

**Kaupthing Singer & Friedlander Limited -  
(In Administration)**

Administrators' Progress Report to creditors for the  
six month period from 8 April 2013 to 7 October 2013



Building a better  
working world

## Abbreviations

The following abbreviations are used in this report:

Administrators	For the period covered by this report and up to 26 April 2013, Margaret Elizabeth Mills, Alan Robert Bloom, Patrick Joseph Brazzill and Thomas Merchant Burton all of Ernst & Young LLP From 26 April 2013, Margaret Elizabeth Mills, Alan Robert Bloom, Patrick Joseph Brazzill and Benjamin Thom Cairns all of Ernst & Young LLP
BoE	The Bank of England
CfD	Contract for difference
Edge	The Edge internet deposit facility
FCA	Financial Conduct Authority (formerly Financial Services Authority)
FSA	Financial Services Authority
FSCS	Financial Services Compensation Scheme
Funding	Singer & Friedlander Funding plc
HMRC	Her Majesty's Revenue & Customs
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
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
SAF	Singers Asset Finance
Scheme	Singer & Friedlander Limited Pension and Assurance Scheme
SFAM LLP	Singer & Friedlander Asset Management LLP
SFCM	Singer & Friedlander Capital Management Limited
SFIM	Singer & Friedlander Investment Management Limited
SFIM Group	Singer & Friedlander Investment Management Limited and its subsidiaries
Shawbrook	Shawbrook Bank Limited
SIP	Statement of Insolvency Practice
SoA	Statement of Affairs
SSA	Services and Secondment Agreement
The Act	The Insolvency Act 1986 (as amended)
The Company	Kaupthing Singer & Friedlander Limited
The Group	Kaupthing Group UK Limited and its subsidiaries
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.

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# 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.

On 26 April 2013, TM Burton resigned as Administrator of KSF and BT Cairns was appointed as Joint Administrator by the High Court of Justice Chancery Division, Companies Court on the application of the continuing Joint Administrators. This application was made due to TM Burton's forthcoming retirement from Ernst & Young LLP. Further statutory and other information is shown in Appendix B of this report.

This report, including its appendices, constitutes the Administrators' tenth 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 2013 to 7 October 2013 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](http://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 continues to be 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.

As previously advised, the Administrators applied to Court on 18 May 2012, 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 2014.

## 2. Summary of key developments

### Progress in the period

The body of the report below details the major areas of progress since 8 April 2013, the areas of particular significance being:

- ▶ Banking loan book recoveries of £37m, increasing total loan recoveries to £2,050m as at 7 October 2013;
- ▶ Receipt of funds in the sum of £15.4m which were held in escrow in relation to the Asset Finance sale;
- ▶ Payment of the tenth dividend to unsecured creditors on 6 June 2013 at a rate of 3p in the £;
- ▶ Issuing the eleventh notice of intended dividend to unsecured creditors on 1 October 2013; and
- ▶ In this report the estimated range for total dividends to non preferential creditors has been amended to at 85p to 86.5p in the £.

Full details of recoveries made for the period of this report together with the total realisations to 7 October 2013 are set out in Appendix A, being the Administrators' Receipts and Payments account.

### Dividends to creditors

On 6 June 2013, the Administrators paid a tenth dividend totalling £122,891,507, being 3p in £ to agreed unsecured creditors. On 1 October 2013, a notice of intention to declare an eleventh dividend to unsecured creditors was issued and a copy published at [www.kaupthingsingers.co.uk](http://www.kaupthingsingers.co.uk).

It is the Administrators' intention to provide an update in respect of the eleventh dividend timing and, if appropriate, quantum, via the KSF website, in the week commencing 2 December 2013.

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 £
Tenth dividend	6 June 2013	3p in £
<b>Total paid to date</b>		<b>79p in £</b>
Eleventh dividend	December 2013	Quantum to be determined

### 3. Update on conduct of the Administration

#### Banking loan book

##### **KSF loan books**

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

(£'m)	SoA as at 8 October 2008	Actual capital cash collections to 7 October 2013	Actual total cash collections to 7 October 2013
Corporate	631	638	695
Property	864	504	535
Private Banking	1,115	763	820
Sub participations – KSIOM	167	-	-
Sub participations – Khf	190	-	-
<b>Total</b>	<b>2,967</b>	<b>1,905</b>	<b>2,050</b>

##### **Notes:**

1. Cash collections are converted into sterling as at transaction date exchange rates.
2. Corporate banking receipts exclude cash received from warrant cancellations and swap settlements of c.£26m.
3. Property banking receipts exclude swap settlements of c.£1m.
4. Differences between the loan book receipts as per the Receipts and Payments accounts to 7 October 2013 (Appendix A) and the above table are detailed below.

£2,050m has been recovered from the KSF loan books to 7 October 2013, comprising £1,905m capital repayments, £132m interest repayments and £13m fees. The analysis of loan book recoveries presented in this section differs from the cash receipts presented in the Receipts and Payments section of the report. The analysis in this section 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. The receipts and payments account also includes amounts received in respect of swap settlements and warrant cancellations, which are not presented above.

The Administrators continue to focus on maximising recoveries from the KSF loan books and accelerating receipts wherever possible, in order to enhance realisations for creditors.

As previously reported, the staff of SFAM LLP, an entity owned and operated by former KSF banking staff, continue to manage the day-to-day recoveries operations of the loan book in accordance with the first SSA with KSF. The staff are seconded to KSF and operate under the supervision of the Administrators and their staff. The first SSA with SFAM LLP expires on 31 December 2013 and the Administrators are currently negotiating arrangements for the recovery of the remaining loan book beyond this date with SFAM LLP. All credit related decisions continue to be taken by the Administrators at twice weekly Credit Committee meetings.

Recovery of each individual exposure continues to be driven by the strategies established following the detailed facility review undertaken at the start of the Administration. However, the Administrators continue to review and amend these strategies in the light of new developments and changing circumstances in order to maximise realisations and seek early repayment.

KSF has historically made further drawdown payments to borrowers or third parties where the Administrators deem that this will preserve or enhance the value in KSF's security or to comply with the requirements of facility documentation. To date, drawdown payments total £47m, of which £45m has been recovered through capital repayments on the associated loans. The current net drawdown position is therefore £2m. An appropriate commercial rate of interest is charged on drawdown funds provided, where permitted by the facility agreements with the borrower.

In the period to 7 October 2013, the Administrators achieved the cancellation of KSF's outstanding revolving credit facilities, meaning that KSF no longer has open exposure to borrowers who can draw down on additional funding on demand. As such, all future drawdown payments will be entirely at the discretion of the Administrators.



Loan book provisions are reviewed quarterly on a loan by loan basis and on an ad hoc basis where developments with regard to a particular exposure occur. Write-offs are only crystallised and booked when all possible collection routes for a particular debt have been fully explored. All write-offs are subject to the approval of the Administrators at the twice weekly Credit Committee meetings. The amount written off in the period to 8 October 2013 was £58m, bringing write-offs to date to £657m.

Information on estimated future recoveries is monitored by the SFAM LLP secondees, 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 factors that may affect quantum and timing.

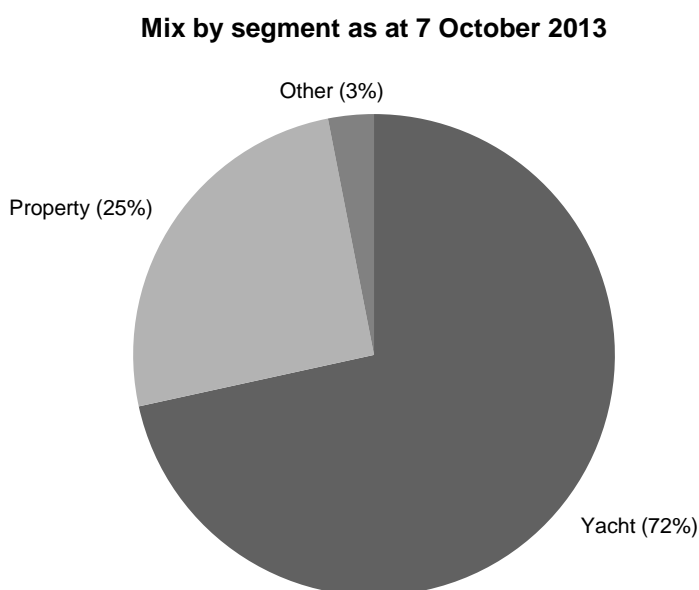
### Private Banking

Actual cash collected (£'m)	8 October 2008 to 7 April 2013	6 months from 8 April 2013 to 7 October 2013	8 October 2008 to 7 October 2013
Capital	753	10	763
Interest	55	-	55
Fees	2	-	2
<b>Total</b>	<b>810</b>	<b>10</b>	<b>820</b>

**Note:** where total interest and fees received are less than £1m, these have been shown as zero in the above table.

(£'m)	SoA value as at 8 October 2008	SoA value less actual capital collections to 7 October 2013	SoA value less actual total collections to 7 October 2013
Book value	1,115	352	295
Sub participations – KSIOM	167	-	-
No. of borrowers	372	16	16

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 2013:



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

The Private Banking portfolio is divided into three segments, being yachts, property and "other". As previously reported, KSF has one large outstanding yacht position, representing 72% of the outstanding value of Private Banking loans, and efforts continue to secure the refinancing of this longer dated facility.

The property segment consists largely of five year, interest only mortgages to high net worth customers. Such loans remain difficult to refinance given high LTV ratios, the limited number of active lenders in the current market and increased default risk in current economic conditions. KSF has now enforced its security over a significant proportion of these loans following their expiry. However, many of the remaining loans are regulated mortgages, requiring KSF to grant forbearance to the borrowers in accordance with regulatory provisions governing such mortgages. KSF's strategy for regulated mortgages continues to be focussed on early communication with customers of the need to refinance on or before maturity and, following maturity, on the consensual sale of property over which KSF holds a legal charge to maximise realisations.

As previously reported, KSF had sub-participations in a number of private banking loans advanced by KSFIOM. The loans represented a claim against KSFIOM which was subject to mandatory set-off against the claim submitted in the administration of KSF by KSFIOM.

### Corporate loan book

Actual cash collected (£'m)	8 October 2008 to 7 April 2013	6 months from 8 April 2013 to 7 October 2013	8 October 2008 to 7 October 2013
Capital	624	14	638
Interest	48	1	49
Fees	8	-	8
<b>Total</b>	<b>680</b>	<b>15</b>	<b>695</b>

**Note:** where total interest and fees received are less than £1m, these have been shown as zero in the above table.

(£'m)	SoA value as at 8 October 2008	SoA value less actual capital collections to 7 October 2013	SoA value less actual total collections to 7 October 2013
Book value	631	(7)	(64)
Sub participations – Khf	190	-	190
No. of borrowers	77	5	5

During the period to 7 October 2013, KSF continued to make progress on the Corporate loan book. Since the date of Administration, KSF has exited c.95% of its Corporate lending relationships. As at 7 October 2013, all of KSF's remaining Corporate exposure related to bi-lateral loans in which KSF is either the sole lender or the senior lender alongside a UK clearing bank.

In respect of those borrowers whose facilities have not yet matured and who remain compliant with covenants under the relevant facility agreements, KSF continues to encourage the borrower and the other members of the syndicate to refinance KSF's position. 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. With regard to one corporate borrower over which administrators were appointed, a decision of the Court following a directions hearing brought by the administrators in the period ended 7 October 2013 has enabled KSF's future realisations under both its fixed and floating charges to be more clearly understood.

As previously reported, KSF has sub-participation positions in Corporate 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

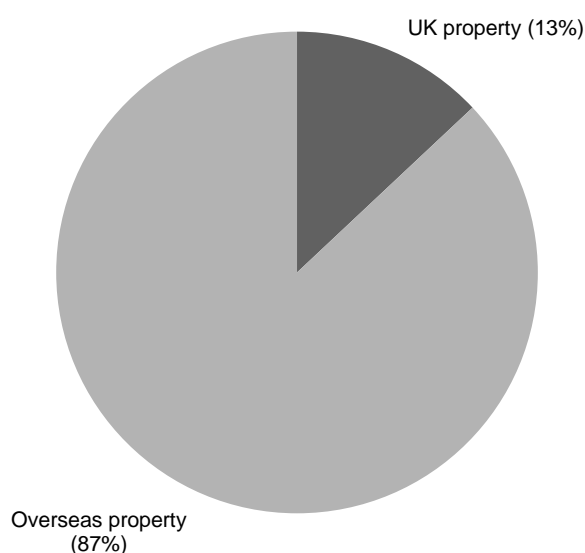
Actual cash collected (£'m)	8 October 2008 to 7 October 2012	6 months from 8 April 2013 to 7 October 2013	8 October 2008 to 7 October 2013
Capital	492	12	504
Interest	27	-	27
Fees	4	-	4
<b>Total</b>	<b>523</b>	<b>12</b>	<b>535</b>

(£'m)	SoA value as at 8 October 2008	SoA value less actual capital collections to 7 October 2013	SoA value less actual total collections to 7 October 2013
Book value	864	360	329
No. of borrowers	220	27	27

The chart below sets out the mix by segment of the Property loan book by the value of amounts outstanding as at 7 October 2013:

Mix by segment as at 7 October 2013



Since the date of Administration, KSF has exited over 85% of its property loan book accounts. Following closure of these accounts the Administrators amalgamated the smaller number of outstanding loans in the previous Property Partnerships and Property Finance categories into UK and Overseas Property segments.

The largest exposures in the property loan book are to development land in the Caribbean, development projects in France, the UK residential market and structured development projects in the UK. Market conditions and a lack of available credit for Caribbean investment continue to limit sales and refinancing opportunities in respect of these borrowers. In the period to 7 October 2013, KSF has made progress in the marketing and realisation of its Caribbean portfolio, but the challenging local conditions mean that, as the loan book is wound down, such loans form an increasing proportion of the Property Banking book. Shortly after the reporting period, on 9 October 2013 the Administrators accelerated the repayment of a property loan exposure in Ireland from 2016 by the sale of its position. KSF no longer has any exposure to the Irish property market. This receipt is not reflected in the receipts and payments account to 7 October 2013 at Appendix A.

The Administrators' focus continues to be to work with cooperative borrowers to encourage them to refinance or sell completed or semi-completed projects. However, where borrowers are uncooperative or in breach of their loan facilities, KSF acts to realise the value of its security through

the appointment of LPA or fixed charge receivers, or administrators. Where economically feasible, KSF pursues borrowers and guarantors to recover any shortfall in repayment. Such actions have, where appropriate, included the appointment of Trustees in Bankruptcy to recover the value of personal guarantees.

KSF continues to make drawdown payments to property borrowers where expenditure is necessary to preserve or enhance the value of its security. However, KSF has also realised partially built developments and entered into joint venture arrangements with third parties, where appropriate. Access to development finance in the market remains challenging and continues to stifle transactions that would allow quick refinancing or sales of the security at appropriate levels of value.

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.

When realising property assets, KSF has negotiated, where possible, overage agreements with purchasers, allowing KSF to benefit from any appreciation in value for a period following the sale. The SFAM LLP secondees continue to monitor property developments following such transactions to ensure KSF obtains payment from purchasers where due.

### **Kaupthing Bank hf**

As previously reported, the agreed claims that KSF has in the Khf Winding-Up are as follows:

- i. £302m in respect of financial instruments, bonds held directly by KSF, inter-company recharges and other sundry matters; and
- ii. £10m in relation to Khf bonds beneficially owned by KSF but held through Deutsche Bank Trust Company Americas.

The Administrators have continued work with the Khf Winding-up Committee, throughout the period, in relation to the valuation of KSF's claim for amounts due to KSF in respect of sub-participation agreements. The Administrators and the Khf Winding-up Committee have now reached agreement in principle in respect of the values at which these components of the claim will be accepted and various other outstanding issues between KSF and Khf settled. As we are in the process of documenting these matters through suitable settlement agreements, we are unable to provide any further details at this time.

Subject to completion of the above settlement agreements, the only contentious matter which remains outstanding as between Khf and KSF relates to the proceedings in the District Court of Reykjavik in relation to the proposed rescission of the repurchase of two bonds by Khf in May 2008. At a preliminary hearing held before the District Court on 27 May 2013, as part of a combined hearing of a number of similar cases, the Court decided to allow the claim to proceed to full hearing. The next stage of the process is a procedural hearing in the District Court on 25 November 2013.

As previously reported, if successful in the rescission proceedings, the Winding-up Committee consider that Khf will be entitled to set-off the debt (c. €9m plus interest) against KSF's agreed claims in the Winding-up, a point which is contested in KSF's defence.

The Administrators continue to attend creditors' meetings convened by the Khf Winding-up Committee and note that there has been no further update on the proposed launch of a composition proposal to creditors, which we understand has been delayed pending approval by the Central Bank of Iceland. However, the Winding-up Committee have convened a creditors' meeting for 20 November 2013 at which we anticipate an update on these matters will be provided. The Administrators would expect that the composition proposal will provide an indication of the likely timing and level of return to creditors but we are unable to provide any indication of the timing of the release of the composition proposals pending any update from the Khf Winding-up Committee.

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 claims 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](http://www.kaupthing.com)), and provide greater detail in respect of all matters relating to the Khf estate.

## 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 1,013 claims as at 7 October 2013, with a gross value of c.£5.5bn, of which 478 claims (c.£0.6bn) were received from non-Edge depositors. The remaining 535 claims (c.£4.9bn) 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 2013, claims to the value of c.£4.1bn have been admitted to rank for dividend and c.£1.4bn have been rejected, with the current estimated maximum claims not expected to exceed c.£4.1bn.

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.

The Administrators continue to be proactive in progressing outstanding claims and, in the period to 7 October 2013, three disputed claims have been adjudicated resulting in the overall value of disputed claims reducing by c.£9m. In addition, on 23 October 2013, a settlement agreement was entered into with a private banking customer in respect of legal proceedings relating to a claim of c.£7.5m which had been brought against KSF in respect of various allegations. In accordance with the settlement agreement, the legal proceedings will be discontinued, the damages claim will be withdrawn and KSF will receive a payment of c.£1.1m in respect of amounts outstanding under the borrowers' facilities. Accordingly, as at the date of this report, only one disputed or non-agreed claim remains with a gross value of c.£0.02m.

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 and when 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 11 March 2013, the Administrators issued a notice of their intention to declare a tenth dividend to unsecured creditors. Subsequently, on 6 June 2013, the Administrators declared and paid the tenth dividend of 3p in the £ to creditors whose claims had been admitted to rank for dividend. The initial cost of the tenth dividend to the estate was £122,891,507, being 3p in the £ on claims of £4,096,383,564. At the time of paying the tenth dividend, the Administrators made a provision of £13,431,600 for unsettled claims totalling £17,002,025.

On 1 October 2013, the Administrators issued a notice of their intention to declare an eleventh dividend to unsecured creditors and published a copy on the KSF website, ([www.kaupthingsingers.co.uk](http://www.kaupthingsingers.co.uk)). The last date for proving to qualify for the tenth dividend is 31 October 2013. The Administrators are required to declare the eleventh dividend within two months of this date.

It is the Administrators' intention to provide an update in respect of the eleventh dividend timing and, if appropriate, quantum, via the KSF website, in the week commencing 2 December 2013.

Further dividends will be made at regular intervals, subject to consultation with the Creditors' Committee and the level of distributable funds making it cost effective to do so. The Administrators have agreed with the Creditors' Committee that, for the time being, the minimum dividend payable will be 0.5p and, if greater, will be paid at minimum increments of 0.5p, which equates to the

distribution of funds in the amount of c.£20m. The Administrators will continue to use the KSF website to provide updates in relation to dividend timing in between progress reports.

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 eleventh dividend will be dependent on the timing and quantum of ongoing loan book recoveries and distributions from Khf.

### Estimated outcome for creditors

The Administrators are not in a position to provide confirmation of the exact timing or quantum of the eleventh or any other future dividends at this time. However, 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 £
Tenth dividend	6 June 2013	3p in £
Total paid to date		79p in £
Eleventh dividend	December 2013	Quantum to be determined

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 remain in the range of 85p-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

The Administrators are aware that the FCA and the FSCS have recently announced a change to the compensation rules which mean that some large unincorporated associations which did not previously meet the eligibility criteria may now be eligible for compensation. Accordingly, we understand that the FSCS are reviewing compensation claims from non-Edge depositors of KSF which were previously rejected but could now be eligible for compensation.

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 processed almost all of the compensation claims they have received, this process remains essential to ensure that depositors do not receive compensation from the FSCS as well as a dividend from the Administration, particularly in relation to any compensation payments arising from the recent rule changes.

## 5. Other matters

### Receipts and Payments account

The Administrators' Receipts and Payments account for the period 8 October 2008 to 7 October 2013 is attached at Appendix A, which also includes a summary of the receipts and payments for the six month period of this report. All receipts and payments are shown inclusive of VAT, where applicable.

As detailed in the notes to the Receipts & Payments account, 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 2013.

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.

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.

### 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.

### 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 continues 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 during this reporting period was constituted as follows:

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

### 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 c.£16.8m of possible further consideration was being held in two escrow accounts following the sale and that the remaining monies held in escrow relate to two specific tax issues which will not be resolved until approximately late Q2 2013 and Q1 2015, respectively.

It was anticipated that payment of the first escrow sum would be received during May 2013. However, following discussions with Shawbrook about the release, they considered that this was not due for release for, potentially, a further 12 months. However, subsequent to further negotiations between the Administrators and Shawbrook, it was agreed that c.£14.8m would be released from the escrow account in KSF's favour and, in addition, Shawbrook would also pay KSF the sum of £0.6m in respect of tax losses being surrendered by KSF to Shawbrook. Both of these sums have now been received. There is also expected to be a further sum of £0.6m payable from the escrow in January



2015. The outcome of the second tax issue, and any consequent further release of funds to KSF, will not occur until Q1 2015.

### ***Singer & Friedlander Investment Management Group***

On 13 September 2013 both SFIM and SFCM obtained the approval of the FCA to relinquish their Investment Management Advisory licences.

Both SFIM and SFCM were placed into solvent liquidation on 24 September 2013. Notice of the liquidations has been placed in the London Gazette and the initial statutory liquidation matters have been dealt with.

Immediately prior to the commencement of the liquidations, SFIM and SFCM declared final dividends amounting to c.£2.5m. The dividends were paid in cash which was received by KSF in the period.

There will be certain assets and liabilities to be dealt with in the liquidations. However, we would not anticipate the liquidations to run for a period greater than six to nine months.

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

As you will be aware from previous reports, the Funding Liquidators have retained funds of c.£0.5m to discharge final costs and expenses of the liquidation, which is being held open pending submission of corporation tax returns for the liquidation period. It is now not expected that KSF will have any taxable losses in the relevant period which can be group relieved to Funding to shelter Funding's interest income in the liquidation period. However, the Liquidators are liaising with their tax colleagues to prepare final tax returns which seek to offset any taxable income in the liquidation period with Funding's losses arising in prior periods. It is anticipated that Funding may be able to shelter a potential corporation tax liability of c. £0.1m.

Once Funding's corporation tax affairs have been finalised, the residual funds held by the Liquidators will be distributed to KSF as the sole remaining creditor in the liquidation. The Liquidators are seeking to finalise the liquidation by 31 December 2013.

### ***Other subsidiary companies***

All subsidiary companies in the KSF group, with the exception of the dormant subsidiary, Sinjul Nominees Limited, are either in members' voluntary liquidation, in a form of insolvency process or have been sold or struck off the company register.

As set out above, both SFIM and SFCM were placed into Members' Voluntary Liquidation during the period and Patrick Brazzill and Margaret Mills were appointed Joint Liquidators. In addition, both Cheapside Nominees Limited and Private Nominees Limited were struck off the company register on application of the directors of these companies.

A summary of the direct/indirect subsidiaries which have been placed into solvent liquidation or dissolved via strike off procedure is set out in the table below.

<b>Members' voluntary liquidation</b>	<b>Date of appointment</b>	<b>Date struck off the register</b>
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
Singer & Friedlander Investment Management Limited	24 September 2013	
Singer & Friedlander Capital Management Limited	24 September 2013	
<b>Strike off</b>	<b>Date struck off the register</b>	
Singer & Friedlander Secretaries Limited	21 July 2009	
Kaupthing Steadfast Limited	21 July 2009	
Cheapside Nominees Limited	27 August 2013	
Private Nominees Limited	27 August 2013	

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. As previously reported, these claims are agreed and the Joint Liquidators await distributions in respect of these claims.

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

## **Operational matters**

### ***Information Technology matters***

The Administrators, with the assistance of the IT and operations team seconded from SFAM LLP, review KSF's IT costs as an ongoing process. Subject to ongoing business needs, costs are reduced wherever possible.

KSF is required to retain data as part of legal and regulatory requirements. The data retention workstream is in the final stages of moving to the long term data retention solutions. This includes moving the legacy banking system to a managed service and terminating vendor or service contracts where possible.

### ***Services and Secondment Agreement (back office)***

As previously reported, KSF entered into a second SSA on 10 April 2013 with SFAM LLP in relation to the back office functions of KSF. Pursuant to the terms of this agreement, all remaining KSF staff were transferred to SFAM LLP on 10 April 2013 and are seconded to KSF. Under the supervision of the Administrators and their staff, the seconded staff manage the day-to-day back office operations supporting the Administrators and collection of the loan book.

As a result of the SSA, the KSF employee headcount has now reduced to nil and, therefore, salary costs have been transferred to SFAM LLP. However, certain annual incentive and retention

payments agreed between the Company and KSF staff prior to the SSA remain liabilities of KSF and such payments were made during the period of this report in respect of staff made redundant.

The agreements with SFAM LLP should result in reduced operating costs and, therefore, enhanced realisations to unsecured creditors.

## **Regulatory and Compliance**

Following the changes at the FSA, with effect from 1 April 2013 KSF became authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and PRA. The two remaining investment management subsidiaries (SFIM and SFCM) became authorised and regulated by the FCA. All three companies 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 and Risk function is performed by a regulatory specialist to ensure continuing compliance with PRA, FCA and other regulatory requirements.

During the period there has continued to be constructive and frequent engagement with the PRA, FCA and other regulatory authorities on a variety of issues. In this context, dialogue has progressed with both the PRA and the FCA 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. Following successful applications for such waivers and reductions in permissions, both investment management subsidiaries have now been de-authorised, allowing them to pay up remaining cash surpluses to KSF by way of a dividend and to place the companies in to a process for voluntary winding up. An equivalent application to reduce certain of the regulatory permissions held by KSF is being progressed, although the company will continue to require certain regulatory permissions for the foreseeable future.

In terms of the borrower facing Banking 'Front office' and recovery activities, we continue to review practice to identify regulatory risks and ensure related controls, policies and procedures and compliance input are applied as required. As a result of the first SSA 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 to monitor the performance and effectiveness of the revised arrangements. Such controls have been expanded, and the remit of the Controls Committee increased, to monitor the performance and effectiveness of the second SSA in respect of back office operations.

## **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 £37m in exchange for payments exceeding £7.8m 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***

As you will be aware from previous reports, the Administrators rejected £2m of the Scheme Trustee's claim for a section 75 debt on the basis that it included the value of the Scheme Trustee's BoE Trust Account claim in relation to which they had made full recovery. The Trustee's application to appeal the Administrators' decision was heard in the High Court on 23 July 2013 and the judgment issued on 31 July 2013.

The judgment was in favour of the Trustee and, in conjunction with advice from Counsel, the Administrators did not consider it to be in the interests of the estate to appeal the judgment or take any further action in relation to this matter. Accordingly, the value at which the Scheme's claim is

admitted to rank for dividend in the Administration has been increased by £2m and all associated catch up dividends on this amount have been paid to the Scheme Trustee.

As the unsuccessful party in the proceedings, KSF was required to make a contribution towards the Trustee's costs associated with the proceedings in the amount of £0.17m.

### ***Funds paid to Khf in error prior to KSF's Administration***

As previously reported, KSF issued proceedings against a derivative counterparty in relation to funds in the amount of \$65m which were paid to Khf in error shortly prior to KSF's administration. Formal disclosure in the proceedings took place in late July 2013 and the next step is for both parties to file witness evidence before the Court in November 2013. It is not expected that the matter will be heard before the Court until Q3 2014.

As set out in previous report, the Administrators filed a claim in the amount of \$65m in the Khf Winding-up in respect of the funds which Khf received in error. If the Court were to determine that KSF has no claim against the derivative counterparty, the Administrators understand that the claim submitted in the Khf Winding-up should represent an admissible claim.

### **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% 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 ten 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	3,431,717	8,420	408
7 April 2013	2,783,280	6,540	426
7 October 2013	2,967,288	6,733	441
<b>Total</b>	<b>60,477,992</b>	<b>160,905</b>	<b>376</b>

As is evident from the above table, time costs of £2,967,288 have been incurred in the six months to 7 October 2013, representing 6,733 hours at an average rate of £441.

This hourly rate compares with the average hourly rate of £376 from date of appointment to 7 October 2013. The increase in the average hourly rate for the last six months is primarily due to the staff grade mix, with less junior staff time being required. The Administrators' cumulative time costs incurred from date of appointment to 7 October 2013 are c.£60.5m plus VAT.

An analysis of the time spent for both the period of this report, and from 8 October 2008 to 7 October 2013, 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 £3.5m pursuant to the transfer of the Edge depositors' accounts.

To date, disbursements of £0.4m plus VAT (inclusive of Category 2 disbursements) have been incurred, of which c.£6k plus VAT were incurred in the period. Category 2 disbursements are charges made by the office holder's firm that include elements of shared or overhead costs.

## Appendix A Receipts and payments account for the period 8 October 2008 to 7 October 2013

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

	8 October 2008 to 7 April 2013 £'000 <sup>1</sup>	Six months to 7 October 2013 £'000 <sup>1</sup>	Total £'000 <sup>1</sup>	Notes
<b>Receipts</b>				
Cash taken over	419,790	(1,061)	418,729	2
Property loans	519,828	14,392	534,220	3
Private banking	798,229	13,267	811,496	4
Corporate loans	691,358	23,197	714,555	5
Asset Finance	581,062	-	581,062	6
Realisations from Transitional Service Agreements	14,404	88	14,492	7
Tax	20,822	59	20,881	8
Rental income	5,779	-	5,779	
Share realisations and dividends	398,841	20,153	418,994	9
Financial instrument receipts	301,149	(777)	300,372	10
Inter-account cross currency receipts and presentational foreign exchange movements	738,254	20,209	758,469	11
Other realisations and interest	73,672	1,022	74,694	12
<b>Total receipts</b>	<b>4,563,188</b>	<b>90,549</b>	<b>4,653,743</b>	
<b>Payments</b>				
Supplier payments	23,169	318	23,487	13
Staff wages and related expenses	82,864	672	83,536	14
Drawdown payments	45,588	1,473	47,061	15
Legal and other professional fees	37,548	3,229	40,777	16
Transaction costs relating to SAF sale	10,588	-	10,588	
Insurance	920	62	982	
Administrators' fees	65,747	3,871	69,618	17
Administrators' disbursements	461	12	473	
Rent, rates and utilities	24,456	(32)	24,424	
Tax	491	5	496	
Financial instrument settlements	5,622	-	5,622	18
Inter-account cross currency payments	713,323	34,000	747,323	11
Cheques and direct debits released post admin	1,204	-	1,204	19
Bank charges and interest	392	32	424	
<b>Distributions</b>				
Distribution to preferential creditors	305	-	305	
Distribution to unsecured creditors	3,413,499	127,850	3,541,349	20
<b>Total payments</b>	<b>4,426,177</b>	<b>171,492</b>	<b>4,597,669</b>	
Foreign exchange gain/(loss)	150	-	150	1
<b>Closing balance</b>	<b>137,161</b>	<b>(80,937)</b>	<b>56,224</b>	<b>21</b>

**Notes:**

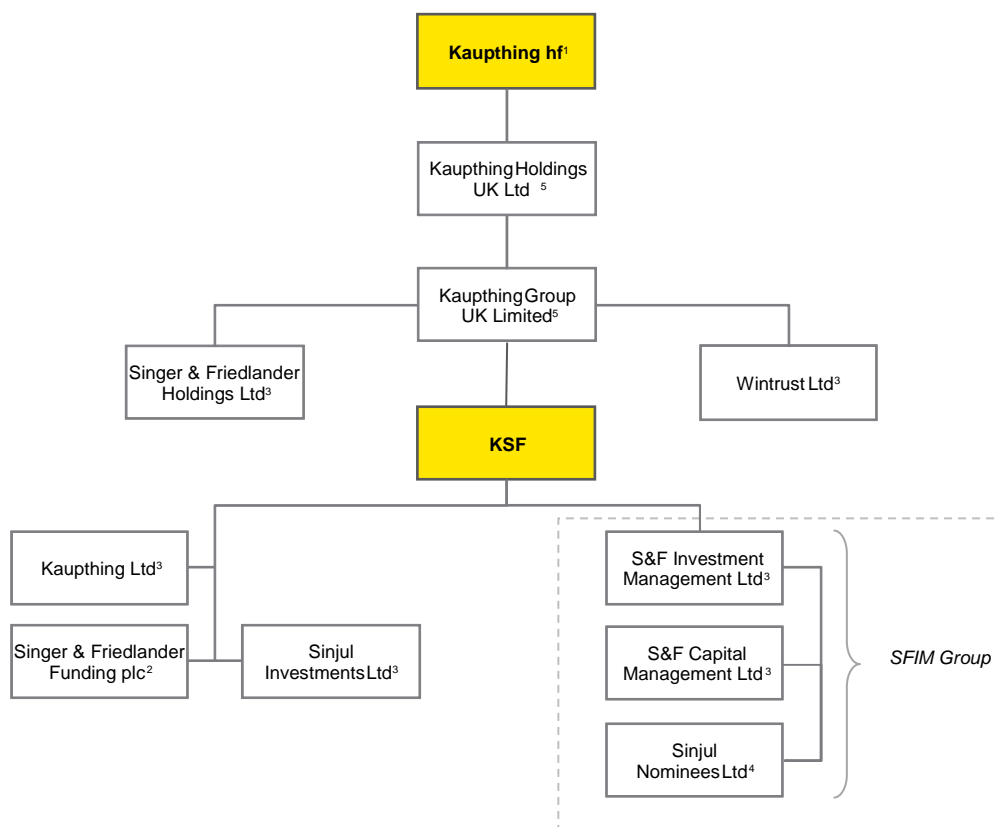
1. *Foreign currency transactions occurring in AUD, CAD, HKD, JPY, NOK and NZD are converted into Sterling using the exchange rate as at the relevant date of each transaction. A 'Foreign exchange gain/loss' line has been added to show the effect of changes in exchange rate when physically transferring 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 2013.*
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. The negative movement during the period is due to the calculation of the total Sterling equivalent figure which uses the month end exchange rates to translate Euro and US Dollar receipts. Therefore, this movement is presentational only (see note 11).*
3. *A combination of capital repayments, interest and fee payments from the Property loan book.*
4. *A combination of capital repayments, interest and fee payments from the Private Banking loan book.*
5. *A combination of capital repayments, interest and fee payments from the Corporate loan book as well as cash received from warrant cancellation and Swap settlements.*
6. *A combination of capital repayments and interest payments from the Asset Finance subsidiaries.*
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 and subsequent tax refunds received.*
9. *This represents receipts 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. The negative movement during the period is due to the calculation of the total Sterling equivalent figure which uses the month end exchange rates to translate Euro and US Dollar receipts. Therefore, this movement is presentational only (see note 11).*
11. *The movement in inter-account cross currency receipts & payments can be mainly attributed to the transfer of funds held in the foreign currency bank accounts to the Sterling account to facilitate distributions to creditors. This receipt line also includes presentational foreign exchange movements since the date of the last progress report, 7 April 2013, relating to Euro and US Dollar receipts for 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.*
13. *Supplier payments in relation to ongoing costs including expenditure on IT.*
14. *This represents payments for staff wages and related expenses. The amount paid to 7 April 2013 is lower than that previously reported due to the reallocation of certain payments to SFAM LLP to the "Legal and other professional fees" line.*
15. *These payments are drawdowns provided to existing customers across the loan books in respect of loans which have open facilities funded by KSF where the Administrators have assessed that the further drawings will enhance realisations or reduce potential claims.*
16. *Legal and other professional fees relate to legal advice obtained, court proceedings and litigation conducted in connection with various issues across the Administration. Professional fees paid to SFAM LLP under the first and second SSAs are included in this line.*
17. *Administrators' fees relate to amounts actually billed during the current period and therefore differ from the amounts incurred in the period as per the SIP9 in Appendix D.*
18. *These figures represent treasury derivatives close out agreements between KSF and two counterparties involving FX, Interest rate and Equity Swaps.*
19. *These payments were released immediately after appointment and before any stop could be placed on them.*
20. *The amount distributed to unsecured creditors increased by c.£127.8m in the current period. This was largely due to the payment of the tenth dividend on 6 June 2013, being 3p in £ on agreed unsecured claims and catch up dividends arising from the decision of the Court regarding the claim of the Singer & Friedlander Limited Pension and Assurance Scheme (see "Legal Matters").*
21. *The closing balance represents total receipts less total payments plus the foreign exchange gain for the period. As at 7 April 2013, KSF held c.£79k of money received in error from third parties. The Administrators and SFAM LLP secondees have undertaken an exercise to identify such third parties and return funds as quickly as possible, resulting in a reduction in the amount of such funds held from c.£79k at 7 April 2013 to £nil on 7 October 2013.*

## Appendix B Statutory and other information as at 7 October 2013

Company Information	
<b>Registered number:</b>	00875947
<b>Company name:</b>	Kaupthing Singer & Friedlander Limited
<b>Current trading address/ registered office address:</b>	21 New Street London EC2M 4HR
<b>Former trading address:</b>	One Hanover Street London W1S 1AX
<b>Previous names:</b>	Singer & Friedlander Limited until 22 August 2006
Details of the Administrators and of their appointment	
<b>Administrators:</b>	ME Mills, AR Bloom, PJ Brazzill and BT Cairns of Ernst & Young LLP, 1 More London Place, London, SE1 2AF
<b>Date of appointment:</b>	8 October 2008 (ME Mills, AR Bloom and PJ Brazzill) 26 April 2013 (BT Cairns)
<b>By whom appointed:</b>	The appointment of ME Mills, AR Bloom and PJ Brazzill was made by the High Court of Justice, Chancery Division, Companies Court on the application of the Financial Services Authority.  The appointment of BT Cairns was made by the High Court of Justice, Chancery Division, Companies Court on the application of the continuing Joint Administrators following the resignation of TM Burton.
<b>Court reference:</b>	High Court of Justice, Chancery Division, Companies Court – case 8805 of 2008
<b>Division of the Administrators' responsibility:</b>	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
<b>Period of Administration:</b>	Extended by Court consent to 7 October 2015
<b>Prescribed Part:</b>	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	
<b>EC Regulation Statement</b>	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. Entity is in creditors' 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

## Appendix D Summary of Administrators' time costs for the period 8 October 2008 to 7 October 2013

Classification of work by function	Breakdown of hours charged by grade				Total hours	Total time costs (£)	Avg. hourly rate (£)
	Partner/Director	Manager	Other senior professionals	Assistants & support			
Accounting and admin.	1,421.7	5,418.2	10,581.9	15,287.5	32,709.3	8,690,174	266
Asset Finance	1,142.0	1,537.2	181.6	31.5	2,892.3	1,558,759	539
Bank and statutory reporting	703.6	2,259.0	1,986.3	683.2	5,632.1	2,210,806	393
Banking book	4,429.7	11,990.3	13,583.9	6,155.4	36,159.3	13,679,119	378
Creditors	863.6	3,463.9	4,505.0	3,029.7	11,862.2	3,862,216	326
Debtors	69.5	75.3	29.5	138.9	313.2	113,962	364
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	1,127.6	849.0	687.5	274.7	2,938.8	1,346,373	458
Help desk	0.0	24.1	60.5	861.0	945.6	165,622	175
Immediate tasks	315.6	207.0	437.5	718.1	1,678.2	512,793	306
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	24.3	1,599.2	480.4	14.0	2,117.9	1,030,728	487
KSF Capital Markets	773.3	73.6	324.2	0.7	1,171.8	682,157	582
Legal issues	1,039.3	1,163.2	397.9	118.5	2,718.9	1,444,857	531
Members	0.0	1.7	0.0	0.0	1.7	669	394
Non-Edge IT support	0.0	192.1	3.0	0.0	195.1	79,896	410
Other assets	835.8	1,424.8	596.3	769.0	3,625.9	1,526,540	421
Property	1,216.8	6,721.1	8,850.2	1,893.3	18,681.4	7,181,543	384
Public relations issues	10.0	43.9	1.9	2.0	57.8	19,040	329
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	623.0	1,480.4	1,362.0	303.2	3,768.6	1,643,201	436
Statutory duties	172.0	296.2	285.8	43.5	797.5	358,197	449
Trading	590.4	1,636.9	1,736.5	1,653.8	5,617.6	1,766,271	314
VAT and taxation	2,275.6	4,961.4	2,750.9	1,124.9	11,112.8	6,446,474	580
<b>Total hours</b>	<b>19,928.8</b>	<b>52,145.1</b>	<b>53,922.5</b>	<b>34,909.0</b>	<b>160,905.4</b>	<b>60,477,992</b>	<b>376</b>
<b>Total time costs (£)</b>	<b>13,871,634</b>	<b>25,188,161</b>	<b>15,264,150</b>	<b>6,154,049</b>	<b>60,477,992</b>		
<b>Avg. hourly rate (£)</b>	<b>696</b>	<b>483</b>	<b>283</b>	<b>176</b>	<b>376</b>		

## Summary of Administrators' time costs for the six month period 8 April 2013 to 7 October 2013

Classification of work by function	Breakdown of hours charged by grade				Total hours	Total time costs (£)	Avg. hourly rate (£)
	Partner/Director	Manager	Other senior professionals	Assistants & support			
Accounting and admin.	41.5	137.9	612.6	501.8	1,293.8	394,483	305
Asset Finance	22.0	26.8	0.4	-	49.2	33,571	682
Bank and statutory reporting	37.5	117.2	288.8	105.4	548.9	205,894	375
Banking book	236.7	1,252.3	1,088.8	121.6	2,699.4	1,196,508	443
Creditors	50.7	74.8	263.4	21.3	410.2	171,652	418
Debtors	-	0.5	10.2	-	10.7	3,688	345
Employee matters	5.2	3.8	17.0	-	26.0	11,737	451
IT Wind Down Project	7.0	64.0	8.4	-	79.4	53,429	673
Legal issues	110.5	232.8	354.8	101.5	799.6	370,571	463
Other assets	51.3	55.8	10.0	-	117.1	76,140	650
Property	18.0	69.9	-	-	87.9	63,689	725
Statutory duties	4.0	46.9	41.7	2.6	95.2	58,421	614
Trading	5.0	16.9	25.2	-	47.1	21,826	463
VAT and taxation	86.8	214.4	108.2	59.4	468.8	305,681	652
<b>Total hours</b>	<b>676.2</b>	<b>2,314.0</b>	<b>2,829.5</b>	<b>913.6</b>	<b>6,733.3</b>	<b>2,967,288</b>	<b>441</b>
<b>Total time costs (£)</b>	<b>570,901</b>	<b>1,291,846</b>	<b>936,318</b>	<b>168,224</b>	<b>2,967,288</b>		
<b>Avg. hourly rate (£)</b>	<b>844</b>	<b>558</b>	<b>331</b>	<b>184</b>	<b>441</b>		

### 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.