Kaupthing Singer & Friedlander Limited (In Administration)

Administrators' Progress Report to creditors for the six month period from 8 April 2014 to 7 October 2014

Building a better working world

Abbreviations

The following abbreviations are used in this report:

Administrators	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 and for the period covered by this report, Margaret Elizabeth Mills, Alan Robert Bloom, Patrick Joseph Brazzill and Benjamin Thom Cairns all of Ernst & Young LLP
CfD	Contract for difference
Edge	The Edge internet deposit facility
FCA	Financial Conduct 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
KSFIOM	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
SAF	Singers Asset Finance
Scheme	Singer & Friedlander Limited Pension and Assurance Scheme
SFAM Ltd	SFAM Limited
SFAM LLP	Singer & Friedlander Asset Management LLP (subsequently SFAM Ltd)
SFCM	Singer & Friedlander Capital Management Limited
SFIM	Singer & Friedlander Investment Management Limited
SIP	Statement of Insolvency Practice
SoA	Statement of Affairs
SSA	Services and Secondment Agreement
The Act	The Insolvency Act 1986 (as amended)
The Rules	The Insolvency Rules 1986 (as amended)
Transfer Order	Kaupthing Singer & Friedlander Limited Transfer of Certain Rights and Liabilities Order 2008 (as amended)

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.

No representation or warranty, express or implied, is given by KSF, the Administrators or Ernst & Young LLP or any of their respective directors, partners, officers, affiliates, employees, advisors or agents (and any warranty expressed or implied by statute is hereby excluded) as to the accuracy or completeness of the contents of this report or any other document or information supplied, or which may be supplied at any time or any opinions or projections expressed herein or therein, nor is any such party under any obligation to update the report or correct any inaccuracies or omissions in it which may exist or become apparent. In particular, for reasons of commercial sensitivity, information on certain matters has not been included in the report.

No responsibility or liability is accepted for any loss or damage, howsoever arising, that you may suffer as a result of this report and any and all responsibility and liability is expressly disclaimed by KSF and Ernst & Young LLP or any of them or any of their respective directors, partners, officers, affiliates, employees, advisors or agents.

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 Pounds Sterling. However, there are some realisations and payments 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. TM Burton was replaced by BT Cairns on 26 April 2013. 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.

For all other statutory information please refer to Appendix B of this report.

This report, including its appendices, constitutes the Administrators' twelfth 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 2014 to 7 October 2014 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.

The above Overriding Objectives have been completed.

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 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 have applied to, and received permission of, the Court to make distributions to unsecured creditors pursuant to Paragraph 65(3) of Schedule B1 to the Act.

They have also applied for, and the Court has ordered, two extensions to the administration, with the current extension expiring on 7 October 2015.

Creditors should note that the Administrators intend to make an application to Court in early 2015, to request a third extension to 7 October 2017.

Future reporting

The Administrators' next formal report to creditors will be in approximately six months' from this report covering the period from 8 October 2014 to 7 April 2015.

2. Summary of key developments

Progress in the period

The body of the report below details the major areas of progress since 8 April 2014, the areas of particular significance being:

- Banking loan book recoveries of £45m, increasing total loan recoveries to £2,176m as at 7 October 2014;
- Issue of the Notice of Intended Twelfth Dividend to unsecured creditors on 6 October 2014; and
- In respect of proceedings issued against a derivative counterparty regarding funds totalling $65m which were paid to Khf in error, a judgment was handed down in the High Court in favour of the derivative counterparty on the basis of an estoppel by convention. The Administrators made an application to the Court of Appeal for leave to appeal the High Court judgment and the application has been approved. The appeal is due to be listed for a hearing between February and June 2015.

Full details of recoveries made for the period of this report together with the total realisations to 7 October 2014 are set out in the Administrators' receipts and payments account at Appendix A.

Dividends to creditors

On 29 September 2014, a notice of intention to declare a twelfth dividend to unsecured creditors was issued and a copy published at www.kaupthingsingers.co.uk.

On 31 October 2014, the Administrators provided an update on the timing and quantum of the twelfth dividend on the KSF website. The twelfth dividend will be paid on 10 December 2014 at a rate of not less than 1p in the £.

The estimated range for total dividends to non-preferential creditors remains at 85p-86.5p in the £.

Future dividends will be paid subject to consultation with the Creditors' Committee, and when the level of distributable funds makes it cost effective to do so.

3. Update on conduct of the administration

Banking loan book

KSF loan books

As previously reported, KSF's loan book comprised three portfolios: corporate, property and private banking. The net book values of each loan book, as detailed on the SoA, together with collections to date are set out below:

(£'m)	SoA net book values as at 8 October 2008	Actual capital cash collections to 7 October 2014	Actual total cash collections to 7 October 2014
Corporate	631	677	734
Property	864	552	584
Private Banking	1,115	800	858
Total	**2,610**	**2,029**	**2,176**

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 account to 7 October 2014 (Appendix A) and the above table are explained below.*

As previously reported, KSF had sub-participations in a number of private banking and corporate loans advanced by KSFIOM and Khf with a net book value of £167m and £190m, respectively, in the Directors' SoA. The sub-participations are not included in the table above because they represent claims against the KSFIOM and Khf insolvency estates. In respect of KSFIOM, the sub-participations were subject to mandatory set-off against the claim submitted in the administration of KSF by KSFIOM and, for Khf, they represent part of KSF's agreed unsecured claim in the Khf winding-up proceedings. Accordingly, no cash realisations have been or will be received in respect of the sub-participations, with the exception of any future dividends to be received from Khf.

Loan book recoveries to 7 October 2014 total £2,176m, consisting of £2,029m capital repayments, £133m interest repayments and £14m in fees.

Creditors should note that the above table translates all foreign currency receipts into sterling ("GBP") at transaction date exchange rates. However, the receipts and payments account, attached at Appendix A, translates foreign currency balances into GBP as at the reporting date, being 7 October 2014. 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 KSF's loan book, accelerating receipts from borrowers wherever possible in order to enhance realisations for creditors within reasonable timescales.

As detailed in previous reports to creditors, an entity owned and operated by former KSF banking staff, SFAM Ltd, manage the loan book recovery process under the supervision of the Administrators. All decisions relating to the loan book are presented to the Administrators and their team for approval at weekly Credit Committee meetings. Further detail in relation to the arrangement with SFAM Ltd is provided later in this report.

The Administrators continue to authorise further drawdown payments to customers if it is believed that this will preserve or enhance KSF loan book recoveries. To date, drawdown payments total £50m, of which £47m has been recovered though capital repayments on the associated loans. The net drawdown position is, therefore, £3m. Where permitted by facility agreements with the borrowers, KSF continues to charge interest at an appropriate commercial rate on any drawdown payments made to customers.

Provisions for bad and doubtful debts in respect of the loan book are reviewed quarterly on a loan by loan basis or on an ad-hoc basis in light of any new developments, and are subject to the Administrators' approval. Write-offs during the administration currently total £692m (excluding sub participations), of which £21m was written off during the period in question. Creditors should note that each write-off is stated against the gross value of the respective loan, and not against the net book values detailed within the SoA.

Information on estimated future recoveries is monitored by the Administrators in conjunction with SFAM Ltd on a loan-by-loan basis.

Individual loan exposures are regularly reviewed at Credit Committee meetings in the context of any recent developments or newly available information. Loan book strategies are then revised to seek to ensure the maximum recovery is realised for creditors. Based on current information, the estimated realisable value of the remaining loans in the KSF loan book is approximately £41m.

Private Banking

Actual cash collected (£'m)	8 October 2008 to 7 April 2014	6 months from 8 April 2014 to 7 October 2014	8 October 2008 to 7 October 2014
Capital	796	4	800
Interest	56	-	56
Fees	2	-	2
Total	**854**	**4**	**858**

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

As at 7 October 2014, the private banking book holds accounts for 10 borrowers and comprises three segments, being property, yachts and "other", which represent approximately 35%, 56%, and 9% of the private banking book respectively, by estimated realisable value. 'Other' includes securities backed loans, unsecured loans and cash backed loans.

The property segment comprises primarily of mortgages provided to high net worth individuals, and the £4m realised within the reporting period relates directly to loans of this nature.

The Administrators continue to liaise with borrowers and encourage refinancing or sale of property, where appropriate, prior to the expiry of their loan facilities. Where loan facilities have expired, KSF has sought to enforce its security over the property where appropriate, as the Administrators consider this will maximise realisations.

In the last report, creditors were advised the private banking portfolio had one yacht position outstanding, and this position remains unchanged. Whilst the majority of this loan has been repaid, the terms of settlement provided for two deferred payments to be received in December 2014 and December 2015. These payments are expected to be received in this timeframe.

Corporate loan book

Actual cash collected (£'m)	8 October 2008 to 7 April 2014	6 months from 8 April 2014 to 7 October 2014	8 October 2008 to 7 October 2014
Capital	664	13	677
Interest	49	-	49
Fees	8	-	8
Total	**721**	**13**	**734**

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

Creditors will recall that, as at the date of the last report, the corporate loan book comprised one syndicated loan position, whereby KSF shared an exposure (repayable – 2015) with another UK bank. This loan was sold during the period, which enabled the Administrators to achieve an early realisation and eliminate any risk with respect to future refinance of the facility.

Further, I am pleased to report that a sum of c. £2.5m was realised during the period in respect of a loan that had previously been written off. KSF and Khf had been funding investigations by the Liquidators of the corporate borrowers, and this has eventually resulted in this recovery after costs. Some of the proceeds will be paid to Khf, as the loan was jointly funded by Khf and that quantum is currently under discussion.

Property loan book

Actual cash collected (£'m)	8 October 2008 to 7 April 2014	6 months from 8 April 2014 to 7 October 2014	8 October 2008 to 7 October 2014
Capital	525	27	552
Interest	27	1	28
Fees	4	-	4
Total	**556**	**28**	**584**

As at 7 October 2014, the property loan book holds accounts for 12 borrowers and comprises two segments, being overseas property and UK property, which represent 97% and 3% of the property loan book respectively, by estimated realisable value. The overseas property is situated in France, Barbados and St Lucia.

A large proportion of the amount received during the period was realised from two loans secured on property in the Caribbean, together realising c. £19m. Additionally, approximately £9m was realised in respect of a development property in France, with a smaller, deferred amount still to be received in accordance with the payment terms agreed.

The Administrators continue to work with borrowers that are cooperative, continuing to encourage the refinancing or sale of property so that the loan position may be exited. In the meantime, as and when the Administrators consider it necessary, further drawdown payments are made to borrowers in order to preserve or enhance the value of the property.

However, in cases where borrowers are uncooperative or have breached the terms of the facility, the Administrators have sought to enforce KSF's security by appointing Administrators over the borrower concerned or Receivers over the property against which KSF has security. Of the remaining 12 loan accounts, 6 are subject to such enforcement action.

Where the Administrators consider it to be cost effective, personal guarantors have been pursued for the balance due to KSF by the borrowers, and Trustees in bankruptcy appointed where necessary.

It will be recalled from the last report that a number of the properties are the subject of litigation processes in overseas jurisdictions. These proceedings remain ongoing (which has delayed the progress that can be made to exit these loan positions).

For a small number of property loans, it was apparent that valuations undertaken at the time that the loan was granted had significantly overvalued the underlying property. As such, claims have been brought against the valuers concerned for losses incurred as a result of KSF placing reliance on the valuations to form a lending decision.

We are pleased to report that after the reporting period, a final settlement for the sum of c. £9m was agreed in respect of one of these claims. There remains one claim outstanding, which is currently subject to settlement discussions. It is anticipated that this will be settled shortly for a sum of less than £0.5m. Once the settlement amounts are received, no further realisations are expected in this regard.

Kaupthing Bank hf

As previously reported, KSF's agreed unsecured claims in the Khf winding-up proceedings amount to £396.3m, with a further agreed claim of £10m in relation to Khf bonds beneficially owned by KSF, but held through Deutsche Bank Trust Company Americas.

The only component of the KSF claim which remains unresolved, with a gross value of £36.8m ($65m), relates to a payment of $65m to Khf by a derivative counterparty in error prior to administration. The settlement of this component of the KSF claim is subject to the outcome of ongoing Icelandic and UK legal proceedings with the derivative counterparty (see Section 5, below).

One other matter which remains outstanding as between Khf and KSF relates to the proceedings in the District Court of Reykjavik in respect of the proposed rescission of the repurchase of two bonds by Khf in May 2008. KSF's legal advisors have advised that the next hearing in relation to this matter in the District Court of Reykjavik will take place in December 2014 but it is unlikely to proceed to full trial until Autumn 2015 at the earliest.

If successful in the rescission proceedings, 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, a point which is contested in KSF's defence of the rescission proceedings.

In relation to the Khf winding-up proceedings, the principal barrier to Khf issuing a composition proposal to creditors is the existence of Icelandic currency controls, which require the Khf Winding-up Committee to obtain approval from the Central Bank of Iceland to the terms of a draft composition proposal. Whilst we understand that there has been some limited progress in the discussions between Khf's Winding-up Committee and the Central Bank of Iceland, and the Icelandic Government have instructed advisors to assist them in considering the implications of a relaxation of the currency control measures, we remain unable to provide any indication of the timing of the release of composition proposals.

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), and provide greater detail in respect of all matters relating to the Khf estate.

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. A four day hearing in the High Court concluded on 1 July 2014 and the judgment in relation to the proceedings was handed down on 19 July 2014.

Unfortunately, despite KSF succeeding in defeating the majority of the defences advanced by the derivative counterparty, the judgment found in favour of the derivative counterparty on the basis of an estoppel by convention.

The Judge did not consider it appropriate to grant permission to KSF to appeal the judgment but gave KSF until 12 September 2014 to apply directly to the Court of Appeal for permission to make an appeal application.

The Administrators sought advice from their legal advisors and Counsel in respect of the merits of an appeal and the likely costs before making a decision on whether to proceed. On balance, the Administrators decided that it was in the interests of the KSF estate to proceed with an application for leave to appeal, which was submitted to the Court of Appeal on 12 September 2014.

The application to the Court of Appeal for leave to appeal was approved on 27 October 2014. The appeal is due to be listed for a hearing between February and June 2015. If the Court of Appeal do not overturn the High Court judgment at appeal, the Administrators will approach the Khf Winding-up Committee to request that they accept the $65m claim submitted by KSF in the Khf winding-up proceedings.

In relation to costs, the Judge at first instance ordered that KSF make an interim costs payment to the derivative counterparty in the amount of £0.6m, which has been made. Legal advisors for both parties are currently seeking to agree the amount of the balancing payment due from KSF. The costs paid to the derivative counterparty would only be recoverable by KSF if KSF is successful in the appeal application.

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 1,022 claims as at 7 October 2014, with a gross value of c. £5.5bn, of which 482 claims (c. £0.6bn) were received from non-Edge depositors. The remaining 540 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 2014, claims to the value of c. £4.1bn have been admitted to rank for dividend and c. £1.4bn have been rejected. The current estimated maximum claims are not expected to exceed c. £4.1bn.

In the period, the Administrators have been contacted by some creditors advising that they have assigned their debts to third parties. Whilst these assignments do not have an impact on the overall value of claims admitted for dividend, they do require adjustment to the Administrators' records in relation to the assigned claims, and have increased the number of admitted claims by three, where some claims have been divided amongst two or more purchasers.

The Administrators continue to be proactive in progressing outstanding claims and new claims as they are received. As at the date of this report, there are no un-adjudicated claims.

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

On 29 September 2014, the Administrators issued a notice of their intention to declare a twelfth 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 twelfth dividend, was 22 October 2014. The Administrators are required to declare the twelfth dividend within two months of this date.

On 31 October 2014, the Administrators provided an update on the timing and quantum of the twelfth dividend on the KSF website. The twelfth dividend will be paid on 10 December 2014 at a rate of not less than 1p in the £.

Future dividends will be paid subject to consultation with the Creditors' Committee, and when the level of distributable funds makes it cost effective to do so. As previously reported, the Administrators have agreed with the Creditors' Committee that, for the time being, the minimum dividend payable will be 0.5p in the £ and, if greater, will be paid at minimum increments of 0.5p in the £, 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 will be primarily dependent on the timing and quantum of ongoing loan book recoveries and distributions from Khf.

The Administrators are not in a position to provide confirmation of the exact timing or quantum of any dividends beyond the twelfth dividend 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 £
Eleventh dividend	18 December 2013	2.5p in £
Total paid to date		81.5p in £
Twelfth dividend	10 December 2014	Not less than 1p in £

Estimated outcome for creditors

On the basis of 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 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

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.

5. Other matters

Receipts and payments account

Please find attached at Appendix A the Administrators' receipts and payments account for the period 8 October 2008 to 7 October 2014, which includes a summary of the receipts and payments for the reporting period. 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 2014.

The funds in the Administrators' control are held across a number of clearing banks in order to mitigate risk. Some monies are 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 SIP 7 in the receipts and payments account attached at Appendix A.

Creditors' Committee

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

The Committee continues to attend the formal meetings and providing their opinions by way of consultation on major issues. 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).

Please note that KSFIOM ceased to be a member of the Committee with effect from 9 October 2014.

Subsidiary companies

Singer Asset Finance subsidiaries (Asset Finance)

Creditors will be aware that monies were held in two escrow accounts following the sale of the Asset Finance division to Shawbrook Bank Limited in March 2012. The release of the monies was subject to the resolution of two specific tax issues.

As previously reported, a payment of £14.75m from the first escrow account (which held £15.3m), was received in October 2013. The balance of this escrow account is anticipated to be received in early 2015. The outcome of the second tax issue, for which £3m is held in an escrow account, will not be known until Q1 2015 at the earliest.

Singer & Friedlander Investment Management Group

As previously reported, both SFIM and SFCM were placed into solvent liquidation on 24 September 2013. The Joint Liquidators of SFIM subsequently received a claim from a potential creditor, which they adjudicated and the claim of circa £20,000 was accepted in full and settled in June 2014.

The final pre-liquidation corporation tax returns have been submitted to HMRC. Once tax clearance is provided by HMRC, for both companies, the Joint Liquidators will be in a position to make a distribution to the shareholders and close the liquidations. It is anticipated that the liquidations will be completed in the next six months.

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

As previously reported, in March 2014 the Liquidators of Funding paid a final dividend to KSF as the sole remaining creditor in the liquidation. Final meetings of Funding's members and creditors were held on 12 May 2014 and Funding was formally dissolved on 28 August 2014.

Other subsidiary companies

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

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 at Appendix C.

As advised in the last report, the Liquidators of Sinjul Investments Limited and Kaupthing Limited were taking steps to conclude the liquidations. The liquidations remain open at present, as both entities have capital losses which could be utilised by KSF, if required, at a future date.

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

Operational matters

Closedown of premises

Since February 2009, the administration has been conducted from KSF's former trading premises, at New Street, London, which is being occupied by SFAM Ltd and the administration team.

The premises are due to be vacated prior to the end of December 2014 and, going forward, the administration team will operate from EY's offices. The Administrators are taking steps to ensure appropriate arrangements have been put in place to preserve data and minimise disruption.

Information Technology matters

The Administrators, with the assistance of the IT and operations team seconded from SFAM Ltd, 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. A long-term data retention environment has been specified and built, with non-mandatory applications and functions wound down to leave a core of key applications that allow the loan book to continue to be managed, which will allow data to be retained indefinitely. Operating and support procedures for this core system have been documented and tested for effectiveness and accuracy.

In the last report, creditors were advised that the Administrators were in the process of making a decision as to where to host the primary servers and systems in the long term. The process was put out to tender and after consideration, was awarded to a third party who will store and host the core system going forward. Hardware maintenance is also being carried out externally, with the service being provided by a different third party.

Services and Secondment Agreements of SFAM Ltd

Creditors will recall that all remaining employees of KSF were transferred to SFAM Ltd (formerly SFAM LLP) and are being seconded to KSF pursuant to a second SSA dated 10 April 2013 and a further SSA dated 18 December 2013. These SSAs expire on 31 December 2014.

The Administrators continue to consider the arrangement with SFAM Ltd to be the most cost effective solution for realising the loan book and, accordingly, the Administrators are currently liaising with SFAM Ltd with regards to renewal of arrangements for the period following the expiry of the current SSA.

Regulatory and Compliance

During the period there has continued to be frequent engagement with the FCA and other regulatory authorities on a variety of issues. Dialogue is progressing with the FCA to deregister, or reduce as appropriate, the number and scope of regulatory permissions held by KSF. This should enhance efficiencies, reduce reporting requirements and prevent any excess or unnecessary burdens in relation to regulatory fees.

KSF still holds two regulated mortgages as noted above within its remaining loan portfolio. Once these loan relationships are exited or closed, KSF will apply to remove its remaining regulatory permissions to further reduce reporting requirements.

The SFAM Ltd secondees and the Administrators regularly review day-to-day activities to identify any regulatory risks and ensure related controls, policies and procedures are applied as required.

Administrators' remuneration and disbursements

It will be recalled that a Creditors' Committee was formed at the first meeting of creditors. The Creditors' Committee resolved that the Administrators' remuneration be fixed on a time-cost basis, and that the Administrators be authorised to draw 80% of their time costs (plus VAT and expenses) on a rolling six-weekly basis with the remaining 20% being subject to approval of the Creditors' Committee.

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 twelve six-month periods since the date of appointment are provided 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
7 April 2014	1,758,862	4,615	381
7 October 2014	1,568,464	3,107	505
Total	**63,805,318**	**168,627**	**378**

In accordance with SIP 9, attached at Appendix D is an analysis of the time incurred and the associated costs for the administration as a whole and the period in question, including comment on the increase in average hourly rate in this reporting period. 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 c.£0.5m plus VAT (inclusive of Category 2 disbursements) have been incurred, of which c. £13k plus VAT were incurred during 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 2014

	Receipts & Payments for the period 8 October 2008 to 7 April 2014 £'000 [1]	Presentational foreign exchange movements on historical Receipts & Payments £'000 [2]	Receipts & Payments in six months to 7 October 2014 £'000 [3]	Total £'000	Notes
Receipts					
Cash taken over	416,252	328	-	416,580	6
Property loans	552,465	(1,815)	28,590	579,240	7
Private banking	838,088	(3,028)	4,362	839,422	8
Corporate loans	736,310	(2,693)	13,101	746,718	9
Asset Finance	581,063	-	-	581,063	10
Realisations from Transitional Service Agreements	14,492	-	1	14,493	11
Tax	21,178	-	178	21,356	12
Rental income	5,779	-	-	5,779	
Share realisations and dividends	417,890	(1,969)	-	415,921	13
Financial instrument receipts	299,348	373	-	299,721	14
Inter-account cross currency receipts	804,738	-	28,660	833,398	15
Other realisations and interest	74,763	(88)	506	75,181	16
Total receipts	**4,762,366**	**(8,892)**	**75,398**	**4,828,872**	
Payments					
Supplier payments	23,588	4	102	23,694	17
Staff wages and related expenses	85,460	-	42	85,502	18
Drawdown payments	49,320	(120)	2,322	51,522	19
Legal and other professional fees	48,295	(4)	2,933	51,224	20
Transaction costs relating to SAF sale	10,588	-	-	10,588	
Insurance	983	-	2	985	
Administrators' fees	71,761	-	1,209	72,970	21
Administrators' disbursements	485	-	1	486	
Rent, rates and utilities	24,361	-	-	24,361	
Tax	496	-	-	496	
Financial instrument settlements	5,622	-	-	5,622	22
Inter-account cross currency payments	774,755	(8,901)	29,031	794,885	15
Cheques and direct debits released post admin	1,204	-	-	1,204	23
Bank charges and interest	428	(6)	6	428	
Distributions					
Distribution to preferential creditors	305	-	-	305	
Distribution to unsecured creditors	3,643,382	-	631	3,644,013	24
Total payments	**4,741,033**	**(9,027)**	**36,279**	**4,768,285**	
Foreign exchange gain/(loss)	150	-	-	150	5
Closing balance	**21,483**	**135**	**39,119**	**60,737**	25

Notes:

1. *All receipts and payments are presented in Sterling and amounts are inclusive of VAT where applicable.*
2. *Receipt and payments as per our progress report to 7 April 2014 are stated gross of presentational foreign exchange differences.*
3. *Presentational foreign exchange differences show the effect of movement in Euro and US Dollar exchange rates within the period of 8 April 2014 to 7 October 2014 on all historical Euro and US Dollar receipts and payments reported to 7 April 2014. It should be noted that there is a £135,000 net positive impact on the closing cash balance previously reported.*
4. *Receipts and payments within the six months to October 2014 show all receipts and payments made within the period 8 April 2014 to 7 October 2014. Transactions occurred throughout the period at the exchange rates on the relevant date of transaction. This column translates all receipts and payments into Pounds Sterling as at the period end exchange rate date of 7 October 2014. Therefore this column will include foreign exchange differences on Euro and US Dollar receipts and payments within the period.*
5. *Foreign currency transactions occurring in AUD, CAD, HKD, JPY, NOK and NZD are converted into Pounds Sterling using the exchange rate as at the relevant date of each transaction. The 'Foreign exchange gain/loss' line shows the effect of changes in exchange rate when physically transferring funds from these foreign currency accounts into Sterling accounts.*
6. *Cash taken over represents monies belonging to KSF and previously held by certain third party banks. These funds are now under KSF's control.*
7. *A combination of capital repayments, interest and fee payments from the property loan book.*
8. *A combination of capital repayments, interest and fee payments from the private banking loan book.*
9. *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.*
10. *A combination of capital repayments and interest payments from the Asset Finance subsidiaries.*
11. *This represents payment for services provided in respect of businesses that have been sold or transferred (SFIM, SAF and Edge).*
12. *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.*
13. *This represents receipts from the sale of shares and receipt of dividends.*
14. *This is the product of closed Financial Instrument positions including ISDA valuation settlements, Bond maturities and Coupons, Repurchase Agreements and Equity Swaps.*
15. *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 Pounds Sterling account to facilitate distributions to creditors.*
16. *This includes sundry debtors, interest received and miscellaneous receipts such as proceeds from the sale of chattel assets and fee refunds.*
17. *Supplier payments in relation to ongoing costs including expenditure on IT.*
18. *This represents payments for staff wages and related expenses. The amount paid to 7 October 2014 is higher than that previously reported due to incentive payments made to SFAM LLP (now SFAM Ltd).*
19. *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.*
20. *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 are also included in this line.*
21. *Administrators' fees relate to amounts actually billed during the current period and therefore differ from the amounts incurred in the period as per the SIP 9 in Appendix D.*
22. *These figures represent treasury derivatives close out agreements between KSF and two counterparties involving FX, Interest rate and Equity Swaps.*
23. *These payments were released immediately after appointment and before any stop could be placed on them.*
24. *The amount distributed to unsecured creditors increased by £630,000 during the period, of which c. £461,269 is a reclassification of dividends received from S&F Funding PLC.*
25. *The closing balance represents total receipts less total payments, including all foreign exchange movements for the period from 8 October 2008 to 7 October 2014. Further, over the period of administration, third party funds totalling c. £86m have been received and returned, which do not form part of the estate. The Administrators return funds to third parties as soon as reasonably practicable. At the date of this report, a sum of c. £3,000 was being held pending the return payment.*

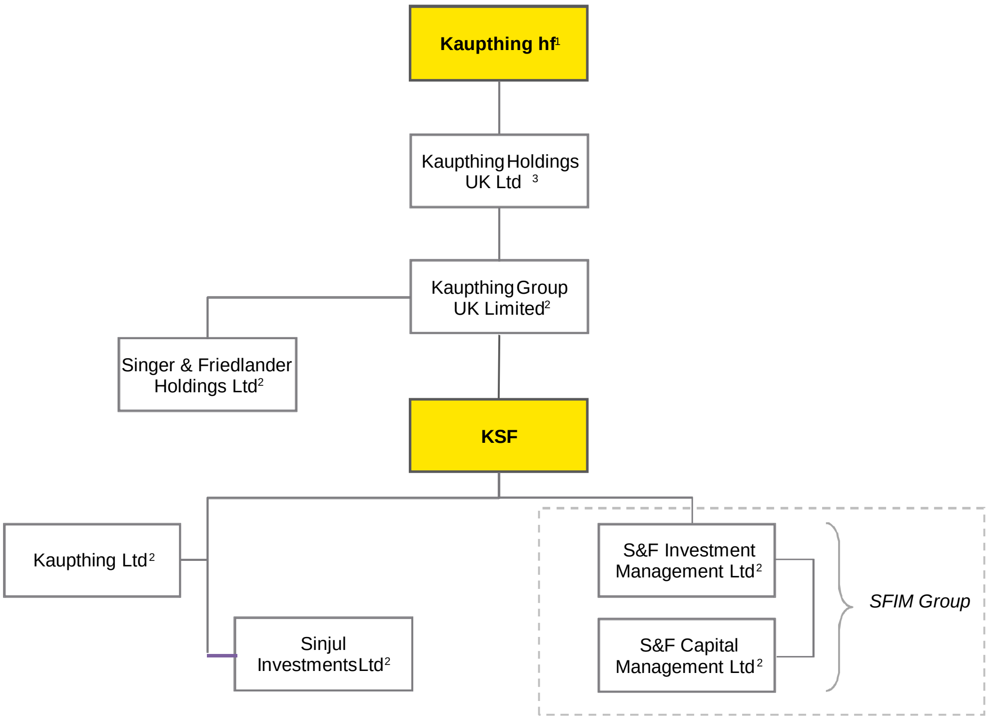
Appendix B Statutory and other information as at 7 October 2014

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 BT Cairns of Ernst & Young LLP, 1 More London Place, London, SE1 2AF
Date of appointment:	8 October 2008 (ME Mills, AR Bloom and PJ Brazzill) 26 April 2013 (BT Cairns)
By whom appointed:	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.
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:	First extension to 7 October 2012 granted by Court on 24 April 2009 Second extension to 7 October 2015 granted by Court on 13 August 2012
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 at 7 October 2014



Notes:

1. Entity is in winding up proceedings under Icelandic law
2. Entity is in members' voluntary liquidation
3. Entity is outside of the KSF Group and therefore is not under control of the Administrators

Direct / Indirect Subsidiaries

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
Singer & Friedlander Investment Management Limited	24 September 2013	
Singer & Friedlander Capital Management Limited	24 September 2013	

Strike off	Date struck off the register
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

Appendix D Summary of Administrators' time costs for the period 8 October 2008 to 7 October 2014

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.	1,479.4	5,759.8	11,539.5	15,959.1	34,737.8	9,349,415	269
Asset Finance	1,143.3	1,553.1	181.6	31.5	2,909.5	1,566,446	538
Bank and statutory reporting	777.9	2,386.9	2,166.6	989.5	6,320.9	2,462,563	390
Banking book	4,697.7	13,305.5	14,117.9	6,379.1	38,500.2	14,736,969	383
Creditors	890.9	3,624.7	4,691.2	3,057.4	12,264.2	4,028,251	328
Debtors	69.5	76.5	30.5	140.6	317.1	115,228	363
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	-	1,546.3	765,478	495
Employee matters	1,130.3	890.4	703.7	274.7	2,999.1	1,374,364	458
Help desk	-	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	52.5	544.5	267,104	491
Investment banking	57.0	47.0	-	-	104.0	55,960	538
IT Wind Down Project	26.9	1,664.7	516.2	32.0	2,239.8	1,082,070	483
KSF Capital Markets	773.3	73.6	324.2	0.7	1,171.8	682,157	582
Legal issues	1,326.4	1,500.6	505.7	228.6	3,561.3	1,871,418	525
Members	-	1.7	-	-	1.7	669	394
Non-Edge IT support	-	192.1	3.0	-	195.1	79,896	410
Other assets	926.0	1,556.9	661.2	825.7	3,969.8	1,694,199	427
Property	1,273.3	6,762.1	8,850.2	1,893.3	18,778.9	7,247,930	386
Public relations issues	10.0	44.7	1.9	2.0	58.6	19,276	329
Retail book	117.0	500.7	383.1	44.0	1,044.8	454,179	435
Retention of title issues	-	7.9	6.8	-	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	181.5	362.6	292.5	44.7	881.3	399,170	453
Trading	590.9	1,640.8	1,759.4	1,653.8	5,644.9	1,774,475	314
VAT and taxation	2,376.9	5,277.6	2,904.3	1,204.3	11,763.1	6,838,049	581
Total hours	**20,907.8**	**55,112.4**	**56,189.3**	**36,417.4**	**168,626.5**	**63,805,318**	**378**
Total time costs (£)	**14,651,108**	**26,792,160**	**15,889,971**	**6,472,080**	**63,805,318**		
Avg. hourly rate (£)	**701**	**486**	**283**	**178**	**378**		

Summary of Administrators' time costs for the six month period 8 April 2014 to 7 October 2014

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.	40.0	154.6	334.5	242.5	771.6	298,616	387
Asset Finance	-	2.4	-	-	2.4	1,485	619
Bank and statutory reporting	33.8	75.2	123.6	258.0	490.6	178,928	365
Banking book	81.6	402.3	230.5	39.8	754.2	422,240	560
Creditors	6.6	55.9	70.9	4.5	137.9	64,495	468
Debtors	-	-	-	-	-	-	-
Employee matters	-	0.6	-	-	0.6	387	645
Investigations and CDDA	-	-	-	2.0	2.0	420	210
IT Wind Down Project	2.5	51.3	32.1	18.0	103.9	53,306	513
Legal issues	176.2	188.9	16.9	76.8	458.8	286,610	625
Other assets	33.5	47.1	15.2	15.5	111.3	63,458	570
Property	8.0	2.6	-	-	10.6	8,495	801
Statutory duties	4.4	16.7	-	-	21.1	14,906	706
VAT and taxation	48.7	132.6	20.7	39.5	241.5	175,118	725
Total hours	**435.3**	**1,130.2**	**844.4**	**696.6**	**3,106.5**	**1,568,464**	**505**
Total time costs (£)	**388,340**	**737,998**	**279,615**	**162,512**	**1,568,464**		
Avg. hourly rate (£)	**892**	**653**	**331**	**233**	**505**		

Time costs of £1,568,464 have been incurred in the six months to 7 October 2014, representing total hours of 3,107 at an average hourly rate of £505. In the reporting period, there has been a rise in the average hourly rate, due to complexities with the remainder of the loan book and in the continuation of litigation proceedings. These issues have resulted in relatively more time being incurred by senior team members. The Administrators' cumulative time costs incurred from date of appointment to 7 October 2014 are c. £63.8m plus VAT.

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

SIP 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.