Kaupthing Singer & Friedlander Limited (in Administration)

Administrators' Progress Report to creditors for the six month period from 8 April 2010 to 7 October 2010

3 November 2010

Ernst & Young

Abbreviations

The following abbreviations are used in this report:

Administrators	Margaret Elizabeth Mills, Alan Robert Bloom, Patrick Joseph Brazzill and Thomas Merchant Burton all of Ernst & Young LLP
BoE	The Bank of England
CfD	Contract for difference
Edge	The Edge internet deposit facility
FSA	Financial Services Authority
FSCS	Financial Services Compensation Scheme
FSMA	Financial Services and Markets Act 2000
Funding	Singer & Friedlander Funding Plc
GP	KCP II (GP) Limited
HMT	Her Majesty's Treasury
ING	ING Direct N.V.
Initial Meeting	The initial meeting of creditors held on 1 December 2008
ISDA	International Swaps and Derivatives Association
IT	Information technology
Khf	Kaupthing Bank hf
King Sturge	King Sturge International LLP
KSF	Kaupthing Singer & Friedlander Limited
KSF Group	KSF and its subsidiary companies
KSIOM	Kaupthing Singer & Friedlander (Isle of Man) Limited
LTV	Loan to Value
Master	Kaupthing Capital Partners II Master L.P. Inc
OTC	Over the counter
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
RBS	Royal Bank of Scotland
Reverse Repo	Reverse Repurchase Agreement
Repo	Repurchase Agreement
SCML	Singer Capital Markets Limited, formerly Kaupthing Singer & Friedlander Capital Markets Limited
SFAM	Singer & Friedlander Asset Management Limited
SFCM	Singer & Friedlander Capital Management Limited
SFIM Group	Singer & Friedlander Investment Management Limited and its subsidiaries
SIP	Statement of Insolvency Practice
SoA	Statement of Affairs
The Act	The Insolvency Act 1986 (as amended)
The Creditors' Committee	The Creditors' Committee elected at the Initial Meeting
The Company	Kaupthing Singer & Friedlander Limited
The Group	Kaupthing Singer & Friedlander Group PLC and its subsidiaries
The Notes	A £250m floating rate guaranteed note issued by Funding on 26 January 2005 (due on 9 February 2010)
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
Wdb	Williams de Broe Limited

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)(a) 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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Please note that amounts included in this report are stated in Sterling. However, there are some amounts that are denominated in other currencies and that have been restated and, therefore, may be subject to foreign exchange movements. These foreign exchange movements have not been highlighted throughout the report and, therefore, may inhibit direct comparison with previous reports.

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

Contents

1. Introduction

Background

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

This report, including its appendices, constitutes the Administrators' fourth six monthly report on the progress of the Administration pursuant to Rule 2.47(3)(a) of the Rules. This report provides details of the work undertaken in the period 8 April 2010 to 7 October 2010 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 managing 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.

Creditors' committee

A Creditors' Committee was elected at the Initial Meeting and its members are as detailed in our letter to creditors dated 4 December 2008. The Administrators and their staff meet regularly with the Creditors' Committee and have, to date, held eleven formal committee meetings. 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.

Future reporting

The Administrators' next formal report to creditors will be in approximately six months time covering progress in the period to 7 April 2011.

2. Summarised key developments

Progress in the period

The body of the report below details the major areas of progress since 8 April 2010, certain areas of particular significance being:

- Banking loan book recoveries of c.£115m, increasing total loan recoveries to £1,290m;
- Loan repayments of £45.5m from the Asset Finance division;
- Treasury realisations totalling c.£71m;
- Substantial progress in the refinancing of the Asset Finance debt;
- Payment of the fourth dividend to unsecured creditors of 10p in the £.

Full details of recoveries made for the period of this report together with the total realisations to 7 October 2010 are set out in Appendix A, being the Administrators' Receipts and Payments account.

Distributions to creditors

The Administrators paid a fourth dividend of 10p in the £ to unsecured creditors with admitted claims on 28 July 2010.

A notice of intention to declare a fifth dividend to unsecured creditors is being issued with the transmittal letter to this report and a copy published at www.kaupthingsingers.co.uk.

In consultation with the Committee, it is the Administrators' intention to declare a fifth dividend of not less than 5p in the £ in mid December 2010.

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

Distributions	Date of Distribution	Quantum (p in £)
First distribution	22 July 2009	20p in £
Second distribution	9 December 2009	10p in £
Third distribution	30 March 2010	5p in £
Fourth distribution	28 July 2010	10p in £
Total paid to date		**45p in £**
Next dividend	Around 8 December 2010	Quantum to be determined but expected to be at least 5p in £

3. Update on conduct of the Administration

The transfer of the Edge deposit book to ING

Under the Transfer Order, the transfer of the Edge deposit accounts to ING was to be effected and was the Overriding Objective of the Administration. As previously reported, the migration of approximately 170,000 Edge deposit holders with total deposits of c.£2.6bn has been completed and ING have been successfully operating customer accounts on their IT and operational platforms since 9 February 2009. The Edge operational platform has been decommissioned.

We have provided support to the FSCS in confirming the Edge liabilities and to ING in resolving Edge customers related matters.

Non-Edge deposit book

As previously reported, we understand that the FSCS have processed the majority of eligible claimants' claims which they have received. The Administrators and the FSCS continue to work closely in accordance with the framework and timetable agreed at the time of payment of the first dividend for the provision of information in respect of payments made by the FSCS to non-Edge depositors prior to payment of each dividend. This process is essential to ensure that depositors do not receive compensation from the FSCS as well as a dividend from the Administration.

Other 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 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 953 claims to date with a gross value of c.£5.4bn of which 436 claims (c.£0.6bn) were received from non-Edge depositors. The remaining 517 claims (c.£4.8bn) arise from all other aspects of KSF's business including repurchase and derivative counterparties, CfD clients, landlords, trade creditors, employees, employee taxes and VAT, pension scheme, associated companies and the FSCS. The claims of these creditors rank equally as non-preferential claims.

Claims to a value of c.£0.4bn have been rejected to date, with the current estimated maximum claims not expected to exceed £4.973bn.

Banking loan book

KSF loan books

The KSF loan books comprise three distinct portfolios; Private Banking, Property and Corporate. The Statement of Affairs value (book values and not estimated to realise values) of each loan book and collections to date are set out below:

(£'m)	SoA as at 8 October 2008	Actual cash collections to 30 September 2010
Corporate	631	510
Property	864	345
Private Banking	1,115	435
Sub participations – KSIOM	167	-
Sub participations – Khf	190	-
Total	**2,967**	**1,290**

Total cash receipts to 30 September 2010 from the Banking loan book are c.£1,290m comprising c.£1,188m capital repayments, c.£94m interest repayments and c.£8m fees.

Since the cessation of the efforts to sell the loan book, referred to in more detail in the Sale Process section below, the focus of the Administrators since then has been to continue to stabilise lending through the restructuring and rationalisation of operations in order to endeavour to maximise the returns for creditors.

The day-to-day operations continue to be managed by KSF staff under the supervision of the Administrators or their staff. All credit related decisions are presented to the Administrators at twice weekly Credit Committee meetings for final approval.

As previously advised to creditors, a detailed facility by facility review was undertaken in the early months of the Administration and strategies for all exposures and their recovery have been formulated and are managed on an enhanced banking database. These strategies continue to be progressed and amended as circumstances change, with the aim of maximising realisations and, where possible, seeking early repayment.

There continue to be a limited number of cases where it has been necessary for KSF to make further loan advances to customers to preserve or enhance value in KSF's security or to comply with facility documentation. To date, drawdowns of this nature total c.£34m. To the extent that KSF has had to provide further funds, beyond those initially envisaged as debt finance, an appropriate commercial rate of interest has been charged.

The current net drawdown position is actually c.£11m since a number of the post-appointment drawdowns have subsequently been recovered through capital collections from the associated loans.

Loan book provisions are reviewed quarterly on a loan by loan basis. As loan accounts are closed, write-offs are verified and approved by the Administrators. A write-off arises when the ultimate value of the security/collateral held is not sufficient to cover loan exposures. To date write-offs total c.£79m.

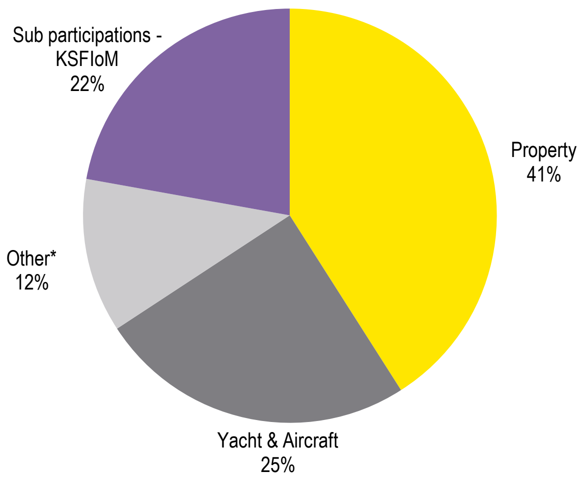
As previously reported, where appropriate, a small number of loan accounts have been migrated between loan books following Administrator Credit Committee approval. This resulted in an increase in the number of borrowers included in the Corporate loan book from both Private Banking and Property loan books.

Private Banking

(£'m)	SoA value as at 8 October 2008	SoA value less actual collections to 30 September 2010
Book value	1,115	680
Sub participations – KSIOM	167	167
No. of borrowers	372	174

Actual cash collected 8 October 2008 to 30 September 2010	(£'m)
Capital	398
Interest	36
Fees	<1
Total	**435**

The chart below sets out the mix by segment of the Private Banking loan book by the value of amounts outstanding as at 30 September 2010:



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

The Private Banking loan book continues to be managed in three segments, Property, Yacht & Aircraft and 'Other'. The Yacht & Aircraft portfolios are managed separately due to their specialist nature requiring expert knowledge.

The typical UK residential mortgage written by Private Banking was a five year, interest only mortgage to a high net worth individual customer. Such loans remain difficult to refinance given rising LTV ratios, the limited number of lenders who are active in the current market and increased default risk given the current economic conditions. As a result of this, KSF's strategy for these loans continues to be focused on early communication with customers of the need to refinance on or before maturity.

As at 30 September 2010, 25% of the total Private Banking loan book by value was secured against yachts and aircraft, which comprises mostly of large, luxury yachts. No further large yacht constructions are being financed.

The aircraft portfolio includes loans secured mainly against private jets and one helicopter. Activity to date has continued to focus on encouraging borrowers to refinance or to sell the security on a voluntary basis. KSF had managed to exit from 7 of its 26 positions in respect of the Yacht & Aircraft book as at 30 September 2010.

KSF has recently exited in full from two further Aircraft positions, which will be included in our next report in April 2011.

Currently comprising 22% of the total Private Banking loan book, KSF has sub-participated in loans advanced by KSIOM. These sub-participations are 'silent' in that KSIOM is the lender of record. The sub-participations will represent a claim for KSF against KSIOM which will be subject to mandatory set-off against the claim submitted in the KSF administration by KSIOM. KSF has not advanced any further funds in respect of sub-participated positions.

Corporate loan book

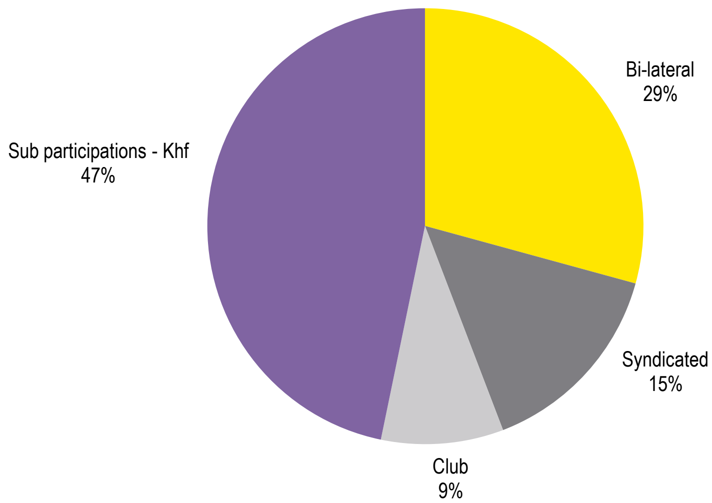
(£'m)	SoA value as at 8 October 2008	SoA value less actual collections to 30 September 2010
Book value	631	121
Sub participations – Khf	190	190
No. of borrowers	77	36

Actual cash collected 8 October 2008 to 30 September 2010	(£'m)
Capital	467
Interest	37
Fees	6
Total	**510**

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

Please note that the actual capital cash collected to 30 September 2010 of £467m has reduced from the £475m figure previously reported in our report dated 27 April 2010 due to the reallocation of capital receipts of £45.5m in relation to Asset Finance capital collections.

The chart below sets out the mix by segment of the Corporate loan book by the value of amounts outstanding as at 30 September 2010:



Bilateral/senior lender loans represented 29% of the Corporate loan book at 30 September 2010. Typically KSF is either the sole lender or a senior lender alongside a UK clearing bank and holding a significant portion in a small syndicate on what are generally Private Equity backed companies. The current strategy continues to focus on encouraging the borrower and/or other individual members to refinance KSF's position.

The portion of syndicated loans in the total Corporate loan book has reduced from 32% at 8 October 2008 to 15% at 30 September 2010. Syndicated loans are typically positions where KSF has a minority position within a large syndicate, lending on large Private Equity backed entities.

KSF has sub-participation positions in loans advanced by Khf, which make up 47% of the Corporate loan book. These sub-participations are 'silent' in that Khf is the lender of record. KSF has not advanced any further funds in respect of sub-participated positions.

The sub-participations form part of the KSF claim submitted to the Winding-up Committee of Khf.

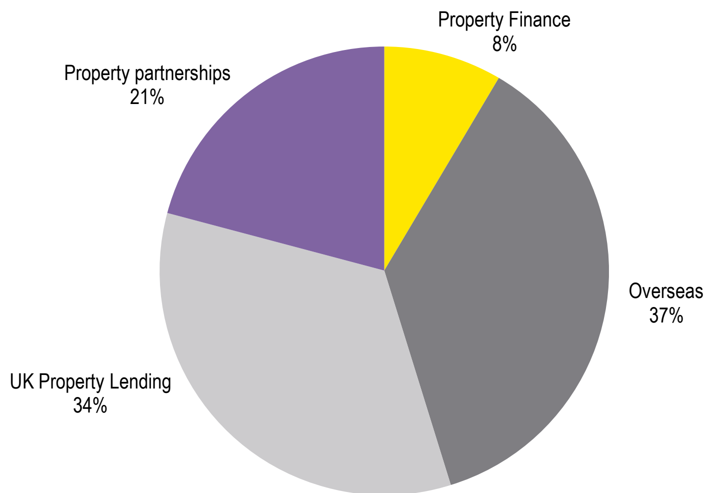
Property loan book

(£'m)	SoA value as at 8 October 2008	SoA value less actual collections to 30 September 2010
Book value	864	519
No. of borrowers	220	115

Actual cash collected 8 October 2008 to 30 September 2010	(£'m)
Capital	322
Interest	21
Fees	2
Total	345

Property loan book cash receipts since appointment total £345m as at 30 September 2010. This comprises capital receipts of £322m and interest and fees of £23m.

The chart below sets out the mix by segment of the Property loan book by the value of amounts outstanding as at 30 September 2010:



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

We are continuing to meet requests for committed funds where expenditure helps to preserve and improve the value of the security; however, where appropriate, we are realising part built assets.

The recovery in UK residential property values has slowed significantly over the last six months, with the Halifax House Price index recording a fall in Q2 2010, the first since Q2 2009. This change is reflective of the current nervousness across the whole of the UK residential market, as fears of a double dip recession increase. The majority of national residential agencies forecast a fall in values in 2010 and 2011, although there is an increasing regional variance, with London and the South East expected to outperform the rest of the UK.

In the last six months there has been a small increase in residential market sales activity, as seller expectations have become more realistic. However, the impact of the recent government spending review and its impact on the wider economy, particularly the public sector, is yet to be seen and may lead to a further fall in residential values and market activity.

Demand for development sites remains low, with new build funding difficult to source and an oversupply of completed development stock still on the market, particularly for residential apartments.

The majority of the outstanding overseas loans relate to development sites in the Caribbean, where a lack of available credit continues to limit sales and refinance opportunities. There has been some success in the marketing of completed developments and with the traditional Caribbean selling season beginning in December, it is hoped that there will be increased interest from third party investors.

There are a relatively small number of UK commercial facilities outstanding within the property finance 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. However, there have been an increasing number of LPA/Fixed Charge receivership appointments on these transactions over the last six months.

Sale process

As previously reported, the Administrators received a number of expressions of interest in Q4 2009 and following the Creditors' Committee's agreement in December 2009, the Administrators took the decision to approach the market to re-assess appetite.

The initial offers received showed that buyers were not attaching any strategic premium for the Bank as a whole and that different investors had different levels of appetite and, therefore, pricing for the various loan books.

A decision was, therefore, taken with the agreement of the Creditors' Committee to market the three loan books separately. As part of this process, the Administrators contacted investors who previously expressed an interest in the loan books but had not been involved in the initial sale process for the Bank as a whole.

The bids received were presented to the Creditors' Committee in June 2010 and it was decided that the pricing was not attractive when compared to the estimated realisable values that the banking team in conjunction with the Administrators expected to recover. Having communicated this to the bidders, the sales process was drawn to a close.

Treasury assets

As previously reported, KSF had a large number of Treasury assets and positions, which the Administrators have dealt with under four workstreams, as described below. These workstreams have been supported by the overarching functions of Operations and Finance.

Repurchase agreements and reverse repurchase agreements

As reported previously this workstream is effectively complete and the only residual claim outstanding is against Khf. We do not expect confirmation of agreement of the claim in the immediate future although we have quantified the claim. Separately to this claim there is also a potential legal dispute in relation to shareholdings which originally arose from repo transactions. On this we continue to work with our legal advisors to both build the documentary support for our case and defend our position with the counterparty. Whilst we believe we are in a strong position we do not expect this dispute to be resolved in the near future.

Contracts for differences and Equity Swaps

This workstream has focused on the numerous counterparties with CfD and spread betting accounts and the Prime Brokers against which these positions were hedged with equity swaps.

In the last six months we have continued to negotiate settlement with CfD and spread betting counterparties after previously having terminated all open positions and quantified the settlement amount. Many of the CfD positions held were on illiquid equity positions thereby leading to complex calculations on termination value and, therefore, this has resulted in protracted negotiation processes for certain counterparties. Despite this we have completed our negotiations with the significant majority of counterparties. Twelve counterparties remain where negotiations continue although a number of these are in their final stages with completion expected imminently. However, there remain some counterparties for whom we expect any resolution will include the need for Court proceedings.

Settlement has now been effectively agreed with all bar one of the Prime Brokers. However, we do not expect the negotiations with this final Prime Broker to be resolved in the near future due to the subjective valuation of the underlying equities, the difference in our estimate of the settlement amount and the limited responses we have received from the Prime Broker.

Over the counter derivatives

As reported previously there remain a number of open derivative positions, mainly vanilla FX and interest rate swaps and options, which we do not expect to be terminated by the counterparty as they are associated with banking book exposures that we expect to be open for the medium to long term. KSF settle these on a case by case basis as they arise.

Sale of Investments

The majority of liquid positions had already been sold before the period covered by this report. In the last six months we have concentrated on engineering exit strategies for the remaining illiquid investments and have now completed this workstream. This included negotiating the restructure and subsequent sale of a former ISK equity investment for EUR42.5m which had a valuation of EUR4m at the start of the administration period. We have also sold our ISK cash and bond holdings with the latter at prices at or better than par.

Further investment sales are expected as and when investment held as security become available for sale.

Subsidiary companies

Singer & Friedlander Investment Management Group

As previously reported, the successful sale and transfer of the business and assets of SFCM was effected to WdB on 26 March 2010. This will enable the solvent liquidation of SFCM and SFAM (subject to FSA approval) in due course, followed by the solvent liquidation of SFIM, again subject to FSA approval to relinquish the Investment Management Advisory licence.

We continue to work on a variety of complex issues, often protracted in nature, which are preventing the companies within SFIM Group being put into members' voluntary liquidation.

As we assist with the wind down of these companies we maintain regular dialogue with the FSA to ensure that all issues are dealt with in accordance with their protocols and to their satisfaction. We envisage that the solvent liquidations of SFAM and SFCM (subject to FSA approval) should commence within the next six months, followed by the solvent liquidation of SFIM in due course.

Asset Finance subsidiaries

The Asset Finance division of KSF comprised eleven companies with eight separate businesses ultimately owned by KSF. The companies are all solvent, with total net assets estimated as at 30 September 2008 of approximately £48m. In addition, there were loans from KSF to these companies totalling approximately £536m. The division remains profitable and cash generative and is currently meeting its interest repayments on the loans advanced by KSF.

As previously reported, shortly after our appointment the decision was taken to keep all of the Asset Finance businesses as part of the KSF Group for the foreseeable future, to seek to obtain some debt funding against the security of the underlying assets during 2009/2010 and to seek a new owner for the Asset Finance businesses at a later date. The timing of this strategy was, to some extent, to be dictated by market conditions and the performance of the businesses. It was agreed that this strategy would be most likely to deliver the best return for KSF, as creditor and shareholder and, in turn, for the creditors of KSF.

You will be aware that as part of the strategy to refinance the Asset Finance companies, a restructuring exercise was undertaken in August 2009 and on 9 December 2009, a new fixed rate loan facility with KSF was implemented.

During the period since our last report, a further £45.5m of capital has been repaid by the division. Total debt owed by the division was approximately £410m at 30 September 2010.

Regular meetings continue to be held with management of Asset Finance companies to monitor the performance of their businesses, cashflows and profitability, and to review management information.

During the period, the Asset Finance management team have continued to work towards the part refinancing of the division. As previously reported, a recommendation to part refinance with a third party bank has been received and approved by the Administrators. The bank provided an indicative offer in respect of part of the refinancing and the bank has recently concluded its due diligence process. In addition to the due diligence, the bank stipulated that the entire transaction must be rated by an external ratings agency. This exercise has been completed and the AAA rating required by the bank in order to continue the transaction has been awarded, subject to final legal opinions. The transaction was also recently approved by the bank’s credit process and it is expected to be completed in early November 2010.

KCP II (GP) Limited (“GP”) (In Compulsory Liquidation)

At the date of our appointment, GP was a wholly owned subsidiary of KSF and the general partner of Master, a specialist captive investment fund. As a result of SFAM’s claim into Master, (as operator of the fund and a company controlled by KSF), KSF have an economic interest in the outcome of the ‘KCP’ insolvency processes.

Following significant negotiations between a number of parties, the administration of KCP has produced a surplus of funds which are now (via the GP liquidation) available to partially meet the management fees of SFAM as sole GP creditor.

Singer & Friedlander Funding Plc (In Administration)

As reported, on 8 May 2009 the Funding Administrators submitted a claim in the administration of KSF for c.£243m. The KSF Administrators have not admitted the claim on the basis of existing case law as there was an issue as to whether, in determining the amount of any distribution due to Funding, the KSF Administrators were required (or entitled), to take into account the full amount of indemnity that would be due to KSF from Funding as a result of KSF guaranteeing the Notes. Accordingly, on 31 July 2009 the KSF Administrators applied to Court for directions on how to determine the value of the claim. This is explained in more detail in the Legal Issues section of this report.

Judgment on the application was handed down by the Chancellor of the Chancery Division on 18 December 2009. The Court held that the rule in *Cherry v Boultbee* did apply to the claim and, consequently, that no distribution was payable by KSF to Funding on the claim.

The Trustee of the Notes sought and was granted leave to appeal directly to the Supreme Court. A court date had been agreed for January 2011. However, we have recently been informed by the Court that the hearing may need to be moved to later on during 2011.

The claim submitted in the KSF Administration by the Trustee under the guarantee provisions of the Notes has been admitted in full as an unsecured claim in the amount of c.£243m.

Other subsidiary companies

You will be aware that KSF has a number of other subsidiary companies.

As previously reported, a high level review of the subsidiary entities has been completed by the Administrators in conjunction with relevant KSF management and staff. The purpose of the reviews of each of the entities was to ascertain their function and/or purpose and review their current financial position.

The review has enabled the Administrators to determine which entities can be dissolved quickly via a strike off process and which will need to be placed into solvent (or potentially insolvent) liquidation in order to realise any value for KSF. To date, the following direct/indirect subsidiaries have been placed into solvent liquidation or dissolved via strike-off procedure.

Members' voluntary liquidation	Date of appointment	Date of ceasing to act (if applicable)
Singer & Friedlander Investment Management Holdings Limited	31 March 2009	
KB Retail Advisory Limited	16 June 2009	14 September 2010
Sinjul Investments Limited	16 June 2009	
Wintrust Securities Limited	16 June 2009	14 September 2010
Kaupthing Limited	02 July 2009	
Peaston Emerson's Green Limited	11 November 2009	14 September 2010
Singer & Friedlander Trade Finance Limited	21 April 2010	

Strike off	Date struck off the register
Singer & Friedlander Secretaries Limited	21 July 2009
Kaupthing Steadfast Limited	21 July 2009

On 21 April 2010, Singer & Friedlander Trade Finance Limited was placed into members' voluntary liquidation.

In addition, the Final General Meetings ("FGM") of KB Retail Advisory Limited, Wintrust Securities Limited and Peaston Emerson's Green Limited were held on 14 September 2010. These subsidiaries will be dissolved by the end of the year.

Work is continuing, in conjunction with KSF staff, to resolve issues which will enable further entities to be struck off or liquidated. The aim of this exercise is to minimise the costs of liquidation by resolving issues prior to liquidation.

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

Kaupthing Singer & Friedlander (Isle of Man) Limited (In Liquidation Provisionally)

The Administrators and the Joint Liquidators of KSIOM continue to work together to resolve the transactional positions which existed between KSIOM and KSF at the time of KSF's Administration. The process of reconciling the constituent parts of the KSIOM claim has taken longer than the Administrators or the Joint Liquidators expected but is largely complete.

The Administrators and the Joint Liquidators hope to be in a position to finalise the claim and document agreement thereof shortly, at which point the Administrators will be in a position to release any dividend payments due over and above those already paid.

In addition to the KSIOM claim, KSF and the Administrators continue to assist the Joint Liquidators of KSIOM with various matters relating to the use of certain shared systems prior to Administration.

Kaupthing Bank hf

As previously reported, the Administrators submitted KSF's claim against Khf and supporting documentation in early December 2009. The gross value of the claim submitted by the Administrators was approximately £753m, subject to set off in respect of claims from Khf under loan sub-participation agreements and agreement of collateral valuations applied by KSF.

The KSF staff subsequently conducted a review of the loans in which Khf had participated and established that there were only two sub-participation arrangements between KSF and Khf, the remainder being direct participations where KSF has acted as facility agent and Khf has lent funds directly to the ultimate borrower. Accordingly, on 12 May 2010, the Administrators wrote to the Winding-up Committee of Khf to advise them that the two sub-participation loans, with an aggregate value of £58m, should be set-off against the gross KSF claim.

The Administrators have been proactive in their attempts to commence discussions with the Winding-up Committee to discuss the KSF claim. As a result, the Winding-up Committee agreed to hold a meeting with the Administrators on 20 September 2010. Given the complexity of the KSF claim, the specifics of the claim were not discussed at the meeting but it proved useful for both parties and allowed the agreement of key contacts for the claim adjudication process.

The Administrators have received initial queries from the Winding-up Committee in respect of certain elements of the claim. The Administrators, their solicitors and the KSF staff are responding to such queries in order that the claim adjudication can be progressed as soon as possible. The Administrators are unable to provide an indication of the expected adjudicated net claim against Khf as it is unclear how the Winding-up Committee intend to value all elements of the claim.

The Administrators attended a creditors' meeting convened by the Winding-up Committee of Khf for 21 September 2010. At the meeting, creditors were advised that the Winding-up Committee have made significant progress in respect of the adjudication of priority claims. The vast majority of the claims have been rejected as priority claims but a number of these rejections are being disputed by the claimants and are likely to be referred to the Icelandic Courts for final determination in due course.

As the level of priority claims received by Khf still exceeds the value of its assets, the Winding-up Committee and the Resolution Committee have stated that they are unable to provide an estimate of the likely recovery for creditors or provide a timeline for when distributions may start to be paid.

We understand that the Winding-up Committee intend to complete their initial determination on all claims prior to the meeting of creditors scheduled for 3 December 2010. However, it is anticipated that a large number of the determinations will be challenged by creditors and, due to the high workload of the Icelandic Courts, it is likely be some time before the value of the Khf creditor base is finalised.

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

Copies of the Resolution Committee's monthly progress reports to creditors are available on the Khf website (www.kaupthing.com), and provide greater detail in respect of the above and all other matters relating to the Khf estate.

Taxation

The Administrators' Corporation Tax Team is implementing a tax strategy which maximises value for the estate of KSF by ensuring that KSF's corporation tax position is optimised whilst maintaining a constructive relationship with the tax authorities.

Strategy

Together with ensuring that KSF's corporation tax compliance obligations are fully satisfied, the Corporation Tax Team has focused on obtaining payment for the pre-administration corporation tax losses incurred by KSF. To date, KSF has surrendered losses of approximately £20 million in exchange for payments of approximately £5.5 million for the surrender of these losses.

The corporation tax team has been working with HMRC to ensure that procedures are now in place to efficiently manage KSF's corporation tax compliance requirements going forward and to obtain an early indication from HMRC as to any anticipated enquiries.

Additionally, the team continue to work with the Administrators to ensure any transactions involving KSF's subsidiaries, including refinancing of debt and liquidation processes are managed in a tax efficient manner to minimise any loss to KSF.

Progress

- KSF's corporation tax compliance is up to date. All corporation tax returns for period up to and including 7 October 2009 have now been filed.

- Agreement has been reached with HMRC regarding the format of KSF's group relief claim going forward. The group relief claim for the period ended 7 October 2008 has now also been submitted.

- Provisional agreements have been reached with HMRC regarding several factors which have a tax impact including the trading status of KSF and the trading status of the subsidiaries of KSF for Substantial Shareholding Exemption purposes (which impacts any disposals of subsidiaries).

- Following negotiations with the Finnish tax authorities a refund of withholding tax in the region of €2.2million was secured in relation to dividends received from a Finnish investment.

4. Creditor update

Non-preferential creditors

As you will be aware, on 27 April 2010 the Administrators issued a notice of their intention to declare a fourth dividend to unsecured creditors. Subsequently, on 28 July 2010, the Administrators declared and paid a fourth dividend of 10p in the £ to creditors whose claims had been admitted to rank for dividend. The initial cost of the dividend to the estate was £434,158,782, being 10p in the pound on claims of £4,341,587,815.

At the time of paying the fourth dividend, the Administrators were 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. At the fourth dividend, the Administrators made a provision of £284,712,650 for unsettled claims in the amount of £632,694,779.

As the disputed and non-agreed claims are resolved, funds reserved at prior dividends are used to settle any dividend entitlements attributable to the finalised claim and any surplus funds reserved against such claim released back to the estate. The Administrators continue to be proactive in processing outstanding claims and new claims received in response to the fourth dividend notice. There are currently 41 unagreed claims with a gross value of £632m.

A notice of intention to declare a fifth dividend to unsecured creditors is being issued with the transmittal letter to this report and a copy published at www.kaupthingsingers.co.uk. The last date for proving to qualify for the fifth dividend has been set as 30 November 2010. The Administrators are required to declare and pay the fifth dividend within two months of this date and intend to publish an update in respect of the timing of payment of the dividend on the KSF website in the week commencing 29 November 2010. It is currently expected this dividend will be paid on or around 8 December 2010.

Further distributions will be made at regular intervals, subject to the agreement of the Creditors' Committee and the level of distributable funds making it cost effective to do so.

Estimated outcome for creditors

The Administrators are not in a position to provide confirmation of the exact timing or quantum of future dividends at this time. However, we are conscious that an indication of timing of the fifth dividend is required by creditors in view of financial planning and/or statutory accounting purposes.

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

Distributions	Date of Distribution	Quantum (p in £)
First distribution	22 July 2009	20p in £
Second distribution	9 December 2009	10p in £
Third distribution	30 March 2010	5p in £
Fourth distribution	28 July 2010	10p in £
Total paid to date		**45p in £**
Next dividend	Around 8 December 2010	Quantum to be determined but expected to be at least 5p in £

The Administrators will ensure that the fifth dividend is maximised and will agree the quantum with the Creditors' Committee prior to declaring the dividend.

It is also the intention of the Administrators to pay further dividends at regular intervals thereafter, subject to the agreement of the Creditors' Committee and it being cost effective to do so. The quantum of each dividend will be dependent upon the level of distributable funds at the time of dividend and, consequently, we are not able to provide an indication of the quantum or the timing of subsequent dividends at this time.

On the basis of current forecast recoveries from the banking book, prudent estimates of realisations from other assets, on the maximum estimates of unsecured claims, and current market conditions not deteriorating, the Administrators currently estimate that total distributions to unsecured creditors should be in the range of 75p to 84p in the £. The Administrators would stress that this estimate could be lower or higher if there are significant issues which impact either future realisations or the level of claims from creditors and thus the estimate is indicative and cannot be relied upon.

Creditors' Committee

The Administrators continue to report regularly to the Creditors' Committee on matters of importance in relation to KSF. To date, the Committee have received monthly Administration updates and have attended eleven committee meetings. It has now been agreed with the Committee that henceforth they will receive reports at quarterly intervals.

The Committee has expended significant time in attending the formal meetings, providing assistance with the above and other matters and yet again we wish to express our thanks for this assistance and the considerable time they have committed to date.

5. Other matters

Receipts and Payments account

The Receipts and Payments account for the period 8 April 2010 to 7 October 2010 is attached at Appendix A. This shows all funds received and paid from the bank accounts under the Administrators' control. It should be noted that (where applicable) all payments are shown inclusive of VAT. The cash is 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. As at 7 October 2010, £200m was held on short term money market deposit accounts with funds due to be remitted to KSF within two months in all cases. These funds have been included within the cash balances presented in Appendix A.

We continue to return erroneously received monies in the post Administration period in line with legal advice provided. This repayment process is being undertaken manually with assistance from KSF staff.

Since our last Progress Report, the receipts and payments format has been adjusted so as to ensure the schedule is clearer without eliminating any significant financial information. Instead of a separate schedule for GBP, EUR and USD describing the movements over the six month period since the last progress report, we have consolidated the numbers into one report converting all currencies to GBP at the current rate, in accordance with the requirements of SIP 7.

Please refer to Appendix A for further detail and discussion.

Statement of Affairs

In view of the redaction of the Directors' SoA, as detailed in earlier reports, 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.

Operational matters

In view of the ongoing run-off of the loan book, one of the key objectives over the last six months has been to maintain stability in the general operations arena (to enable the objectives of the Administration to be achieved) whilst looking to minimise, wherever possible, overhead costs. Hence, a focus has been placed on core operations which has resulted in the decision to outsource certain functions eg the payroll function.

As regards the run-off operational headquarters, following a staff reduction in headcount at the end of 2009, all remaining KSF staff were relocated during March/April 2010 to a single floor of the New Street, EC2 property. The current KSF employee headcount has now reduced to 68. Initial discussions have taken place with prospective tenants regarding the proposed sub-letting of the vacated second floor space to mitigate the ongoing rental cost.

The operating cost profile of KSF is managed through a regular cost forecasting process. As part of the costs profile process, the KSF management have produced detailed forecasted cost analysis for the period to 30 September 2012, i.e. the current end date of the administration, which is updated as necessary.

The KSF IT department, in conjunction with the Administrators, have also reviewed the IT infrastructure. Key progress in the period includes:

- A license rationalisation including separation of those to be divested to Asset Finance;
- Renewal of maintenance contracts at reduced rates/ revision of termination periods;
- BT Circuit/Line audit and cancellation;
- Negotiation of a new contract for the IBIS banking system. The two year contracted period represents a significant cost saving and an improved termination period and includes a free additional 20 days consultancy period;
- Proposed options for closure of the Sunguard, Hounslow facility being the production data centre, utilised as necessary in a disaster recover scenario;
- Review of redundant hardware and subsequent disposal;
- Performed rationalisation of the SWIFT payments infrastructure.

Regulatory and Compliance

KSF and a number of its subsidiaries remain FSA authorised, and continue to require an appropriate set of regulatory permissions through which to hold and manage assets under the Administration. The Compliance, anti-money laundering (AML) and Risk team comprises a small number of regulatory specialist staff to ensure ongoing compliance with FSA and other regulatory requirements.

During the period, there has continued to be engagement with FSA and other regulatory authorities on a wide range of regulatory issues, including:

- Obtaining regulatory waivers from the requirement to produce regulatory and reporting items no longer required for the Administration and agreeing a simplified suite of management information to meet all current regulatory reporting requirements;
- Working with FSA and third party investment managers to dispose of (and in certain cases, wind down) the businesses within the asset management division in an orderly manner, having regard to both the interests of underlying customers and the Administration;
- Working with FSA to reduce the number and scope of regulatory permissions held, to enhance efficiencies and to ensure the business is not burdened with unnecessary regulatory fees.

In addition, in the context of business as usual, the regulatory team have:

- Continued to review activities to identify regulatory risks and ensure related controls and compliance input are put in place as required.
- Continued to handle complaints in line with Company policy and FSA guidelines with regard to Complaints and Treating Customers Fairly.
- Reduced the number of FSA approved persons to reflect the revised nature of activities in Administration.

- Conducted business as usual compliance and AML monitoring (including counterparty screenings and sanctions checks, personal account dealing, set up Chinese walls and undertake conflicts of interest and specific transaction and trade reviews as required, and test the firm's disaster recovery processes). These monitoring activities have not identified any significant issues in the period.

- Continued to provide regulatory guidance and support to the Administration.

- Maintained regular dialogue with, and reported to, the FSA and other regulatory authorities in line with continuing obligations.

Legal issues

Bank of England Account

As you will be aware from previous reports, the Administrators applied to the High Court for directions in relation to how certain monies deposited in an account (the ‘Account’) with the BoE should be distributed (in accordance with a First Supervisory Notice issued by the FSA on 3 October 2008). The judgment was handed down on 10 July 2009 and the Judge granted permission for all parties to appeal the judgment. All parties (save for the Administrators) filed an Appellant’s Notice with the Court of Appeal.

The appeal hearing was held on 23 and 24 March 2010 and Judgment from the Court of Appeal was handed down on 27 May 2010. Further details in respect of the judgment can be found on the KSF website. An application for permission to appeal to the Supreme Court was made in respect of whether the FSCS had been assigned the rights of EDGE depositors. On 28 October 2010, the Supreme Court rejected the application to appeal the Court of Appeal’s Judgment.

Based on the Court of Appeal judgment, the Administrators expect that there will be surplus funds in the Account that will be returned to the estate of KSF. The Administrators cannot make an accurate estimate of the return to the Administration until a detailed reconciliation of the deposits made during the period, and a full reconciliation of individual accounts has been completed.

KSF staff, under the direction of the Administrators, have been carrying out a reconciliation process in respect of deposits made during the period to ascertain persons who are entitled to payment from the Account. After that process is completed, the Administrators will contact any persons who are entitled to reimbursement from the Trust Account, in accordance with the directions of the Court.

In returning funds to account holders who have an interest in the Account, the Administrators will take account of payments, to the date of payment, made through the administration dividend or FSCS compensation processes to those account holders.

The Administrators are unable to provide an exact timetable for the above process at this time but will ensure that it is finalised as soon as possible.

Creditors should note that the Trust monies of c.£149m are not recognised in the Receipts and Payments account reflected in Appendix A.

Insolvency set-off pursuant to the Rules

As previously reported, the Administrators submitted an appeal to the Court of Appeal in respect of the judgment of the High Court relating to the Administrators’ application for directions of the operation of certain aspects the rules which govern the way in which mutual debts owing between KSF and its creditors are set off against each other. The appeal was heard on 15 April 2010 and a judgment was handed down on 11 May 2010.

The KSF staff, in conjunction with the Administrators and their solicitors, have subsequently been reviewing the position of all affected KSF customers to ensure that they can apply set-off to KSF customers in accordance with the terms of the judgment. After that process is completed, any persons who are affected by the application of set off will be contacted to advise them of the implications arising.

Challenges to the Administrators' decisions on creditors' insolvency claim forms

The Administrators continue to progress matters arising from the two creditors of KSF who applied to the Court under Rule 2.78 of the Rules to appeal the Administrators' decisions on the insolvency claim forms which they lodged in the Administration in respect of the valuation of positions under CfDs that KSF entered into prior to the Administration.

As previously reported, the Administrators consider that KSF has significant money claims against each of the creditors and, in respect of one, commenced proceedings for recovery of a debt due to KSF on 18 December 2009. The Administrators' application for summary judgment of that matter will be heard in November 2010. Further discussions and correspondence with both creditors is ongoing, in the hope of avoiding the need for a full hearing in the Commercial Court.

Singer & Friedlander Funding Plc (In Administration)

The Administrators applied to Court to determine how to value the claim that Funding has submitted in the administration of KSF in respect of an intercompany debt that KSF owes to Funding.

The Administrators considered and had been advised by their legal advisers that, based on case law (the rule in *Cherry v Boultbee* and as applied by the case of SSSL Realisations), Funding could not participate in a distribution from KSF in relation to the intercompany debt owed by KSF to it until Funding indemnified KSF in full for payments made by KSF in its capacity as a guarantor of the Notes. The trustee of the Notes (the "Trustee') was formally authorised by noteholders to participate in the application to argue that the Funding claim should be valued for its full amount. The Trustee argued that the terms of the trust deed exclude the operation of the rule in *Cherry v Boultbee*.

A substantive hearing took place on 8 and 9 December 2009 before the Chancellor of the Chancery Division. The arguments turned mainly on the construction of the terms of the trust deed and whether the exclusion contained therein is sufficiently wide to capture an exclusion of the rule in *Cherry v Boultbee*. The hearing concluded on 9 December 2009 and judgment was handed down on 18 December 2009 in favour of KSF. The Chancellor held that the terms of the trust deed did not exclude the rule in *Cherry v Boultbee*. This means that Funding's claim in respect of the intercompany debt would be valued at zero and no dividend is payable by KSF to Funding.

The Trustee sought and was granted leave to appeal directly to the Supreme Court in what is known a 'leapfrog' appeal (as the Court of Appeal, the court of next instance, would be bound by the Court of Appeal decision in *SSSL Realisations* which interpreted the rule in *Cherry v Boultbee*). The Trustee filed its application to seek permission from the Supreme Court Appeals Panel to bring the appeal on 29 January 2010. The Supreme Court Appeals Panel has given the Trustee permission to appeal directly to the Supreme Court. A court date had been agreed for January 2011. However, we have recently been informed by the Court that the hearing may need to be moved to later on during 2011.

Application for directions in relation to certain shares

The Administrators have been in dispute with Sportsdirect.com Retail Limited ('Sports Direct') regarding the ownership of 12.1 million shares in Blacks Leisure Group plc and 5.8 million shares in JD Sports Fashion plc. Sports Direct allege that a transaction was entered into immediately prior to KSF's entry into administration that had the effect of selling the shares to Sports Direct for approximately £16m. The market value of the shares at the time was approximately £19m. The Administrators do not accept the allegations by Sports Direct.

The matter was heard on 26 and 27 April 2010, and judgment was delivered by Mr Justice Lewison on 13 May 2010. Although Sports Direct did not succeed in relation to a number of its claims, Mr Justice Lewison did find that KSF transferred the beneficial ownership in the shares by transferring them to Sports Direct's SFIM account pre-administration. He has held that the movement of the shares into the account alone was effective in creating a trust over the shares in Sports Direct's interest and that it was not necessary for funds to be received from Sports Direct for this trust to arise. The consequence of this decision is that, pending any appeal, Sports Direct is entitled to funds held in an escrow account which represent the difference between £16,301,262 and the purchase price agreed on 21 February 2010, and to make a claim under the Master Agreement on the basis that KSF was not entitled to terminate the Master Agreement in November 2008. The Judge directed that Sports Direct have permission to file an amended proof of claim in relation to an unsecured claim under the Master Agreement.

The Judge indicated that he found the issues in the case to be of real difficulty and has given the Administrators leave to appeal his decision. The Administrators have decided to pursue this appeal in the Court of Appeal and are awaiting a hearing date.

Recovery of funds from Swiss Bank

The Administrators have recently received £8.8m from a bank in Switzerland. This money was held in a bank account in KSF's name, but when initially requested to return the funds, the Swiss bank was unable to recognise the actions of a foreign insolvency practitioner without an order from Finma, the Swiss financial regulator. The Administrators applied to Finma for such an order on the basis of Swiss legal advice they received. Finma felt it necessary to commence mini-bankruptcy proceedings in Switzerland which involved advertising for Swiss creditors in order to protect the interests of Swiss nationals.

Negotiations with Finma took over a year, but the Administrators were advised that this is standard practice in Switzerland. These proceedings received no responses from Swiss creditors and Finma, being therefore satisfied that the interests of Swiss nationals were not prejudiced, ordered the bank to return the funds to the Administrators. The bank then investigated whether they had a right of set-off in relation to the funds, but having found none returned the funds on 9 August 2010.

Singer & Friedlander Limited Pension & Assurance Scheme

Background

One of the largest outstanding unagreed claims is from KSF's main pension scheme (the "Scheme"). The Scheme is currently in an assessment period under the Pensions Act 2004, so the claim is currently from the Pension Protection Fund ("PPF") on behalf of the Trustee of the Scheme. A sum has been provisionally admitted to allow the Scheme to benefit from the initial distributions whilst the Debt on Employer matter referred to below, is being finalised.

The Scheme's debt on KSF is known as the calculation of section 75 debt. The key outstanding point of principle between KSF and the Scheme Trustee on the calculation of the s75 debt is the date the Scheme's actuary should use for undertaking the calculation. This calculation relates to the cost of purchasing annuities. KSF's view is that the appropriate date is the date the s75 debt was triggered (8 October 2008) whilst the Trustee considers that the appropriate date should alternatively be the date the Scheme actuary undertakes the calculation.

As the basis for calculating the s75 debt is open to interpretation (and because there is potentially a significant sum of money at stake), the Trustee has been advised that it should seek Court clarification (Chancery Division), on the point.

Application to Court

Following various meetings with the Scheme Trustee, it has been agreed with the Trustee that it will apply to Court for directions on the correct interpretation of Regulation 5 of the Employer Debt Regulations 2005.

Administrators' remuneration and disbursements

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

The Creditors' Committee approved an hourly fee rate increase of 3% with effect from 1 July 2010, at a meeting held on 23 September 2010.

As part of the 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 four six-month periods since the date of appointment are analysed in the table below.

Period to	Total time costs (£)	Total hours	Average hourly rate (£)
7 April 2009	17,941,057	48,745	368
7 October 2009	8,453,547	25,919	326
7 April 2010	6,594,599	18,381	359
8 October 2010	5,671,138	15,247	372
Total	**38,660,341**	**108,292**	**357**

The Administrators' time costs incurred in the period from the date of appointment to 8 October 2010 total £38,660,341 plus VAT, a detailed analysis of which has been sent to the Creditors' Committee and subsequently approved. An analysis of the time spent for this period, in accordance with SIP 9, is attached as Appendix D to this report. The above time costs are inclusive of the Administrators' time costs recovered from ING in the amount of £3.54m pursuant to the transfer of the Edge depositors' accounts.

The volume of hours worked by the Administrators staff has reduced by approximately 17% over the last six months. In view of the continuing size and complexity of the case the level of hours is likely to remain in-line with the previous six months.

To date, the sum of £395,727 (inclusive of VAT) has been drawn in respect of disbursements. All disbursements have been approved by the Creditors' Committee as part of the general fee approval process. However, separate formal approval was obtained from the Creditors' Committee to sanction the drawing of Category 2 disbursements. 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 2010

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

	8 October 2008 to 7 April 2010 £'000 [1]	Six months to 7 October 2010 £'000 [1]	Total £'000 [1]	Notes
Receipts				
Cash taken over	393,543	10,955	404,498	2
Property loans	283,487	62,559	346,046	3
Private banking	363,427	71,948	435,374	4
Corporate loans	546,180	(8,435)	537,745	5
Asset Finance	56,986	99,405	156,391	6
Realisations from Transitional Service Agreements	13,062	166	13,228	7
Tax	6,617	666	7,283	8
Rental income	2,835	1,307	4,142	
Share realisations and dividends	302,135	35,240	337,376	9
Financial instrument receipts	252,886	36,333	289,219	10
Inter-account cross currency receipts	372,271	141,551	513,822	11
Other realisations and interest	9,132	5,315	14,447	12
Unallocated receipts	1,394	3,447	4,841	13
Total receipts	**2,603,955**	**460,457**	**3,064,412**	
Payments				
Supplier payments	15,409	3,842	19,251	
Staff wages and related expenses	41,555	6,264	47,819	
Drawdown payments	30,751	3,216	33,967	14
Legal and other professional fees	22,664	4,000	26,664	
Cash ratio deposit to Bank of England	457	-	457	15
Insurance	578	-	578	
Administrators' fees	35,754	7,736	43,490	
Administrators' disbursements	289	107	396	
Rent, rates and utilities	8,736	(19)	8,717	16
Tax	1,002	(918)	84	17
Financial instrument settlements	5,613	-	5,613	18
Inter-account cross currency payments	361,762	161,518	523,280	11
Cheques and direct debits released post admin	1,207	-	1,207	19
Bank charges and interest	341	(27)	314	20
Unallocated payments	272	(99)	173	21
Distributions				
Distribution to preferential creditors	305	-	305	
Distribution to unsecured creditors	1,508,648	447,000	1,955,648	
Total payments	**2,035,343**	**632,620**	**2,667,963**	
Closing balance	**568,612**	**(172,163)**	**396,449**	22

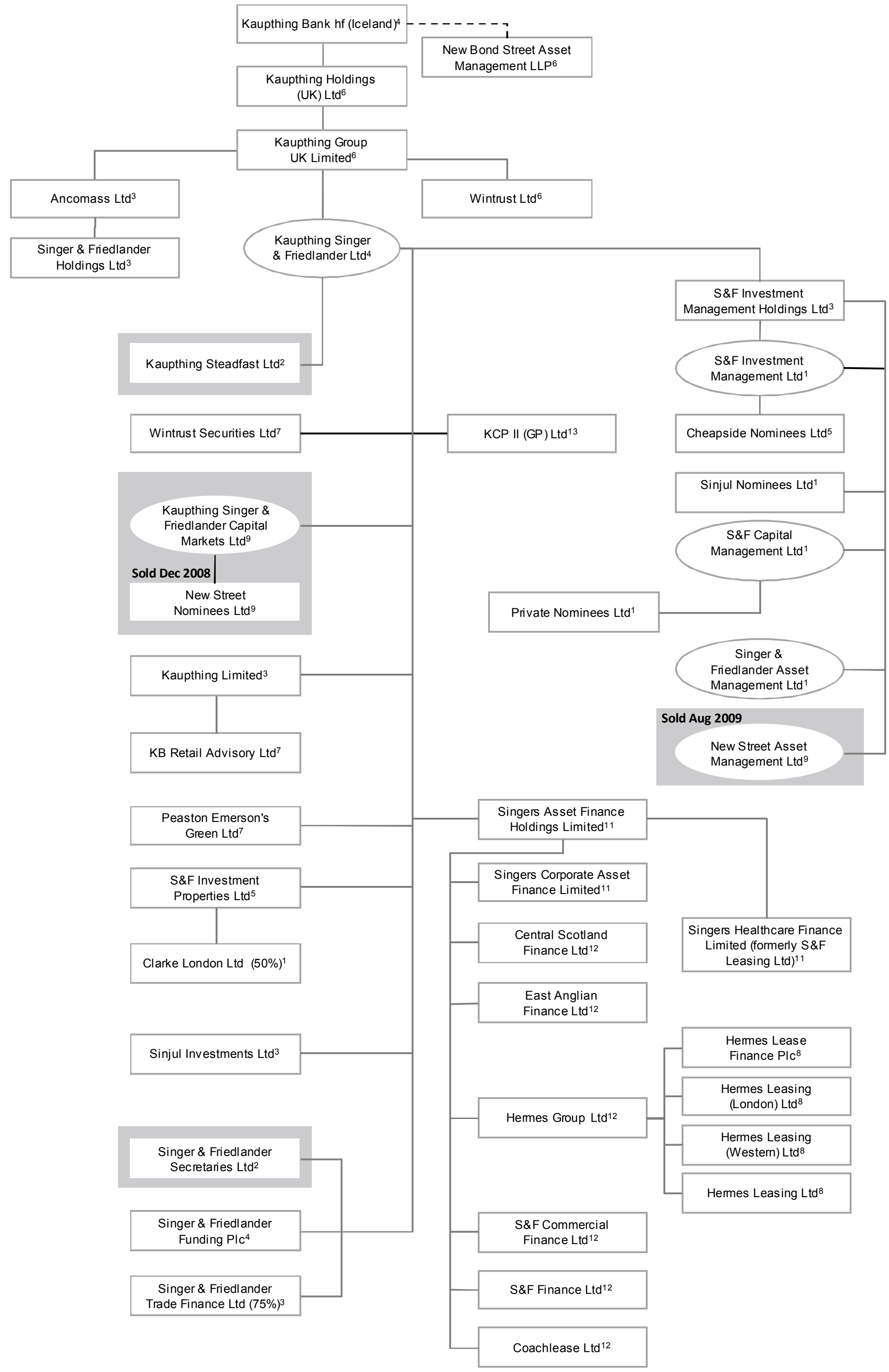
Notes

1. *For presentation purposes, all foreign currencies receipts and payments (Euros and US Dollars) have been converted into Sterling using a current exchange rate as at 7 October 2010. The total amount reported in Sterling reflects the current consolidated cash position of KSF.*
2. *Cash taken over represents monies belonging to KSF and held by third party banks. These funds are now under our control. These monies may include some post administration receipts which need to be returned to third parties.*
3. *A combination of capital repayments and interest payments from the Property loan book.*
4. *A combination of capital repayments and interest payments from the Private Banking loan book.*
5. *A combination of capital repayments and interest payments from the corporate loan book as well as cash received from warrant cancellation and Swap settlements of c.£28m. During the six months to 7 October 2010, there was a reallocation of capital repayments to Asset Finance of £51m which accounts for the apparent reduction in the period.*
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 and Edge).*
8. *This amount relates to money received post administration in respect of tax bills paid in July and August 2008 on behalf of various Asset Finance subsidiaries.*
9. *This represents receipt from the sale of shares and receipt of dividends.*
10. *This is the product of closed Financial Instrument positions including ISDA valuation settlements, Bond maturities and Coupons, Repurchase Agreements and Equity Swaps.*
11. *The movement in inter-account cross currency receipts & payments mainly attributed to the transfer of funds held in the foreign currencies bank accounts to the Sterling account to facilitate the distributions to creditors.*
12. *This includes sundry debtors, interest received and miscellaneous receipts such as proceeds from the sale of property, chattel sales and fee refunds.*
13. *These receipts have been received in the post administration period by KSF and are in the process of being allocated. These amounts are being investigated to establish whether they belong to KSF, or need to be returned to the remitter.*
14. *These are drawdowns provided to existing customers across the loan books in respect of loans which are still being funded by KSF.*
15. *As KSF continues to be regulated by the FSA and is deemed to be a deposit holding bank, it is required to maintain a cash ratio deposit (CRD). This payment was required in order to maintain the CRD.*
16. *Decrease in the period is the result of a reclassification of certain payments to supplier payments.*
17. *Decrease in the period is the result of a reclassification of tax payments to amounts distributed to unsecured creditors.*
18. *These figures represent treasury derivatives close out agreements between KSF and two counter-parties 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 reduction in bank charges and interest is primarily due to the refund of bank charges incurred on cross-currency transfers.*
21. *These unallocated payments were processed by the clearing bank shortly after our appointment, and are currently being investigated.*
22. *Includes post administration currency accounts which have been translated to Sterling and included on the receipts and payments account.*

Appendix B Statutory 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
Administrators:	ME Mills, AR Bloom, PJ Brazzill and TM Burton of Ernst & Young LLP, 1 More London Place, London, SE1 2AF
Date of appointment:	8 October 2008
By whom appointed:	The appointment was made by the High Court of Justice, Chancery Division, Companies Court on the application of the Financial Services Authority.
Court reference:	High Court of Justice, Chancery Division, Companies Court – case 8805 of 2008
Division of the Administrators' responsibility:	Any of the functions to be performed or powers exercisable by the Administrators may be carried out/exercised by any one of them acting alone or by any or all of them acting severally
Period of Administration:	Extended by Court consent to 7 October 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:	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. *Looking to place the entity into members' voluntary liquidation*
2. *Entity has been struck off the company register*
3. *Entity is in members' voluntary liquidation*
4. *Entity is in administration*
5. *Entity is currently under review to decide its strategy going forward*
6. *Entity is outside the jurisdiction of the Administrators of KSF Limited*

Entity no longer part of the group

7. *FGM of members' voluntary liquidation held on 14 September 2010 – to be dissolved shortly*
8. *Asset Finance entity*
9. *Refer to the body of the report, or previous reports, for further details*
10. *Intended to be placed into members' voluntary liquidation, with KPMG as Liquidator*
11. *New company, with restructuring completed in August 2009*
12. *Business and assets have been transferred to Singers Corporate Asset Finance Limited*
13. *Entity is in compulsory liquidation*

Appendix D Summary of Administrators' time costs for the period 8 October 2008 to 8 October 2010

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.	1,228.8	4,011.6	6,493.0	10,485.8	22,219.2	5,788,978	261
Asset Finance	623.6	684.3	180.1	11.0	1,499.0	724,143	483
Bank and statutory reporting	342.9	1,237.5	812.5	175.2	2,568.1	988,113	385
Banking book	2,422.3	4,628.8	5,175.1	4,199.8	16,426.0	5,698,142	347
Creditors	568.0	2,489.0	1,755.6	2,942.8	7,755.4	2,328,036	300
Debtors	64.5	50.4	9.3	138.9	263.1	91,114	346
Edge decommissioning	19.0	512.9	275.0	11.0	817.9	290,977	356
Edge retail accounts	1,636.5	4,240.2	4,054.7	1,630.1	11,561.5	4,259,792	368
Edge retail migration	249.0	1,248.9	32.5	-	1,530.4	757,289	495
Employee matters	838.8	611.1	356.8	274.7	2,081.4	912,292	438
Help desk	-	23.5	58.0	861.0	942.5	164,776	175
Immediate tasks	312.5	206.3	437.5	718.1	1,674.4	510,147	305
Investigations and CDDA	203.0	136.9	135.1	40.5	515.5	252,516	490
Investment banking	57.0	47.0	-	-	104.0	55,960	538
KSF Capital Markets	648.8	73.6	324.2	-	1,046.6	591,523	565
Legal issues	451.2	619.8	21.6	-	1,092.6	547,855	501
Members	-	1.4	-	-	1.4	504	360
Non-Edge IT support	-	190.0	2.0	-	192.0	78,600	409
Other assets	495.8	760.3	552.4	769.0	2,577.5	910,441	353
Property	1,067.2	5,756.7	8,033.2	1,893.3	16,750.4	6,239,700	373
Public relations issues	8.0	42.1	-	2.0	52.1	16,143	310
Retail book	115.5	500.7	378.3	44.0	1,038.5	451,608	435
Retention of title issues	-	7.9	6.8	-	14.7	5,243	357
Sale process	622.0	1,480.4	1,362.0	303.2	3,767.6	1,642,469	436
Statutory duties	130.8	177.0	129.5	3.3	440.6	196,838	447
Trading	516.9	1,450.7	1,581.3	1,653.8	5,202.7	1,566,793	301
VAT and taxation	1,346.6	2,899.3	1,487.4	423.3	6,156.6	3,590,349	583
Total hours	**13,968.7**	**34,088.3**	**33,653.9**	**26,580.8**	**108,292**	**38,660,341**	**357**
Total time costs (£)	**9,692,319**	**15,611,148**	**9,135,306**	**4,221,568**			
Average hourly rate (£)	**693.9**	**458.0**	**271.4**	**158.8**			

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.