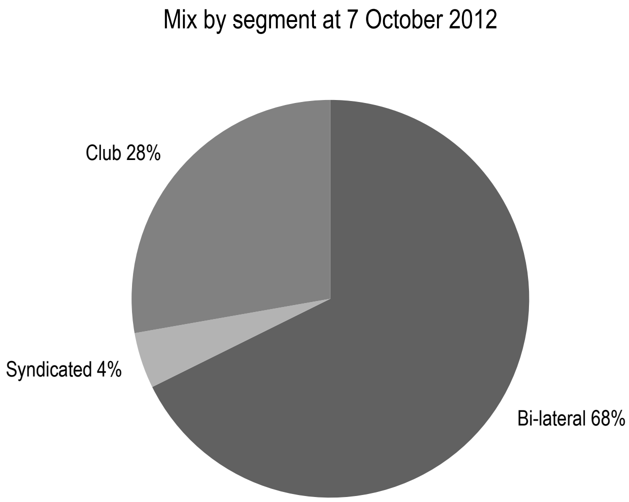
Corporate loan book

Actual cash collected (£'m)	8 October 2008 to 7 April 2012	8 April 2012 to 7 October 2012	8 October 2008 to 7 October 2012
Capital	566	44	610
Interest	46	2	48
Fees	8	-	8
Total	**620**	**46**	**666**

(£'m)	SoA value as at 8 October 2008	SoA value less actual capital collections to 7 October 2012	SoA value less actual total collections to 7 October 2012
Book value	631	21	(35)
Sub participations – Khf	190		190
No. of borrowers	77	12	12

The Corporate loan book is managed by loan type and comprises: syndicated loans, club loans and bilateral/senior lender loans. Within these categories, six loans in the Corporate loan book relate to sub-participations in Khf facilities.

The chart below sets out the mix by segment of the Corporate loan book by the value of amounts outstanding as at 7 October 2012.



Bilateral/senior lender loans represented 68% of the Corporate loan book as at 7 October 2012. Typically KSF is either the sole lender or a senior lender alongside a UK clearing bank holding a significant portion of a small syndicate on what are generally private equity backed companies. The current strategy continues to focus on encouraging the borrower and/or other individual members to refinance KSF’s position.

During the period to 7 October 2012, KSF made significant progress on the Corporate loan book and exited from a number of its Syndicated corporate loans, significantly de-risking the book, leaving largely bi-lateral and club deals. Activity continues to revolve around encouraging consensual debt restructuring and refinancing where possible, although in a number of cases KSF has appointed administrators over companies where the borrower has been unable to repay the debt due and administration presented a better opportunity for recovery.

As previously reported, KSF has sub-participation positions in loans advanced by Khf. These sub-participations are ‘silent’ in that Khf is the lender of record and, therefore, these KSF sub-participations form part of the KSF claim submitted to the Winding-up Committee of Khf. Further information in respect of the Khf claim can be found in the body of this report.

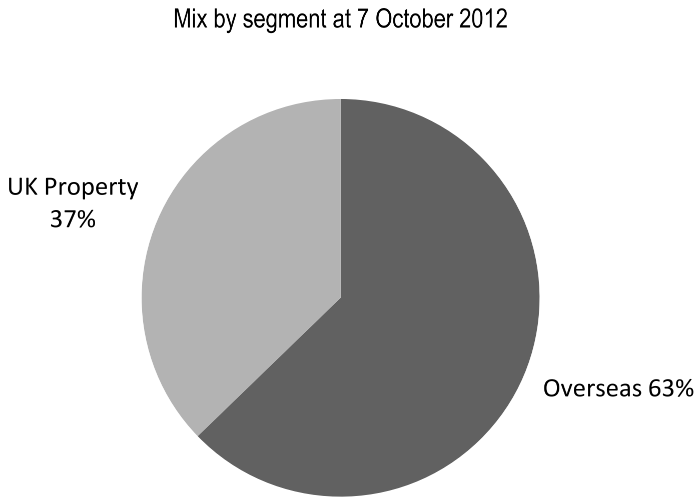
Property loan book

Actual cash collected (£’m)	8 October 2008 to 7 April 2012	8 April 2012 to 7 October 2012	8 October 2008 to 7 October 2012
Capital	448	21	469
Interest	24	-	24
Fees	4	(1)	3
Total	**476**	**20**	**496**

Note: *In the six months to October 2012, c. £1m of historical fee receipts have been reallocated as capital following a review of property receipt allocations.*

(£’m)	SoA value as at 8 October 2008	SoA value less actual capital collections to 7 October 2012	SoA value less actual total collections to 7 October 2012
Book value	864	395	368
No. of borrowers	220	49	49

The chart below sets out the mix by segment of the Property loan book by the value of amounts outstanding as at 7 October 2012:



As previously reported, since the date of Administration we have exited over three quarters of the property loan book accounts. Following closure of these accounts, we have now amalgamated the small number of outstanding loans in the Property Partnerships and Property Finance categories into UK and Overseas Property, as appropriate.

The largest exposures in the property loan book continue to be to the UK residential market, development land in the Caribbean and structured development projects in the UK. The focus continues to be to work with borrowers and encourage them to refinance and/or sell completed developments. However, where borrowers are uncooperative and/or are in breach of their loan facilities, steps are taken to realise the value of our security by the appointment of LPA/Fixed Charge receivers or administrators, and to pursue borrowers and guarantors under personal guarantees in order to recover shortfalls.

We are continuing to meet requests for committed funds where expenditure helps to preserve/enhance the value of the security. However, where appropriate, in the meantime we are realising part built assets and have entered into joint venture arrangements with third parties. It should be noted that access to development finance in the market remains challenging and continues to stifle transactions that would allow quick refinancing or sales of the security.

The majority of the outstanding overseas loans relate to development sites in the Caribbean, where a lack of available credit and weak market conditions continue to limit sales and refinance opportunities. There has been some success and progress in the marketing and realisation of both completed developments and development land in this period and this continues to be a key focus of the Administration. However, the market remains more challenging than the UK and, therefore, Caribbean loans are forming an increasing proportion of the residual property loan book.

There are a relatively small number of UK commercial facilities outstanding within the property loan book, many of which have outstanding balances in excess of the market value of the Bank's security. We continue to seek consensual restructurings where feasible, with a view to enhancing KSF's security through, for example, seeking revised planning permission on schemes which have proven not to be commercially viable.

Subsidiary companies

Singer Asset Finance subsidiaries (Asset Finance)

As previously reported, the sale of the Asset Finance division of KSF to Shawbrook was completed on 22 March 2012.

The Creditors will be aware that £24.3m of possible further consideration was held in escrow accounts following the sale. This included £7.5m to be held against any final pricing adjustment which was to be determined once the audited accounts for the period to 31 December 2011 were finalised, and they had been compared to the draft accounts available at the date of sale. In addition, adjustments were to be made in respect of any unforeseen leakage and any breaches of conduct of business obligations which occurred between exchange and completion.

The comparison between the draft and final accounts took place in mid-June and resulted in the release of c.£6.6m to KSF in respect of this escrow account. The remainder of these escrow monies (c.£0.9m) were released to Shawbrook and this escrow account has been closed.

The remaining £16.8m held in escrow accounts relates to two specific tax issues which will not be resolved until Q2 2013 and Q1 2015, respectively.

Singer & Friedlander Investment Management Group

The Investment Management division of KSF comprised six companies, formed of three companies, each with its own nominee company. The businesses were all solvent and the Administrators sought to safeguard the value of the business of the Investment Management companies by ensuring that they continued to trade as going concerns. In order to meet this objective, it was decided that these interests would be best satisfied by disposing of either the company, or if this was not possible the business of the company, to a third party investment management business.

We continue to work with the SFIM management team to resolve the remaining issues which will allow the solvent liquidation of SFCM (subject to FSA approval), followed by the solvent liquidation of SFIM, again subject to the approval of the FSA to relinquish the Investment Management Advisory licence.

The main issue preventing SFCM and SFIM being placed into solvent liquidation continues to be ensuring client monies / assets are dealt with in accordance with the appropriate regulations and FSA guidance. Work in this respect is ongoing and we maintain regular dialogue with the FSA. We envisage that the solvent liquidations of SFCM and SFIM (subject to FSA approval) will commence in the next three to six months.

Once SFCM and SFIM are placed into solvent liquidation we anticipate a sum of c.£2.5m to flow through to KSF upon the conclusion of the liquidations.

KCP II (GP) Limited (In Compulsory Liquidation)

Kaupthing Capital Partners II Master, L.P. Inc was a private equity investment vehicle established by the Kaupthing Group in 2007 for the purpose of investing in certain strategic investments using funds from private investors, Khf and Kaupthing Bank Luxembourg SA. At the date of our appointment, GP was a wholly owned subsidiary of KSF and the general partner of Master. As a result of SFAM's claim into GP, (assigned to KSF following SFAM's liquidation), KSF had an interest in the outcome of the GP and Master insolvency processes.

As outlined in our earlier reports, Master was placed into administration together with GP, with representatives of Smith & Williamson being appointed Administrators. Subsequently, on 24 February 2010, Smith & Williamson were appointed Liquidators of GP. Following significant negotiations between a number of disputing parties, the two administrations of GP and Master produced a surplus of funds which were (via the GP liquidation) available to meet the original management fees of SFAM as sole GP creditor.

The GP liquidators paid their first interim dividend to KSF of c.£0.8m on 22 August 2011.

In view of the uncertainty and timings of any future recovery, on 20 June 2012, KSF sold its claim (by way of a debt assignment agreement) to a third party and, additionally, via a Sale and Purchase Agreement, sold KSF's shareholding in GP for a combined consideration of £0.96m.

Singer & Friedlander Funding plc (In Creditors' Voluntary Liquidation)

As previously reported, the Trustee of the Notes has received dividends equivalent to 100p in the £ in respect of its claims against KSF and Funding for principal and interest to the respective administration dates. Accordingly, the Trustee ceased to have an admissible claim for dividend in the administration from April 2012.

In July 2012, the Trustee and the Funding Liquidators reached agreement in respect of the Trustee's claim for interest payable on the Notes in respect of the post administration period in accordance with the terms of the Notes. The Funding Liquidators subsequently made payment of the post administration interest and final Trustee fees and expenses. This brought the total paid to the Trustee in respect of all amounts arising under the Notes to 100p in the £ plus interest. Accordingly, the Trustee ceased to have an admissible claim for dividend in the liquidation of Funding.

In accordance with the judgment of the Supreme Court and the terms of the Notes, KSF was not entitled to participate in any distribution of Funding's assets until such time as the Trustee had received reimbursement of all amounts due under the Notes. Accordingly, following discharge of the Trustee's claims, KSF's claim for payments made to the Trustee under the terms of the Notes' guarantee were admitted in full as a creditor to rank for dividend in the Funding liquidation and KSF has subsequently received dividends in the amount of £52m (34p in the £) in relation to the claim.

The Funding Liquidators have retained funds of c.£0.5m to discharge final costs and expenses of the liquidation, which includes any corporation tax due on interest earned on funds held in the liquidation estate. It is expected that a small final dividend will be paid to KSF at the conclusion of the liquidation which is anticipated to be during Q1 2013.

Other subsidiary companies

With the exception of the SFIM Group companies, all subsidiary companies in the KSF group are either in members' voluntary liquidation, in a form of insolvency process or have been sold.

To date, the following direct/indirect subsidiaries have been placed into solvent liquidation or dissolved via strike off procedure.

Members' voluntary liquidation	Date of appointment	Date struck off the register
Singer & Friedlander Investment Management Holdings Limited	31 March 2009	7 June 2011
KB Retail Advisory Limited	16 June 2009	27 December 2010
Sinjul Investments Limited	16 June 2009	
Wintrust Securities Limited	16 June 2009	27 December 2010
Kaupthing Limited	02 July 2009	
Peaston Emerson's Green Limited	11 November 2009	27 December 2010
Singer & Friedlander Trade Finance Limited	21 April 2010	25 October 2011
Clarke London Limited	29 March 2011	6 December 2011
Singer & Friedlander Asset Management Limited	24 June 2011	27 September 2012
* Central Scotland Finance Limited	5 September 2011	
* Hermes Lease Finance plc	5 September 2011	
* Hermes Leasing (London) Limited	5 September 2011	
* Hermes Leasing (Western) Limited	5 September 2011	
* Hermes Leasing Limited	5 September 2011	
* Singer & Friedlander Finance Limited	5 September 2011	
Strike off	**Date struck off the register**	

Singer & Friedlander Secretaries Limited	21 July 2009
Kaupthing Steadfast Limited	21 July 2009

* These entities are subsidiaries within the Asset Finance group and, therefore, left the KSF group when the Asset Finance division was sold in March 2012. We will no longer report on these entities going forward.

The liquidation of Sinjul Investments Limited is expected to continue for a period of time due to the existence of tax losses which it may be possible for other group companies to utilise in the future.

The liquidation of Kaupthing Limited is also expected to continue for a period of time due to claims it has in other insolvencies. These claims have now been agreed and the Joint Liquidators await distributions in respect of the claims.

Attached at Appendix C is a summary of the current KSF Group corporate structure.

Kaupthing Bank hf

As you may be aware from the update released on the KSF website in May 2012, the Administrators entered into a settlement agreement with Khf in respect of the claim filed against Khf as a general unsecured claim in the winding-up proceedings in the amount of £695,308,475. In accordance with the settlement agreement, gross claims amounting to £510,186,976 have been agreed in the amount of £302,163,012. Components of the claim which could not be resolved at this time, with a gross value of £185,121,499, have been separated from the original claim and the Administrators have continued to work with the Khf Winding-up Committee to settle these components of the KSF claim, principally relating to loan sub-participation agreements, as soon as possible.

The Administrators are hopeful of reaching agreement with the Khf Winding-up Committee in respect of the value at which the remaining elements of the claim will be agreed by 31 December 2012. However, we are unable to provide any indication of the timing or level of likely recovery in relation to the claims against Khf at this time.

The Administrators continue to attend creditors' meetings convened by the Khf Winding-up Committee and note that the Khf Winding-up Committee have announced that they, in consultation with their informal creditors’ committee, are working towards a launch of a composition proposal to creditors in the fourth quarter of 2012. The Administrators would expect that the composition proposal will provide an indication of the likely timing and level of return to creditors.

The Administrators will continue to attend all creditors meetings convened by the Winding-up Committee to ensure that they are able to take any appropriate action in relation to the claim submitted by KSF.

Further information in relation to the Khf Winding-up proceedings, including copies of the announcements and progress reports issued to creditors, are available on the Khf website (www.kaupthing.com), and provide greater detail in respect of all matters relating to the Khf estate.

Separately to the claims submitted by KSF in the Khf Winding-up, KSF received service of an application made by Khf to the High Court seeking leave of the Court to commence legal proceedings against KSF in Iceland in relation to the proposed rescission of the repurchase of two bonds by Khf in May 2008. The application was considered before the Court and the judgment issued in July 2012, which provided that Khf would be entitled to continue with the proceedings in Iceland but, if successful, the debt due to Khf would not represent a provable claim in the administration.

Khf have commenced proceedings in the District Court of Reykjavik and the Administrators are liaising with local counsel to prepare KSF's defence to the proceedings. To the extent that Khf is successful, the Khf Winding-up Committee consider that they will be entitled to set-off the debt (c.€9m plus interest) against KSF’s agreed claims in the Winding-up. The Administrators are reviewing this point with local counsel.

4. Creditor update

Non-preferential creditors

The Administrators are required to issue a notice of their intention to declare a dividend to unsecured creditors prior to the payment thereof. Accordingly, prior to each dividend, all known creditors are advised of the requirement to formally register their claims, to the extent that they have not already done so, by completing an Insolvency Claim Form in accordance with Rule 2.72 of the Rules.

The Administrators have received a total of 979 claims as at 7 October 2012 with a gross value of c.£5.4bn, of which 445 claims (c.£0.6bn) were received from non-Edge depositors. The remaining 534 claims (c.£4.8bn) arise from all other aspects of KSF's business including repurchase and derivative counterparties, CfD clients, landlords, trade creditors, employees, employee taxes, pension scheme, associated companies and the FSCS in relation to Edge accounts. The claims of these creditors rank equally as non-preferential claims.

As at 7 October 2012, claims to the value of c.£4.09bn have been admitted to rank for dividend and c.£1.4bn have been rejected, with the current estimated maximum claims not expected to exceed £4.16bn.

In addition to new claims, the Administrators have been contacted by creditors advising that they have assigned their debts to a third party. Whilst this does not have an impact on the overall value of claims admitted for dividend, it does require adjustment to the Administrators' records in relation to the assigned claim.

During the period, a claim has been withdrawn as a result of a settlement with the client in relation to their credit facilities. A number of intercompany account claims have also been withdrawn which, as they relate to solvent subsidiaries are, ultimately, payable to KSF as shareholder. In addition, as explained on page 9, the claims of Funding and the Trustee of the Notes ceased to rank for dividend after the seventh dividend.

The Administrators continue to be proactive in processing outstanding claims and new claims received in response to dividend notices. There are currently 5 disputed or non-agreed claims with a gross value of c.£0.06bn.

At the time of paying each dividend, the Administrators are required to make provision for the dividend entitlements payable in respect of those claims which were disputed or not agreed in whole or part at the date of the dividend. Accordingly, as these claims are resolved, funds reserved at prior dividends are used to settle any dividend entitlements attributable to the finalised claims and any surplus funds reserved against such claims released back to the estate.

Dividends to non-preferential creditors

As you will be aware, on 28 February 2012 the Administrators issued a notice of their intention to declare an eighth dividend to unsecured creditors. Subsequently, on 2 May 2012, the Administrators declared and paid the eighth dividend of 10p in the £ to creditors whose claims had been admitted to rank for dividend. The initial cost of the eighth dividend to the estate was £402,430,940, being 10p in the £ on claims of £4,024,309,399. At the time of paying the eighth dividend, the Administrators made a provision of £97,099,101 for unsettled claims in the amount of £133,012,467.

On 10 September 2012, the Administrators issued a notice of their intention to declare a ninth dividend to unsecured creditors and published a copy on the KSF website: www.kaupthingsingers.co.uk. The last date for proving to qualify for the ninth dividend was 17 October 2012. The Administrators are required to declare and pay the ninth dividend within two months of this date. On 23 October 2012, an update in respect of the ninth dividend quantum and timing was announced on the KSF website, advising creditors that the dividend would be paid on 31 October 2012, at a rate of not less than 3p in £. A further update was announced on 29 October 2012 confirming that the level of dividend would be 3p in £.

Further dividends will be made at regular intervals, subject to the agreement of the Creditors' Committee and the level of distributable funds making it cost effective to do so. The Administrators will continue to use the KSF website to provide updates in relation to dividend timing in between progress reports. It is the Administrators' current intention to pay a further dividend in six months time.

Creditors should note that as the majority of the assets, other than the outstanding loan book and the claim against Khf, have been collected, the level of future dividend payments after the October 2012 dividend will be dependent on the timing and quantum of ongoing loan book recoveries, and payments from Khf.

Estimated outcome for creditors

The Administrators are not in a position to provide confirmation of the exact timing or quantum of a tenth or any other future dividends at this time. The historical distribution timetable is set out below:

Dividends	Date of Distribution	Quantum (p in £)
First dividend	22 July 2009	20p in £
Second dividend	9 December 2009	10p in £
Third dividend	30 March 2010	5p in £
Fourth dividend	28 July 2010	10p in £
Fifth dividend	8 December 2010	8p in £
Sixth dividend	25 May 2011	5p in £
Seventh dividend	5 October 2011	5p in £
Eight dividend	2 May 2012	10p in £
Ninth dividend	31 October 2012	3p in £
Total paid to date		76p in £

On 20 June 2012, the Joint Administrators announced on the KSF website that the estimated total dividends to unsecured creditors had been updated to 82.5p to 86p in £. On the basis of current forecast recoveries from the banking book, prudent estimates of realisations from other assets, maximum estimates of unsecured claims and current market conditions not deteriorating, the Administrators currently estimate that total dividends to non-preferential creditors should be in the range of 84p-86.5p in the £. The Administrators would stress that this estimate could be lower or higher as there are significant issues which may impact either future realisations or the level of claims from creditors, and thus the estimate is indicative and cannot be relied upon.

Non-Edge deposit book

As previously reported, the Administrators and the FSCS continue to work closely in accordance with the agreed framework and timetable for the provision of information in respect of payments made by the FSCS to non-Edge depositors prior to payment of each dividend. Whilst the FSCS have now processed almost all compensation claims, this process remains essential to ensure that depositors do not receive compensation from the FSCS as well as a dividend from the Administration.

Creditors' Committee

The Administrators continue to report on a regular basis to the Creditors' Committee on matters of importance in relation to KSF.

The Committee continue to expend significant time in attending the formal meetings and providing their opinions by way of consultation on major issues and again we wish to express our thanks for this assistance and the considerable time they have committed to date.

The membership of the Committee as at the end of this reporting period, was constituted as follows:

1. Cats Protection;
2. Financial Services Compensation Scheme Limited;
3. Peterborough City Council;
4. Kaupthing Singer & Friedlander (Isle of Man) Limited (In Liquidation); and
5. The Trustees of The Singer & Friedlander Limited Pension and Assurance Scheme.

5. Other matters

Receipts and Payments account

The Administrators’ Receipts and Payments account for the period 8 October 2008 to 7 October 2012 is attached at Appendix A, which also includes a summary of the receipts and payments for the six month period of this report. It should be noted that, where applicable, all payments are shown inclusive of VAT.

As detailed in 'note 1' of the Receipts & Payments account at Appendix A, please note that foreign currency transactions occurring in currencies other than Euro and US Dollar are converted into Sterling using the exchange rate as at the relevant date of each transaction. With regard to Euro and US Dollar, these currency transactions are converted into Sterling using the exchange rate as at 7 October 2012.

The funds in the Administrators’ control are held across a number of clearing banks in order to mitigate risk. Some monies are usually invested in low risk, short term money markets in order to achieve a greater rate of return than if left in a standard business current account. As at 7 October 2012, approximately half of funds held were held on short term money market deposit accounts. The funds on deposit matured shortly prior to paying the ninth dividend on 31 October 2012.

The Administrators’ Receipts and Payments account is a statement of cash received and cash paid out and does not reflect estimated future realisations or costs.

Please refer to Appendix A for further details of the receipts and payments to 7 October 2012.

Statement of Affairs

As previously reported, in view of the redaction of the Directors’ SoA we have not reflected the Directors’ Estimated to Realise valuations as required under SIP7 in the Receipts and Payments account attached at Appendix A.

Operational matters

Staffing

Since our last report, the KSF employee headcount has reduced from 19 to 16 staff. This headcount reduction has arisen from the continued focus on core operations and by the ongoing reduction in back office staff as the loan book operations and ancillary tasks continue to wind down.

Building and occupancy costs

On 18 August 2011, the Administrators surrendered KSF’s lease relating to the New Street, EC2 property (the site of the current run-off operations).

In view of the ongoing headcount reduction and to further reduce occupancy costs, on 20 April 2012 KSF entered into a new short term lease with the landlord and on 7 May 2012 a further office move was undertaken to the ground floor of the current building.

Information Technology matters

The Administrators, with the assistance of KSF’s IT and operations team, review as an ongoing process both KSF’s IT costs and other large intermittent payment costs. Subject to ongoing business needs, costs are reduced wherever possible.

KSF is required to retain data as part of legal and regulatory requirements. Following the data retention assessment, the data retention workstream has progressed the data retention design and has commenced the implementation of data retention solutions. This includes terminating vendor or services contracts where possible.

Regulatory and Compliance

KSF and two of its subsidiaries remain FSA authorised, and continue to require an appropriate set of regulatory permissions through which to hold, transact or manage assets under the Administration. The Compliance, Anti-Money Laundering (AML) and Risk function is performed by a regulatory specialist to ensure continuing compliance with FSA and other regulatory requirements.

During the period, there has again continued to be regular engagement with FSA and other regulatory authorities on a wide range of regulatory issues, including the issue of the FSA's Final Notice on its investigation into certain events and circumstances prior to the administration in October 2008.

Dialogue has continued with FSA to deregister or reduce as appropriate the number and scope of regulatory permissions held, to enhance efficiencies and to ensure KSF and its subsidiary businesses are not burdened with unnecessary regulatory fees. This has also entailed obtaining and seeking to renew regulatory waivers from the requirement to produce certain regulatory and reporting items and in the treatment of client money in the investment management subsidiaries.

In terms of the Banking 'Front office' and recoveries, we continue to review activities to identify regulatory risks and ensure related controls, policies and procedures and compliance input are put in place as required. As a result of the changed SSA arrangements post January 2012 relating to loan book recoveries, additional controls were established including a new suite of management information and key risk indicators and the establishment of a Controls Committee. These additional controls allow the Administrators and the remaining KSF management to closely monitor the performance and effectiveness of the revised arrangements.

Taxation

The Administrators' corporation tax and VAT teams continue to implement strategies which maximise value for the estate of KSF by ensuring KSF's corporation tax and VAT positions are optimised.

Together with ensuring that KSF's corporation tax compliance obligations are fully satisfied, the corporation tax team has focussed on obtaining payment for corporation tax losses surrendered by KSF in each period. To date, KSF has surrendered losses of approximately £26m in exchange for payments exceeding £7.2m for the surrender of these losses. We will continue to monitor the position in order to maximise value from tax attributes where possible.

Legal issues

The Singer & Friedlander Limited Pension and Assurance Scheme

Following the outcome of the judgment handed down on 16 March 2012, the Scheme actuary signed the formal section 75 certificate on 3 April 2012.

An Insolvency Claim Form was filed on behalf of the Trustee for the section 75 debt on 25 July 2012 which included the value of the funds originally held at the BoE, but recovered separately by the Trustee. The Administrators responded to the Trustee rejecting the entitlement of the Scheme to the Trustee's claim for the BoE amount on the basis that the Scheme had already received payment.

On 17 August 2012, the Trustee filed an application notice at the High Court to appeal the Administrators' decision. The Companies Court has scheduled a hearing for the Trustee's application, to be held on 4 February 2013.

Administrators' remuneration and disbursements

Creditors are reminded that following the Initial Meeting of creditors, at which a Creditors' Committee was established, the Creditors' Committee resolved that the Administrators' remuneration be fixed on a time-cost basis. The Creditors' Committee additionally agreed that the Administrators be allowed to draw 80% of their time costs (plus VAT and expenses) on a rolling monthly basis with the remaining 20% only, being subject to approval at future Creditors' Committee meetings or by separate fee Resolution.

As part of the ongoing fee approval process, the Committee members receive a comprehensive analysis of the Administrators' costs including time costs by activity and grade together with a detailed fee narrative by each individual work stream.

The Administrators' total hours and time costs relating to the eight six-month periods since the date of appointment are analysed in the table below:

Period to	Total time costs (£)	Total hours	Avg hourly rate (£)
7 April 2009	17,941,057	48,746	368
7 October 2009	8,403,547	25,920	324
7 April 2010	6,608,869	18,409	359
7 October 2010	5,676,906	15,137	375
7 April 2011	4,692,167	12,232	384
7 October 2011	4,032,063	9,545	422
7 April 2012	3,941,098	9,223	427
7 October 2012	3,381,680	8,420	402
Total	54,677,387	147,632	370

As is evident from the above table, in the six months to 7 October 2012, time costs of £3,381,680 have been incurred, representing 8,420 hours at an average rate of £402.

This hourly rate compares with the average hourly rate of £370 from date of appointment to 7 October 2012. The reduction in the average hourly rate for the last six months, is indicative of the staff grade mix and less senior staff time being required post the disposal of Asset Finance. The Administrators' cumulative time costs accrued from date of appointment to 7 October 2012 are c.£55m plus VAT.

An analysis of the time spent for both the period of this report and from 8 October 2008 to 7 October 2012 as required by the Association of Business Recovery Professionals' ("R3") Statement of Insolvency Practice No.9 ("SIP9"), are attached as Appendix D. As previously reported, the above time costs are inclusive of the Administrators' time costs recovered from ING in the amount of £3.54m pursuant to the transfer of the Edge depositors' accounts.

To date, disbursements of £0.4m (inclusive of Category 2 disbursements) have been incurred. Category 2 disbursements are charges made by the office holder's firm that include elements of shared or overhead costs. In the period of this report, the Administrators' disbursements totalled c.£7,000 plus VAT.

Appendix A Receipts and payments account for the period 8 October 2008 to 7 October 2012

Receipts and payments (all currencies are presented in Sterling and amounts are inclusive of VAT where applicable)

	8 October 2008 to 7 April 2012 £'000 [1]	Six months to 7 October 2012 £'000 [1]	Total £'000 [1]	Notes
Receipts				
Cash taken over	418,077	(3)	418,074	2
Property loans	470,620	20,621	491,241	3
Private banking	761,893	17,453	779,346	4
Corporate loans	637,649	41,258	678,907	5
Asset Finance	581,062	-	581,062	6
Realisations from Transitional Service Agreements	14,404	-	14,404	7
Tax	17,583	2,942	20,525	8
Rental income	5,775	4	5,779	
Share realisations and dividends	391,484	6,657	398,141	9
Financial instrument receipts	300,397	(13)	300,384	10
Inter-account cross currency receipts and presentational foreign exchange movements	723,371	2,805	726,176	11
Other realisations and interest	19,959	53,861	73,820	12
Unallocated receipts	58	-	58	13
Total receipts	4,342,332	145,585	4,487,917	
Payments				
Supplier payments	22,594	478	23,072	14
Staff wages and related expenses	81,075	2,273	83,348	15
Drawdown payments	43,254	799	44,053	16
Legal and other professional fees	33,523	1,078	34,601	17
Transaction costs relating to SAF sale	10,588	-	10,588	6
Insurance	708	126	834	
Administrators' fees	58,274	4,362	62,636	18
Administrators' disbursements	441	7	448	
Rent, rates and utilities	24,243	72	24,315	
Tax	480	-	480	
Financial instrument settlements	5,622	-	5,622	19
Inter-account cross currency payments	706,330	(11,522)	694,808	11
Cheques and direct debits released post admin	1,204	-	1,204	20
Bank charges and interest	378	3	381	
Distributions				
Distribution to preferential creditors	305	-	305	
Distribution to unsecured creditors	2,831,242	459,473	3,290,715	21
Total payments	3,820,261	457,149	4,277,410	
Foreign exchange gain/(loss)	219	(69)	150	1
Closing balance	522,290	(311,633)	210,657	22

Notes:

1. *Foreign currency transactions occurring in AUD, CAD, HOK, JPY, NOK, NZD are converted into Sterling using an exchange rate as at the relevant date of each transaction. A 'Foreign exchange gain/loss' line has been added to show the effect of changes in exchange rate when physically transferring funds from these foreign currency accounts into Sterling accounts. With regard to Euro and US Dollar receipts and payments, these transactions are converted into Sterling using the exchange rate as at 7 October 2012.*
2. *Cash taken over represents monies belonging to KSF and previously held by certain third party banks. These funds are now under KSF's control. These monies may include some post administration receipts which need to be returned to third parties. This balance has apparently decreased by c.£3k due to adverse foreign exchange movements in the period.*
3. *A combination of capital repayments and interest payments from the Property loan book.*
4. *A combination of capital repayments and interest payments from the Private Banking loan book.*
5. *A combination of capital repayments and interest payments from the Corporate loan book as well as cash received from warrant cancellation and Swap settlements of c.£28m.*
6. *A combination of capital repayments and interest payments from the Asset Finance subsidiaries. SAF was sold in the prior period for a gross consideration of c.£224m, including share realisations of c.£40.7m. The transaction costs in relation to this sale amounted to c.£10.6m.*
7. *This represents payment for services provided in respect of businesses that have been sold or transferred (SFIM, SAF and Edge).*
8. *This amount relates to money received post administration in respect of tax bills paid in July and August 2008 on behalf of various Asset Finance subsidiaries.*
9. *This represents receipt from the sale of shares and receipt of dividends.*
10. *This is the product of closed Financial Instrument positions including ISDA valuation settlements, Bond maturities and Coupons, Repurchase Agreements and Equity Swaps. This balance has apparently decreased by c.£13k due to adverse foreign exchange movements in the period.*
11. *The movement in inter-account cross currency receipts & payments mainly attributed to the transfer of funds held in the foreign currencies bank accounts to the Sterling account to facilitate the distributions to creditors. This receipt line also includes presentational foreign exchange movements since the date of the last progress report, 8 April 2012, relating to Euro and US Dollar receipts relating to cash taken over and financial instruments.*
12. *This includes sundry debtors, interest received and miscellaneous receipts such as proceeds from the sale of chattel assets and fee refunds. Since June 2012 a receipt of £52m was received from the liquidator of Singer & Friedlander Funding Plc to KSF as deferred creditor under the guarantee.*
13. *These receipts have been received in the post administration period by KSF and are in the process of being allocated. These amounts are being investigated to establish whether they belong to KSF, or need to be returned to the remitter.*
14. *Supplier payments in relation to ongoing costs including expenditure on IT.*
15. *This represents payments for staff wages and related expenses.*
16. *These are drawdowns provided to existing customers across the loan books in respect of loans which are still being funded by KSF.*
17. *Legal and other professional fees relate to legal advice obtained, court proceedings and litigation conducted in connection with various issues across the Administration.*
18. *Administrators' fees relate to amounts actually billed during the current period and are, therefore, different to the amounts incurred in the period as per the SIP9 in Appendix D.*
19. *These figures represent treasury derivatives close out agreements between KSF and two counter-parties involving FX, Interest rate and Equity Swaps.*
20. *These payments were released immediately after appointment and before any stop could be placed on them.*
21. *The amount distributed to unsecured creditors increased by c.£459.5m in the current period. This was largely due to the payment of the eighth dividend on 2 May 2012, being 10p in £ on agreed unsecured claims.*
22. *The closing balance represents total receipts less total payments plus the foreign exchange gain for the period. The closing balance does not include a sum of c.£31k which the Administrators are holding in respect of third party monies received in error. The Administrators continue to progress the repayment of these monies as and when bank account details become available.*

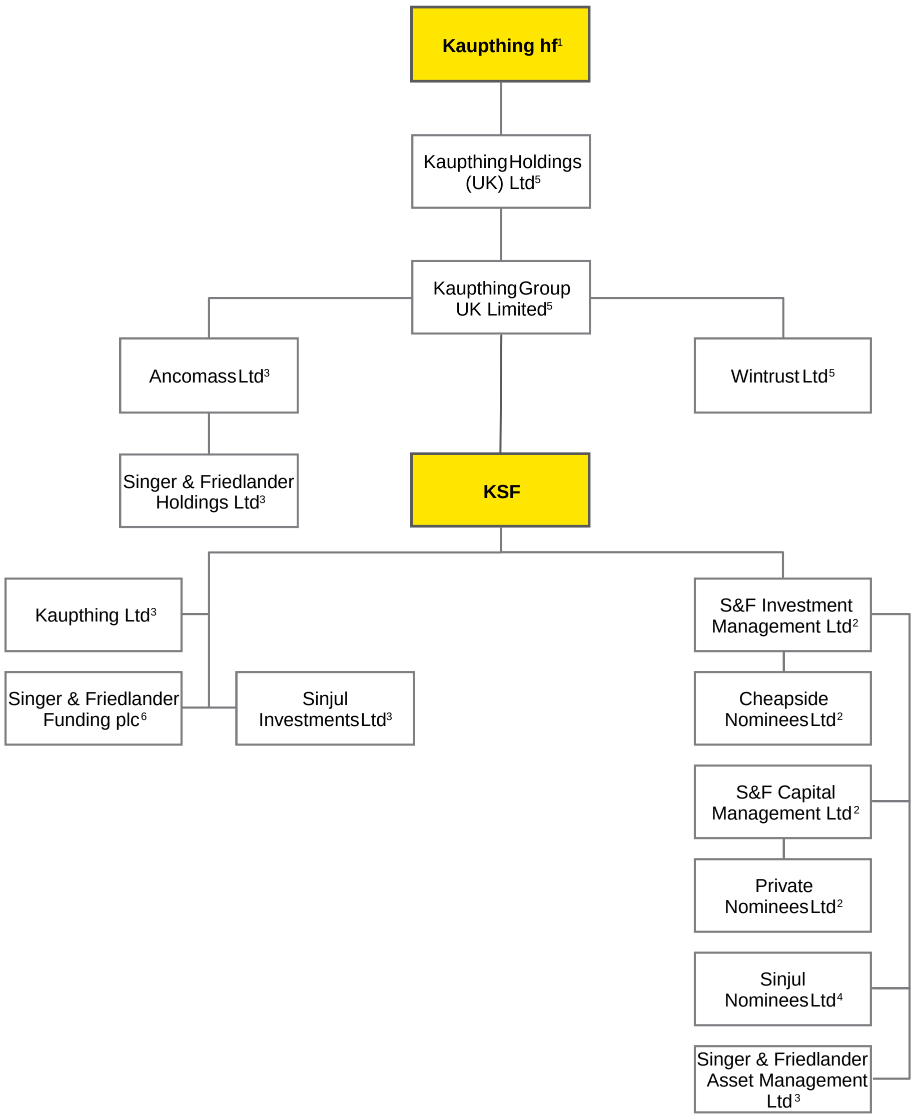
Appendix B Statutory and other information

Company Information	
Registered number:	00875947
Company name:	Kaupthing Singer & Friedlander Limited
Current trading address/ registered office address:	21 New Street London EC2M 4HR
Former trading address:	One Hanover Street London W1S 1AX
Previous names:	Singer & Friedlander Limited until 22 August 2006

Details of the Administrators and of their appointment	
Administrators:	ME Mills, AR Bloom, PJ Brazzill and TM Burton of Ernst & Young LLP, 1 More London Place, London, SE1 2AF
Date of appointment:	8 October 2008
By whom appointed:	The appointment was made by the High Court of Justice, Chancery Division, Companies Court on the application of the Financial Services Authority
Court reference:	High Court of Justice, Chancery Division, Companies Court – case 8805 of 2008
Division of the Administrators’ responsibility:	Any of the functions to be performed or powers exercisable by the Administrators may be carried out/exercised by any one of them acting alone or by any or all of them acting severally
Period of Administration:	Extended by Court consent to 7 October 2015
Prescribed Part:	The Administrators have established that there are no valid fixed or floating charges registered against KSF. In the absence of floating charge, there are no monies required to be set aside to creditors under s176A of the Act being under ‘Prescribed Part’ formula

Statement Concerning the EC Regulation	
EC Regulation Statement	In accordance with the Credit Institutions (Reorganisation and Winding Up) Regulations 2004, the EC Council Regulation on Insolvency Proceedings does not apply to this Administration. Under these Regulations the Administration is conducted according to UK insolvency legislation and is not governed by the insolvency law of any other European Economic Area member State.

Appendix C Kaupthing Singer & Friedlander – group structure



Notes:

1. Entity is in winding up proceedings under Icelandic law
2. Looking to place the entity into members' voluntary liquidation
3. Entity is in members' voluntary liquidation
4. Entity is currently under review to decide its strategy going forward
5. Entity is outside the jurisdiction of the Administrators of KSF
6. Entity is in creditors' voluntary liquidation

Appendix D Summary of Administrators' time costs for the period 8 October 2008 to 7 October 2012

	Breakdown of hours charged by grade						
Classification of work by function	Partner/ Director	Manager	Other senior professionals	Assistants & support	Total hours	Total time costs (£)	Avg. hourly rate (£)
Accounting and admin.	1,340.3	4,934.0	9,504.4	14,399.0	30,177.7	7,880,473	261
Asset Finance	1,103.3	1,497.8	181.2	31.5	2,813.8	1,505,626	535
Bank and statutory reporting	622.6	1,972.2	1,361.7	491.9	4,448.4	1,774,273	399
Banking book	3,765.6	9,521.7	11,208.9	5,956.3	30,452.5	11,180,818	367
Creditors	779.4	3,299.8	3,926.0	3,008.4	11,013.6	3,524,765	320
Debtors	65.0	74.8	10.8	138.9	289.5	104,466	361
Edge decommissioning	19.0	522.8	299.5	11.0	852.3	301,342	354
Edge retail accounts	1,636.5	4,243.0	4,222.7	1,710.6	11,812.8	4,311,844	365
Edge retail migration	249.0	1,264.8	32.5	0.0	1,546.3	765,478	495
Employee matters	1,104.9	829.7	651.0	274.7	2,860.3	1,306,922	457
Help desk	0.0	24.1	60.5	861.0	945.6	165,622	175
Immediate tasks	315.3	207.0	437.5	718.1	1,677.9	512,565	305
Investigations and CDDA	216.5	140.4	135.1	40.5	532.5	264,545	497
Investment banking	57.0	47.0	0.0	0.0	104.0	55,960	538
IT Wind Down Project	17.3	1,428.3	472.0	14.0	1,931.6	918,367	475
KSF Capital Markets	773.3	73.6	324.2	0.7	1,171.8	682,157	582
Legal issues	860.7	832.3	43.1	17.0	1,753.1	969,619	553
Members	0.0	1.6	0.0	0.0	1.6	612	383
Non-Edge IT support	0.0	192.1	3.0	0.0	195.1	79,896	410
Other assets	751.8	1,305.4	562.1	769.0	3,388.3	1,384,315	409
Property	1,196.3	6,609.2	8,850.2	1,893.3	18,549.0	7,088,812	382
Public relations issues	10.0	43.9	0.0	2.0	55.9	18,486	331
Retail book	117.0	500.7	383.1	44.0	1,044.8	454,179	435
Retention of title issues	0.0	7.9	6.8	0.0	14.7	5,243	357
Sale process	622.0	1,480.4	1,362.0	303.2	3,767.6	1,642,469	436
Statutory duties	160.5	241.9	243.5	39.0	684.9	289,626	423
Trading	564.9	1,563.9	1,711.3	1,653.8	5,493.9	1,698,518	309
VAT and taxation	2,122.7	4,388.5	2,548.2	993.3	10,052.7	5,790,383	576
Total hours	**18,470.9**	**47,248.8**	**48,541.3**	**33,371.2**	**147,632.2**	**54,677,387**	**370**
Total time costs (£)	**12,690,121**	**22,530,242**	**13,572,053**	**5,884,971**	**54,677,387**		
Avg. hourly rate (£)	**687**	**477**	**280**	**176**	**370**		

Summary of Administrators' time costs for the six month period 8 April 2012 to 7 October 2012

Classification of work by function	Breakdown of hours charged by grade						
	Partner/ Director	Manager	Other senior professionals	Assistants & support	Total hours	Total time costs (£)	Avg. hourly rate (£)
Accounting and admin.	37.1	278.5	305.6	712.3	1,333.5	394,731	296
Asset Finance	11.5	31.5		19.0	62.0	27,785	448
Bank and statutory reporting	42.7	154.9	100.6	83.5	381.7	154,546	405
Banking book	323.4	975.5	2,586.5	212.5	4,097.9	1,534,198	374
Creditors	37.7	162.7	352.8	14.0	567.2	217,088	383
Debtors		0.4			0.4	217	542
Employee matters	10.0	25.8	69.1		104.9	41,389	395
Investigations & CDDA		0.5			0.5	192	384
IT Wind Down Project	10.8	151.6		14.0	176.4	105,894	600
Legal issues	136.4	71.5	1.2		209.1	139,483	667
Members		**0.2**			**0.2**	**108**	**542**
Other assets	53.1	95.8	3.2		152.1	90,703	596
Property	4.0	31.3			35.3	18,177	515
Public relations Issues		0.4			0.4	207	518
Statutory duties	3.0	37.1	33.0	5.0	78.1	32,416	415
Trading	16.5	28.3	130.0		174.8	64,447	369
VAT and taxation	187.7	423.1	222.7	212.0	1,045.5	560,099	536
Total hours	**873.9**	**2,469.1**	**3,804.7**	**1,272.3**	**8,420.0**	**3,381,680**	**402**
Total time costs (£)	**689,642**	**1,342,938**	**1,124,645**	**224,454**	**3,381,680**		
Average hourly rate (£)	**789**	**544**	**296**	**176**	**402**		

Charging and disbursement policy

Administrators' charging policy for fees

The size and complexity of the assignment has necessitated that the Administrators put in place a team of Ernst & Young personnel including specialists in financial services, real estate, taxation, systems and IT, HR, communications and other Advisory Services, as well as core restructuring personnel. 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. 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 time code established for the case. Each member of staff has a specific hourly rate, which is subject to change over time. Where the Administrators utilise the services of specialist departments within the Administrators' firm such as tax, these departments may charge a number of hours if and when the Administrators require their advice. These rates will vary and may exceed those of the Administrators' restructuring staff.

The rates used by the Administrators may periodically rise over the period of the Administration but are, however, subject to the agreement of the Creditors' Committee.

Administrators' charging policy for disbursements

Statement of Insolvency Practice No.9 divides disbursements into two categories:

Category 1 disbursements are defined as specific expenditure relating to the administration of the insolvent's affairs and referable to payment to an independent third party. Such disbursements can be paid from the insolvent's assets without approval from the Creditors' Committee or the general body of creditors. In line with SIP 9, it is our policy to disclose Category 1 disbursements drawn but not to seek approval for their payment.

Category 2 disbursements are charges made by the office holder's firm that include elements of shared or overhead costs. SIP 9 provides that such disbursements are subject to approval as if they were remuneration. It is our policy, in line with SIP 9, to seek approval for Category 2 disbursements before they are drawn.