Kaupthing Singer & Friedlander Limited (in Administration)

Administrators' Progress Report to creditors for the six month period from 8 April to 7 October 2009

30 October 2009

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
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
KCP II	Kaupthing Capital Partners II Limited
KCP II GBP	KCP II (GBP) Limited
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
New Kaupthing	Nyi Kaupthing Banki hf
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 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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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.

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1. Introduction

Background

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

This report, including its appendices, constitutes the Administrators' second 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 2009 to 7 October 2009, and should be read in conjunction with the Administrators' Proposals dated 14 November 2008, the Administrators' initial progress report as circulated on 17 April 2009 and certain other announcements as published on the website below.

Copies of the above documents and certain 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); and

- 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.

The Chairman's report of the result of the Initial Meeting was circulated to all known creditors on 4 December 2008. A copy of this document and the Administrators' Proposals for achieving the purposes of the Administration, as approved by creditors at the Initial Meeting, are available at www.kaupthingsingers.co.uk.

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 Committee and have, to date, held seven formal committee meetings. These and other Committee matters are dealt with separately in the body of this report.

Future reporting

The Administrators' next formal report to creditors will be in approximately 6 months time covering progress in the period to 7 April 2010.

2. Summarised key developments

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. The application was successful and an Order of the Court was issued on 24 April 2009.

Progress to date

The body of the report below details the major areas of progress since 8 April 2009, certain areas of particular significance being:

- Banking Loan Book recoveries of c.£442m
- Share realisations of c.£194m
- Treasury positions closed out and agreed in the main
- Significant developments in relation to various applications to Court

Full details of recoveries made for the period of this report together with the total realisations to 7 October 2009 are set out in Appendix C, being the Administrators' Receipts and Payments account.

Distributions to creditors

On 20 May 2009, the Administrators issued notice of their intention to declare a first dividend to preferential and unsecured creditors. Subsequently, on 22 July 2009, the Administrators declared and paid an initial dividend of 20p in the £ to creditors whose claims had been admitted.

The Administrators have recently obtained permission of the Court to make further interim distributions to unsecured creditors. A notice of intention to declare a second 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 second dividend of not less than 7p in the £ in December 2009.

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

►	First distribution	22 July 2009	20p in £
►	Second distribution	December 2009	Not less than 7p in £
►	Third distribution	March/April 2010	Quantum to be determined

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 orderly wind down and decommissioning of the Edge operational platform and related suppliers, including the separation of IT systems and infrastructure from Khf, has been completed. Residual operational and reporting activities are being finalised to resolve outstanding matters such as tax reporting and support to the FSCS and their advisors over the validation of depositor protection data.

In accordance with the Transfer Order, principles for charging Edge costs to ING in relation to the transfer of the Edge Retail accounts have been agreed.

Non-Edge deposit book

As previously reported, the non-Edge depositor book as at 8 October 2008 totalled c.£2.3bn consisting of approximately 3,000 separate depositor balances due to individuals, charities, corporate customers, local authorities, building societies, banks, fellow KSF Group companies and others.

The Administrators liaise with the FSCS regularly to ensure that their queries in relation to individual claims and requests for additional information are dealt with promptly and that consistent messages are delivered to concerned depositors. The Administrators have agreed processes with the FSCS to ensure that they receive sufficient information to update KSF's systems for all payments made by the FSCS. We understand that the FSCS have now processed the majority of eligible claimants' claims they have received.

Non-Edge depositors were entitled to submit claims in the Administration, to the extent that they had not received compensation from the FSCS. For those depositors who are compensated by the FSCS, their claims form part of the claim of the FSCS against KSF. Accordingly, in advance of the first dividend to unsecured creditors, the Administrators and the FSCS worked closely to agree a framework and timetable for the provision of information in respect of payments made by the FSCS to non-Edge depositors. This process was crucial to ensure that depositors did not receive compensation from the FSCS as well as a dividend from the Administration.

Immediately after payment of the first interim dividend, the Administrators provided the FSCS with information in respect of amounts paid to non-Edge depositors with admitted claims in the Administration. The FSCS will make future compensation payments to eligible claimants after taking account of any funds they have received from the Administration.

In addition to the above, the Administrators have agreed procedures with the FSCS for processing non-Edge depositor claims received in the Administration after payment of the first interim dividend.

The above processes will be repeated at the time of paying any future interim dividends.

Other creditors

The Administrators wrote to all other known creditors shortly after the appointment to advise them of the Administration and request that they submit claims to the Administrators. On 20 May 2009, the Administrators issued notice of their intention to declare a first dividend to preferential and unsecured creditors and, therefore, requested that all known creditors formally register their claims by completing an Insolvency Claim Form in accordance with Rule 2.72 of the Rules.

The Administrators have received a total of 829 claims to date with a gross value of c.£5.6bn, of which 417 claims (c.£0.57bn) were received from non-Edge depositors. The remaining 412 claims (c.£5bn) arise from all aspects of KSF's business including repurchase and derivative counterparties, CfD clients, landlords, trade creditors, employees, employee taxes and VAT, pension schemes, associated companies and the FSCS. The claims of these creditors will rank equally as non-preferential claims.

Banking loan book

KSF loan book

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

(£'m)	SoA as at 8 October 2008	Actual collections to 30 September 2009
Corporate	631	304
Property	864	182
Private banking	1,115	239
Sub participations - KSIOM	167	-
Sub participations - Khf	190	-
Total	**2,967**	**725**

Total realisations to 7 October 2009 from the Banking Book are c.£725m comprising, c.£646m capital repayments, c.£75m interest repayments and c.£5m fees.

As previously reported, a review of options at the beginning of the Administration concluded that more value could be obtained for creditors by running off the loan book versus an immediate sale. Since that time, the focus of the Administrators has been 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 are 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.

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 are being progressed and amended as circumstances change, with the aim of maximising realisations and seeking early repayment where possible.

Ad-hoc meetings have been held with bidders to review offers for a whole or partial sale of the loan book. To date, offers received from interested parties have not been pursued further due to all such offers being significantly below the expected recovery through a managed run-off strategy. This will be kept under review as circumstances change.

In a limited number of cases, 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.£27m. 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.

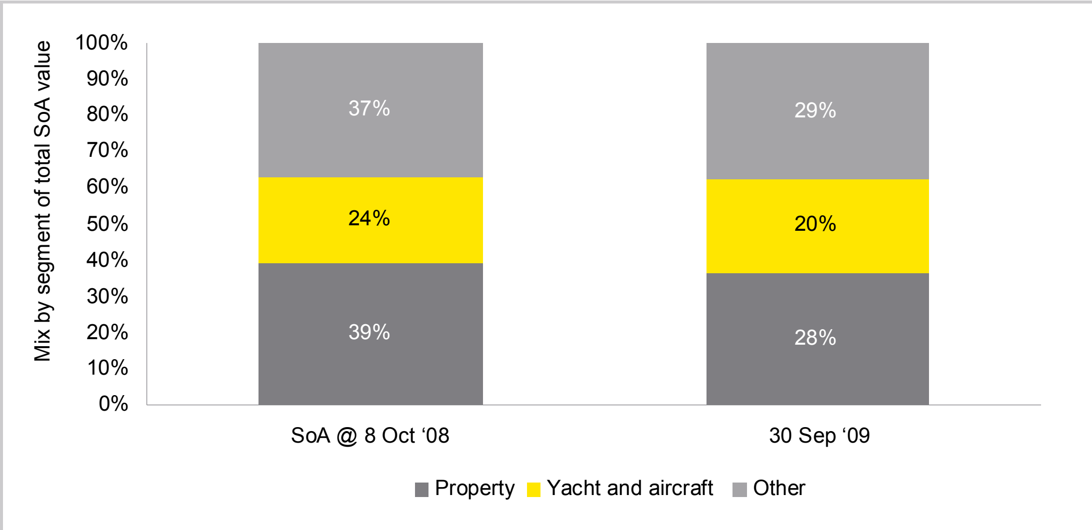
Loan book provisions are reviewed quarterly on a loan by loan basis. As loan accounts are closed, write-offs are verified and approved by the Administrators. A write-off arises when the ultimate value of the security/collateral held is not sufficient to cover loan exposures. Write-offs total c.£30m to date.

Private banking

(£'m)	SoA value as at 8 October 2008	SoA value less actual collections
Book value	1,115	876
Sub participations - KSIOM	167	167
Borrowers (No. of)	372	265

Actual cash collected 8 October 2008 to 30 September 2009	(£'m)
Capital	219
Interest	20
Fees	<1
Total	**239**

The chart below sets out the mix by segment of the Private Banking book by value:



'Other' includes, securities backed loans, art, unsecured loans, cash backed loans

The private loan book is managed in three segments, Yachts, Aircraft and 'all other'. The Yacht and Aircraft portfolios are managed separately due to their specialist nature requiring expert knowledge.

A large proportion of the 'all other' portfolio (28%) is currently secured against UK property. The typical UK residential mortgage written by the Private Bank was a five year, interest only mortgage to a high net worth individual customer. Such loans are 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 has focused on early communication with customers of the need to refinance on or before maturity. The other significant portfolio within this segment is overseas property loans, accounting for 8% of the book. As at 30 September 2009, 19% by value of the loan book was secured against yachts. The book comprises mostly large, luxury yachts. As previously stated, a decision was taken not to continue funding large yacht constructions, and the Administrators have been seeking to agree consensual repayment terms with these borrowers.

The aircraft portfolio comprises loans secured against private jets and helicopters. Activity to date has focused on encouraging borrowers to refinance or to sell the security on a voluntary basis.

Other loans include sub-participations, share backed loans and cash backed facilities.

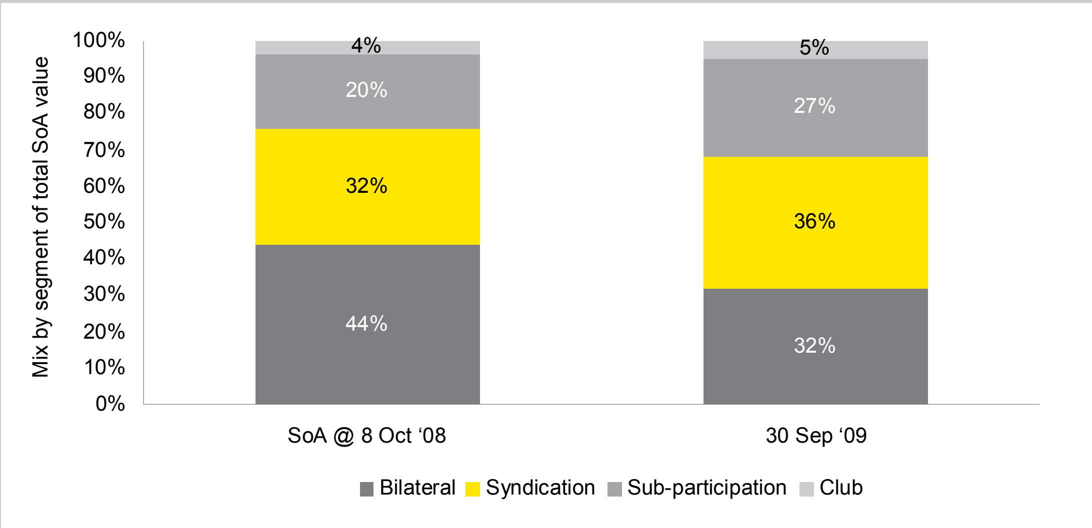
In 21% of the private banking book (amounting to £167m), KSF has sub-participated in loans advanced by KSIOM. These sub-participations are 'silent' in that KSIOM is the lender of record. These positions are being settled via an agreement of claim between the two estates.

Corporate banking

(£'m)	SoA value as at 8 October 2008	SoA value less actual collections
Book value	631	327
Sub participations - Khf	190	190
Borrowers (No. of)	77	51

Actual cash collected 8 October 2008 to 30 September 2009	(£'m)
Capital	267
Interest	33
Fees	4
Total	**304**

The Corporate loan book is managed by loan type and comprises: syndicated loans and bilateral/senior lender loans, of these, a number are sub-participations in Khf facilities. The chart below sets out the components of the Corporate Banking book by value as at the SoA in October 2008 and 30 September 2009:



Syndicated loans represent 36% of the current Corporate loan book. Typically these are positions where KSF has a minority position within a large syndicate, lending on large Private Equity backed entities.

Bilateral/senior lender loans represent 32% of the Corporate loan book. 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 strategies adopted are focused on encouraging the borrower and/or other individual members to refinance KSF's position.

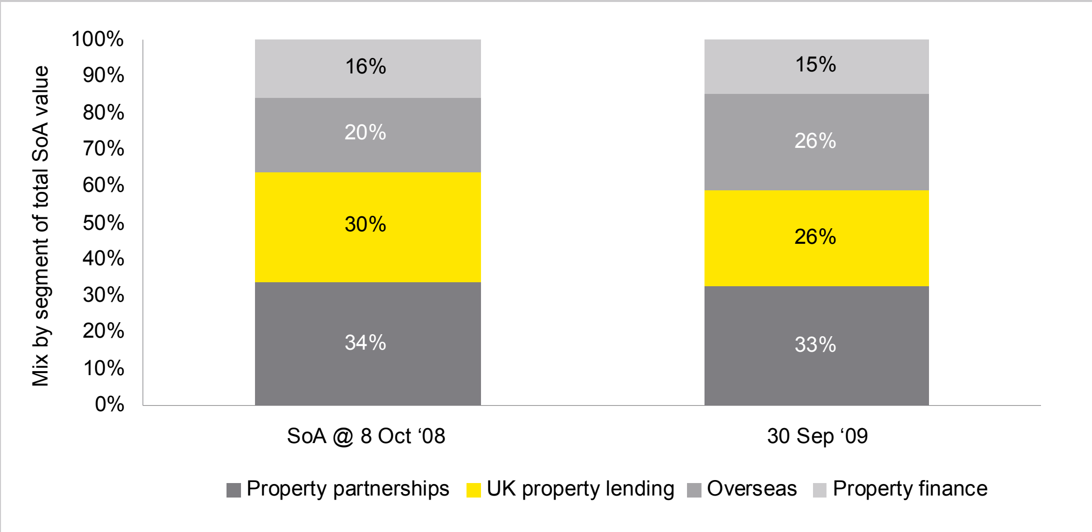
In 27% of the corporate loans (amounting to £190m), KSF has sub-participation positions in loans advanced by Khf. These sub-participations are 'silent' in that Khf is the lender of record. These positions are being settled via an agreement of claim between the two estates.

Property

(£'m)	SoA value as at 8 October 2008	SoA value less actual collections
Book value	864	682
Borrowers (No. of)	220	124

Actual cash collected 8 October 2008 to 30 September 2009	(£'m)
Capital	161
Interest	21
Fees	<1
Total	**182**

The chart below sets out the components of the Property book by mix by underlying security type:



As previously reported, the property loan book was significantly weighted towards development facilities. The book had a large exposure to the UK residential sector, which has been significantly and negatively impacted by the recession. The focus during the last six months has been to continue to encourage the borrowers to refinance and/or sell completed developments. To date the majority of recoveries have been at or around par. Although there are reports of an increase in values in the residential sector within the UK, there is still a very limited supply of credit for new developments and as such the increase in prices has not been seen to date in site values.

On completed stocks the increase in market activity in the residential sector also appears to be concentrated in established locations, with secondary locations and properties still generating low levels of interest and declining prices.

The Property portfolio also has a relatively immature, large ticket, UK commercial lending operation, the majority of which was written after the third quarter in 2007, close to the top of the market. Consequently, the majority of the LTV ratios on these loans now exceed 100%. Consensual restructurings have been and are continuing to be pursued on a number of such loans with a view to enhancing KSF's security through, for example, seeking revised planning permissions on development schemes that have proven to be no longer commercially viable.

There has been limited activity in the overseas loan book. The majority of the loans are secured on sites or part completed schemes, which are proving difficult to attract interest. The traditional selling season for the completed stock will begin shortly and borrowers with completed stock are being monitored to ensure they have priced the completed units appropriately.

Borrowers of developments with completed stock have been encouraged to refinance and/or sell their stock. Due to prevailing depressed conditions of real estate markets in the UK and overseas, seeking refinancing for early stage or part completed developments has been challenging. Where feasible and attractive from a recovery perspective, KSF is also seeking to promote joint venture arrangements to either complete or otherwise enhance the underlying security value of development facilities. A number of such arrangements are currently being negotiated with a particular focus on KSF’s largest exposures within the Property portfolio.

Treasury assets

As previously reported, KSF had a large number of Treasury assets, which the Administrators have dealt with under four workstreams, as described below.

Repurchase agreements and reverse repurchase agreements

This workstream is now nearly complete with settlement agreed and cash received, where appropriate, for all bar three counterparties. Through negotiation, we were able to significantly improve the position for the estate on a number of these positions. Our largest outstanding claim is against Khf and we do not expect confirmation of the claim in the immediate future (although we have quantified what we believe to be the claim). For the second outstanding counterparty we expect to agree settlement for the repo alongside other exposures with that counterparty shortly. For the final counterparty, Court proceedings are ongoing.

Contracts for differences

All bar one of the CfD termination statements have now been completed. The remaining statement contains a large number of small value, highly illiquid positions and, therefore, has required more time to complete.

The effective completion of the CfD termination statement has facilitated the completion of the initial challenge process for Prime Broker equity swap termination statements received. Accordingly, we have started to provide formal responses to those Prime Broker counterparties and this highlights some significant valuation differences in KSF’s favour.

The focus of the work stream in the period has evolved from quantification to negotiation and we have already started meeting with clients in order to move towards an agreed settlement per counterparty. These negotiations are at differing stages per client but we have already agreed settlement arrangements with several CfD client counterparties (including the largest by value) and three of the six Prime Brokers. For all settlements agreed to date, we have been able to achieve satisfactory termination pricing. However, Court proceedings have commenced, with regard to a small number of CfD client counterparties. As such, we expect negotiations to continue for a number of months to come.

Over the counter derivatives

As at the date of the appointment of the Administrators, KSF had a significant number of open derivative positions, the majority of which were plain vanilla swaps and options in respect of interest rates and foreign exchange.

Where clients have terminated the relevant derivative we have sought, as with those with market counterparties, to reach a conclusion on the valuation of final settlement. However, there remain a number of open derivatives which we expect not to be terminated as they are associated with banking book exposures that we expect to be open for the medium to long term.

Sale of Investments

As previously reported, KSF held a number of investments, primarily listed equities and holdings in investment trusts but also some corporate debt positions. The majority of positions are UK holdings although there are some significant non-UK holdings (including Icelandic positions). We initially focused on the identification and confirmation of specific holdings, the confirmation of legal title and the engagement of market leading brokers to facilitate eventual exit from these investments.

In terms of expected value, the sale process for outright positions is now 99% complete. This includes deals which are designed to maximise value generation through future structured exits as opposed to immediate sale. Approximately 70 positions remain, although these are low value, illiquid positions and future exit is more likely through a portfolio rather than individual sale. It is possible that other positions may arise as the Administration continues, for example security which becomes available for sale.

The above analysis excludes Khf and other Icelandic debt still held. We are awaiting greater clarity on price discovery before executing any exit strategy. However, we have already executed and settled an FX transaction which facilitated the conversion of ISK5.8bn held into sterling. We continue to work on similar transactions in order to convert the ISK1bn still held on account and the future proceeds from the Icelandic debt held.

Subsidiary companies

Singer & Friedlander Investment Management Group

As previously reported, on 21 October 2008 an agreement was reached to effect the sale of the business and assets of the SFIM Group businesses to WdB. At the same time, the TSA was entered into in order that the acquired businesses could be supported by SFIMG whilst in the process of being transferred to WdB.

Costs of provision of the services under the TSA have been recovered for the period up to 21 April 2009 and services provided after this date are in the process of being recovered from WdB.

It is anticipated that in due course, the subsidiary companies in SFIMG will be wound down and then be put into solvent liquidation proceedings with the net assets being distributed to KSF.

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. These companies remain profitable and cash generative and are currently meeting their 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, or shortly thereafter, 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.

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

As part of the strategy to refinance the Asset Finance companies, a restructuring exercise was undertaken in August 2009. The result of this exercise was to re-launch the division as a new consolidated legal structure with a new legal name (Singers Asset Finance Holdings Limited), a new brand and with harmonised systems and staff contracts.

The Asset Finance management team have, during the period, had meetings and correspondence with several banks to discuss a proposed refinancing of the division. These discussions are ongoing.

KCP II (GBP) Limited (KCP II GBP)

At the date of our appointment, KCP II GBP Limited was a wholly owned subsidiary of KSF and the general partner of Kaupthing Capital Partners II Master Inc L.P. (KCPII), a specialist captive investment fund (the 'fund'). KCP II ehf, a wholly owned subsidiary of KCPII held certain funds on deposit with KSF.

Both KCP II GBP and KCP II were put into Administration on 9 October 2008. Anthony Spicer and Henry Shinners of Smith & Williamson Limited were appointed as Joint Administrators.

It is understood that the Administrators of KCP II (GBP) and KCPII have not sold any of the fund's investments and continue to explore options for maximising the return to the fund's creditors and investors.

Those Administrations have been extended by consent of the creditors to 8 April 2010.

Singer & Friedlander Funding Plc (In Administration)

In our last report, creditors were advised that although it is anticipated that there will be no recovery to KSF from this subsidiary, it was assumed that Funding would have an unsecured claim in the Administration in respect of Funding's cash deposits with KSF in the amount of c£240m, plus applicable interest.

The KSF Administrators have applied to Court to determine how to value the claim for an amount that Funding has submitted in the Administration of KSF of c.£243m. The KSF Administrators have been advised by their legal advisers that, in light of current Court of Appeal authority, it was appropriate to make a Court application to argue that the claim should be valued at zero. The Trustee of the Notes issued by Funding has indicated that it has been formally authorised by Noteholders to participate in the application to argue that the claim should be valued for its full amount.

The application has been lodged at Court and a short initial hearing before a registrar took place at which it was determined that the application should be listed for a hearing scheduled to take place between 7 and 10 December 2009.

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
Singer & Friedlander Investment Management Holdings Limited	31 March 2009
KB Retail Advisory Limited	16 June 2009
Sinjul Investments Limited	16 June 2009
Wintrust Securities Limited	16 June 2009
Kaupthing Limited	2 July 2009

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

Work is continuing, in conjunction with relevant 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 B is a summary of the current corporate structure.

Head office relocation

As previously reported, the relocation of KSF from its premises in Hanover Street, W1 to its former premises at 21 New Street, London completed in March 2009.

The decommissioning of the Hanover Street property was completed on 24 April 2009. Where possible, all IT, network and furniture assets have been collected and placed into auction for sale, as described below.

Discussions are ongoing between the landlord of the Hanover Street premises and the Administrators in respect of the surrender of the majority of the building. To date, only a formal surrender of the third floor area has been agreed.

Other assets

Our property agents, King Sturge, have assisted in the disposal programme and made arrangements for the sale by means of public auction of certain other surplus assets, principally cars, IT equipment and office furniture.

In addition, as part of the tangible asset disposal process, all artwork owned by KSF has been released to Christies and Bellmans auctioneers to arrange sales by auction. The auction of all artwork from the Hanover Street property was completed in May 2009 by Christies. The artwork from the New Street property is currently being auctioned by Bellmans.

Kaupthing Singer & Friedlander (Isle of Man) Limited

As previously reported, KSIOM, a wholly owned subsidiary of Khf, was placed into provisional liquidation by an order of the High Court of Justice in Douglas on 9 October 2008 and Michael Simpson of PricewaterhouseCoopers LLP was appointed Liquidator Provisionally.

On 9 April 2009, the High Court in IOM approved the IOM Government proposal that a Scheme of Arrangement be put to creditors for their approval at a meeting to be held on 19 May 2009. The Scheme of Arrangement failed to be approved by two of the three meetings of classes of creditors. Accordingly, the High Court in IOM appointed Michael Simpson and Peter Spratt of PricewaterhouseCoopers LLP Joint Provisional Liquidators and Joint Deemed Official Receivers of KSIOM on 27 May 2009.

The Administrators and the Joint Provisional Liquidators have been working together to resolve the transactional positions which existed between KSIOM and KSF at the time of KSF's Administration. As part of this process, KSIOM have submitted a claim in the Administration of KSF in respect of funds held on deposit with KSF and amounts due to KSIOM in respect of repurchase and derivative agreements with KSF.

KSIOM also made a contingent claim against KSIOM for the proceeds of several certificates of deposit purchased by KSF Treasury Department prior to Administration on behalf of KSIOM, at their request, using KSIOM's funds. It was subsequently established that proceeds received on maturity of the Certificates of Deposit had to be remitted to KSIOM in full and not treated as a claim. KSF has now received the proceeds of the Certificates of Deposit and subsequently remitted them to KSIOM. Accordingly, the Administrators consider that the contingent claim has no value.

The Administrators and the Joint Provisional Liquidators are seeking to finalise adjudication of the KSIOM claim shortly. This will include agreement in relation to the value attributable to the loans made by KSIOM where KSF acted as sub participant, as explained in the loan book section of this report.

The Administrators continue to enter into significant correspondence in relation to transactions which had been requested of KSIOM, by KSIOM account holders but which had not reached their payment destination at the date of the appointment of the Administrators. In such correspondence, the Administrators confirm the Provisional Liquidators advice that these unsettled payments are liabilities of KSIOM.

Kaupthing Bank hf

Following the Administration of KSF, the Icelandic Financial Supervisory Authority (FME) was requested by Khf's board of directors to take control of Khf. The FME appointed a Resolution Committee on 9 October 2008 to run Khf, the ultimate parent company of KSF. A transfer decision was subsequently made transferring certain domestic (Icelandic) assets and domestic deposits to a newly created bank, New Kaupthing. A moratorium was subsequently granted by the District Court of Reykjavik and a Moratorium Supervisor was appointed to work in conjunction with the Resolution Committee.

A Court hearing was held in Iceland on 13 February 2009 where a further nine month extension of the moratorium was granted until 13 November 2009. The Resolution Committee have applied for a further extension of the moratorium to 24 November 2010. This application is due to be heard at a Court hearing in Iceland on 13 November 2009.

On 25 May 2009, the Court in Iceland appointed a Winding-up Committee at the request of the Resolution Committee. The Winding-up Committee does not hold any power over the Resolution Committee and vice-versa but both are committed to work together in the best interests of Khf and its creditors. The role of the Winding-up Committee is, amongst other things, to call upon any creditors who have a claim against Khf and take a position regarding their recognition.

On 30 June 2009, the Winding-up Committee issued a notice inviting creditors to file their claims and thereby set in place the formal claims registration process. This notice marked the initiation of the period for filing claims and set a six month deadline for receipt of claims against Khf by 30 December 2009.

We are currently in the process of finalising the documentation for submission of KSF's claim against Khf. The collation of the claim is complex and, therefore, time consuming. Considerable progress has been made and we expect to finalise our draft claim by the end of November. We currently estimate the claim to be in the region of £550-625m (net after collateral).

A first meeting of creditors to consider claims against Khf is to be held on 29 January 2010. It is not expected that claims will be formally recognised at this meeting but that this will be deferred to a subsequent meeting once the Winding-up Committee have had the opportunity to fully consider the claims received and the options available to them, including whether a composition agreement should be put to creditors. Accordingly, our understanding is that a distribution to creditors is unlikely to take place until late 2010 at the earliest. The Resolution Committee have also stated that they are currently unable to provide an estimate of the likely recovery for creditors.

The Resolution Committee held a creditors' meeting on 20 October 2009 to discuss the options in relation to an agreement between the Resolution Committee and the Icelandic Government on the capitalisation of New Kaupthing. Essentially, the two options available to the Resolution Committee are:

1. For Khf to acquire approximately 87% of the share capital in New Kaupthing from the Icelandic Government in return for 65% contribution to the capitalisation, leaving the Government with the remaining 13%, or

2. To decide not to participate in the bank's capitalisation for the time being, but retain the option to acquire up to 90% of the share capital between 2011 and 2015.

The Resolution Committee have until 31 October 2009 to decide which of the alternatives it wishes to pursue. Whilst the Resolution Committee did not have to take a vote of creditors in relation to their decision, the purpose of the meeting was to consult with creditors prior to making their decision. The Administrators attended the creditors' meeting and the results of the Resolution Committee's deliberations are awaited.

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

Judicial review of the Transfer Order

As previously reported, Khf applied in January 2009 for a judicial review of the Transfer Order, which was served upon KSF as an interested party, and which seeks compensation from the UK Government for Khf in respect of the alleged loss in value of KSF following the transfer to ING of the Edge deposits under the Transfer Order.

Khf argued that under the Banking (Special Provisions) Act 2008, HMT was only entitled to make an order if it was for the purpose of maintaining the stability of the UK financial system. Khf argued that HMT's purpose was to protect KSF depositors and not to maintain the stability of the UK financial system.

The Court held that HMT had acted within its statutory powers. It had considered whether there was a specific threat to the stability of the UK financial system should it not make the order, and the Transfer Order was made for that reason.

Employees

As stated above, KSF moved to its current premises in New Street in March 2009. This move followed the successful migrations of the Edge deposits to ING and the earlier sales of the SFIMG/SFAM business and SCML.

Completion of these activities and the decision to 'run off' the banking book have resulted in the need for further staff redundancies. The current staff numbers are considered appropriate for the 'run off' of the banking book, realisations of other assets, ongoing regulatory requirements, and termination of other activities.

Taxation and VAT

The Administrators' VAT and Corporate tax teams have undertaken work to ensure KSF's tax position during the Administration period is optimised and outline where there are potential adverse tax implications for KSF.

4. Other matters

Statutory and legal reporting update

Statement of Affairs

As previously reported, the Directors submitted their SoA to the Administrators on 1 December 2008. The Administrators determined that, in view of the fact that a substantial quantity of KSF's assets were yet to be realised, they considered it would not be in the best interests of creditors to disclose the Directors' estimate of future realisations and took steps to obtain an Order under Rule 2.30(1) of the Rules, limiting disclosure of the SoA.

As part of this process, on 20 February 2009 (pursuant to Rule 2.30(2)), the High Court ordered that disclosure of the SoA be limited to the Redacted Statement of Affairs.

Creditors should be aware that pursuant to Rule 7.31(5) of the Rules, the Court Order appointing the Administrators ordered that the Court's file is not available for public inspection without the leave of the Court.

A redacted summary of the SoA was included as Appendix B in the Administrators' letter of 4 December 2008.

In view of the redaction of the SoA, as detailed above, we have not reflected the Directors' Estimated to Realise valuations as required under SIP No.7 in the Receipts and Payments account attached at Appendix C.

Financial information as at 8 October 2008

In view of the Court order limiting disclosure of the SoA, the Administrators included in the Proposals a consolidated draft and unaudited balance sheet as at 7 October 2008.

The Administrators have established that there are no valid fixed or floating charges registered against KSF. The sums shown as due to secured creditors on the Redacted SoA are in respect of collateral held by some counterparties in respect of certain Treasury contracts. In due course, these have resulted or will result in either a net liability which will rank as an unsecured claim, or there has been or will be a refund due to KSF.

The Redacted SoA referred to preferential creditors in the sum of £991,640. This included the estimated preferential wage arrears and arrears of contributions to the Singer & Friedlander Limited Pension Assurance Scheme. The only known preferential creditor of KSF is the Redundancy Payment Office in relation to outstanding pension contributions of £305,488. The Administrators have now settled this claim in full, being the only known preferential creditor.

Legal issues

Bank of England Account

As previously reported, 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 Account contained monies equivalent to the aggregate value of deposits accepted by KSF from its customers during 2-3 October 2008. As at 1 September 2009 the balance of the Account was £149,138,066.

Several parties claiming an interest in the proceeds of the Account were represented at the hearing, including HMT and FSCS who argued they were entitled to an interest in the monies in respect of Edge deposits by virtue of the Transfer Order.

Judgment was handed down on 10 July 2009 and provides the following:

1. The funds in the Account are held on trust.

2. The interest of Edge depositors were assigned to HMT/FSCS under the Transfer Order, such that HMT/FSCS have a right to recover from the trust funds an amount equivalent to the net position of Edge depositors.

3. All depositors during the relevant period (including foreign currency depositors, banks and group companies) have an interest in the Account, subject to any withdrawals made by those depositors. Deposit means a sum of money paid to KSF on terms that it would be repayable.

4. KSF is entitled to repayment of withdrawals made by persons who deposited funds in the relevant period.

The Judge granted permission for all parties to appeal the judgment and all parties (save for the Administrators) have filed an Appellant's Notice with the Court of Appeal and have served these notices on the Administrators. No date for the appeal hearing has yet been set.

Foreign Exchange

The Administrators applied to the Court to determine, amongst other things, the correct 'official exchange rate' referred to in Rule 2.86 of the Rules required for the conversion of amounts payable to and by KSF in currencies other than Sterling. The Court decided that the Administrators should use the spot exchange rates published by the BoE for 8 October 2008.

Insolvency set-off pursuant to the Rules

The Administrators applied to the Court for directions as to the operation of certain aspects of Rule 2.85 and Rule 2.105 of the Rules, which govern the way in which mutual debts owing between KSF and its creditors are set off against each other. As there were a number of issues to be considered and there was no single creditor affected by all the issues, it was not considered practical to request an individual creditor to attend the hearing and raise counter-arguments to the Administrators' interpretations of the relevant rules. However, at an initial directions hearing, it was decided that the interests of affected creditors should be represented by a separate team within KSF instructing separate counsel.

Judgment was handed down on 2 October 2009 and confirmed, amongst other things, that, in relation to debts owed to KSF, interest continued to accrue and become payable on the net balance (if any) from the date of the commencement of the Administration.

The Court also held that debts (payable to or by KSF) maturing after the Administrators' payment of the first distribution (on 22 July 2009) should be discounted to present value according to the statutory formula contained in Rule 2.105 without regard to interest. The High Court has given leave to appeal to the Court of Appeal. The Administrators have considered the potential economic impact of this part of the judgment upon the estate and decided that it is in the interests of the estate to lodge an appeal.

KSF Subordinated Bonds

KSF has issued subordinated bonds, due in 2019, which are listed on the Luxembourg Stock Exchange. The Administrators have applied to Court for directions as to how to value the claim that the Trustee for the bonds has submitted in the KSF Administration. There is a lack of clarity in the drafting of the subordination sections of the Trust Deed. The Administrators' application seeks the Court's guidance as to whether the bonds are subordinated or whether they rank *pari passu* with unsecured creditors in the KSF Administration.

The Application will be heard before a registrar on 29 October 2009 for the purpose of setting a hearing date for the application.

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

Two creditors of KSF applied to the Court under Rule 2.78 of the Rules to appeal the Administrators' decisions on the insolvency claim forms which those creditors lodged in the Administration. Both claims relate to the correct valuation of positions under CfDs that KSF entered into prior to the Administration. The applications have both been listed in early November 2009, when it is expected that directions for the further conduct of the appeals will be made.

Application to declare a second and further interim dividend

The Administrators applied to the Court under Rule 2.97(2) for permission of the Court to declare a second dividend (and future interim dividends) notwithstanding two pending challenges to the Administrators' decisions on creditors' insolvency claim forms. A hearing before a registrar took place on 13 October 2009 who directed that further dividends could be paid provided that the Administrators reserve sufficient funds to pay the claims (including costs) of those creditors challenging the Administrators' decisions should their applications be successful.

Receipts and Payments Account

The Receipts and Payments account for the period from 8 October 2008 to 7 October 2009 is attached at Appendix C. This shows all funds received and paid from the bank accounts under the Administrators' control. 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.

It is envisaged that a further c.£7.6m will be collected as funds taken over. Of this, approximately £7.5m is held with a single bank and our solicitors are assisting us in retrieving these monies. The remaining c£0.1m is held across six separate banks. We are in regular correspondence with the banks regarding these monies and hope to have these under our control in due course.

KSF continues to receive and return erroneously received monies in the post Administration period in line with legal advice provided. This repayment process is being undertaken with assistance from KSF staff. Over the last six months we have reduced net unallocated receipts by c.£9m and we continue to work closely with the clearing banks to obtain the information necessary to reduce the number further.

There has also been substantial recovery in regards to the Property, Private and Corporate Loan books in addition to significant share realisations during the period.

Monthly cash flow forecasts continue to be prepared by the Administrators from company information and discussion with KSF personnel. The cash flow forecasts enable the Administrators to monitor expected receipts and payments over a rolling six month period.

Non-preferential creditors

On 20 May 2009, the Administrators issued notice of their intention to declare a first dividend to preferential and unsecured creditors. Subsequently, on 22 July 2009, the Administrators declared and paid an initial dividend of 20 pence in the £ to creditors whose claims had been admitted to rank for distribution. The initial cost of the distribution to the estate was £801,520,120, being 20p in the £ on admitted claims of £4,007,600,602.

At the time of paying the first distribution, a provision of £207,583,294 was made for unsettled claims. In the period since payment of the distribution, the Administrators have completed the adjudication of a large number of the unsettled claims as well as claims submitted after 18 June 2009, the last date for proving for inclusion in the first distribution. These creditors have been paid their first dividend entitlements at the time of their claim being admitted. Accordingly, total payments in respect of the first distribution amount to £816,762,000 to 7 October 2009.

The Administrators have recently obtained permission of the Court to make further interim distributions to unsecured creditors. A notice of intention to declare a second 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 second distribution has been set as 28 November 2009. The Administrators are required to declare and pay a second dividend within two months of this date.

Estimated Outcome for Creditors

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

Accordingly, the Administrators advise that it is their intention to declare a second dividend of not less than 7p in the £ in December 2009. This has been agreed in consultation with the Committee.

The historic and estimated future distribution timetable are set out below.

► First distribution	22 July 2009	20p in £
► Second distribution	December 2009	Not less than 7p in £
► Third distribution	March/April 2010	Quantum to be determined

The Administrators will ensure that the second distribution is maximised and will agree the quantum with the Committee prior to declaring the dividend.

It is also the intention of the Administrators to pay further distributions at regular intervals thereafter, subject to the agreement of the Committee and it being cost effective to do so. The quantum of each distribution will be dependent upon the level of distributable funds at the time of distribution and consequently we are not able to provide an indication of the quantum of the third distribution or the timing and quantum of subsequent distributions 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 60p to 75p 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 can not be relied upon.

Creditors' Committee

The Administrators regularly report to the Creditors' Committee on matters of importance in relation to KSF. To date, the Committee have received monthly Administration updates and have attended seven committee meetings.

The Creditors' Committee have approved various matters going forward for example, the run off strategy, the proposal for the sale of the securities portfolio held by KSF and the appointment of an appropriate external broker to assist in selling the securities. Additionally, as referred to previously, the Committee has been involved in matters such as assisting the Administrators in reaching a decision on the choice of creditor distribution mechanism, as well as advising the Administrators on creditor concerns.

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

Administrators' remuneration and disbursements

Following the Initial Meeting at which a Creditors' Committee was formed pursuant to the Proposals, 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 available subject to approval of overall costs at future Creditors' Committee meetings.

The Administrators have incurred time costs of £25,212,792 plus VAT to 11 September 2009, all of which have been approved by the Creditors' Committee and drawn. An analysis of the time spent is attached as Appendix D to this report. Accrued time costs of £1,213,237 for the period 12 September to 9 October 2009 are currently outstanding and unbilled.

The above time costs are inclusive of the fees billed to ING as referred to on page three of this report.

A copy of the Administrators' policy in relation to charging time and disbursements is published on the KSF website.

To date, the sum of £255,945 has been drawn in respect of disbursements. These costs are as detailed in Appendix D. Of this sum, £114,737 are in respect of Category 1 expenses with the remainder representing Category 2 expenses. 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 the Category 2 expenses.

Appendix A Statutory information

Company information

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

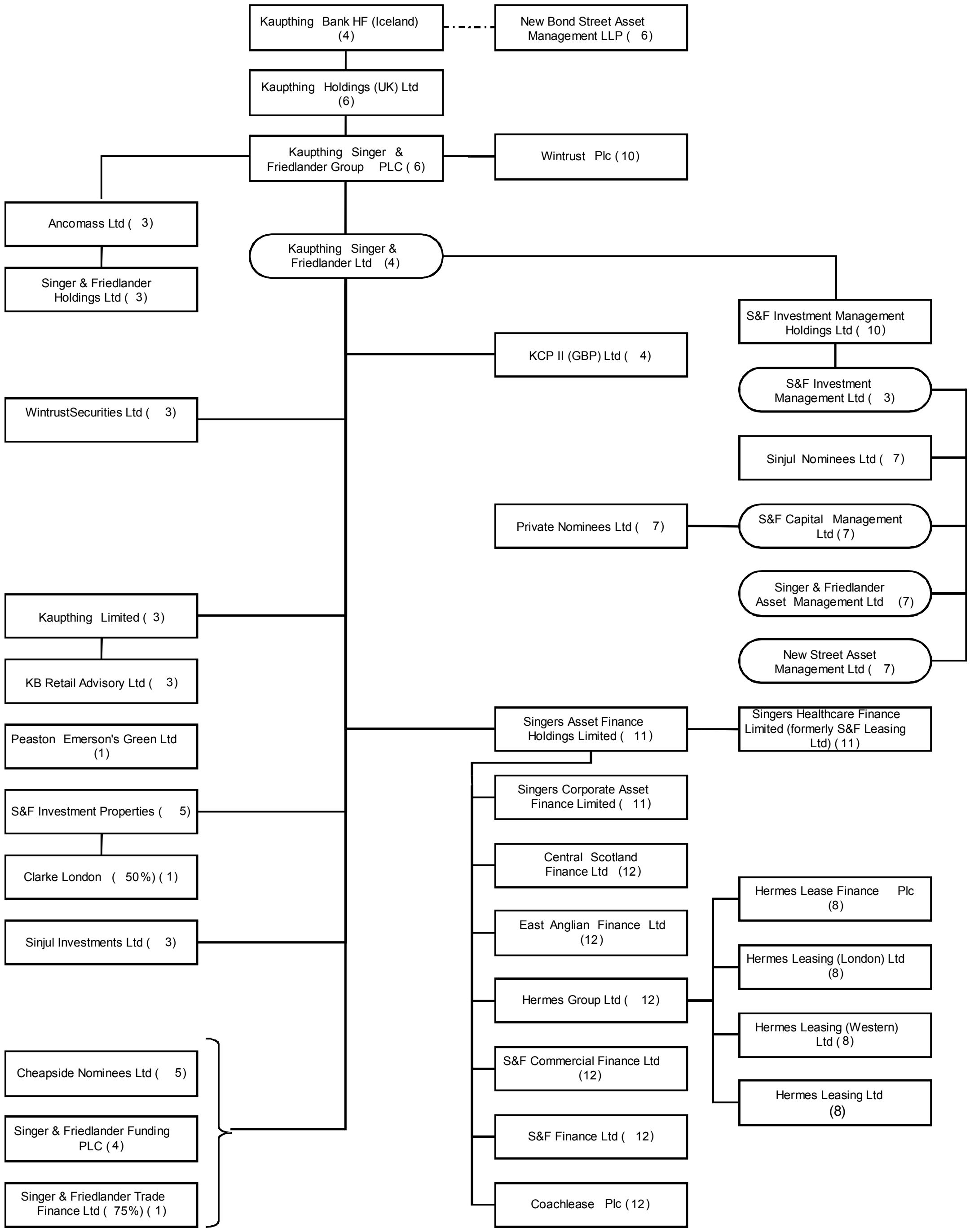
Details of the Administrators and of their appointment

Administrators:	ME Mills, AR Bloom, PJ Brazzill and TM Burton of Ernst & Young LLP, 1 More London Place, London, SE1 2AF
Date of appointment:	8 October 2008
By whom appointed:	The appointment was made by the High Court of Justice, Chancery Division, Companies Court on the application of the Financial Services Authority
Court reference:	High Court of Justice, Chancery Division, Companies Court – case 8805 of 2008
Division of the Administrators responsibility:	Any of the functions to be performed or powers exercisable by the administrators may be carried out/exercised by any one of them acting alone or by any or all of them acting severally

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 B 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 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 Joint Administrators of KSF Limited
7. SFIM entity - Business and Assets have been sold
8. Asset Finance entity
9. Refer to the body of the report 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

Appendix C Receipts and payments account for the period to 7 October 2009

Sterling Accounts				
	Six months to 7 April 2009	Six months to 7 Oct 2009	Total	Notes
Opening Balance	£'000	£'000	£'000	
Receipts:				
Cash Taken Over	248,780	31,856	280,636	1
Unallocated Receipts	12,914	(8,950)	3,964	2
Property Loans	68,132	101,918	170,050	3
Private Banking	56,313	121,249	177,562	4
Corporate Loans	113,547	151,092	264,639	5
Asset Finance		12,923	4,022	6
Repayment of Reserve Account Balance	3,194	-	3,194	7
Cash Ratio Deposit - Bank of England		2,692	2,692	8
Realisations from Transitional Service Agreements	6,229	1,417	7,646	9
Refund of Subsidiary Staff Wages	415	-	415	10
Corporation Tax Refund	3,478	1,001	4,479	11
VAT Refund		1,318	1,318	
Dividends On Investments Held	1,819	7	1,826	
Rental Income	1,106	769	1,875	
Share realisations	82,689	194,716	277,405	12
Fee Share Agreement – Kaupthing hf	750	-	750	13
Bank Interest	799	4,499	5,298	
Bond Maturities and Coupons	-	2,978	2,978	14
ISDA Valuation Settlement	-	101,208	101,208	15
Repurchase Agreement	-	11,884	11,884	16
Transfers from foreign currency accounts	-	140,354	140,354	17
Derivative Settlements	-	87,629	87,629	18
Recalled Margin Funds	-	700	700	
Other realisations	141	1,003	1,144	
Third Party Receipts Identified				
Third Party Receipts Identified	37,069	29,370	66,439	19
Total receipts	**650,298**	**982,732**	**1,633,030**	

	Sterling Accounts			
	Six months to 7 April 2009	Six months to 7 Oct 2009	Total	Notes
Opening Balance	£'000	£'000	£'000	
Payments:				
Supplier Payments	7,455	3,883	11,338	
Staff Wages	20,206	6,374	26,580	
Employers NI Contributions	2,062	209	2,271	
Temporary Staff Payments and Consultancy Services	782	762	1,544	
Staff Expenses	207	85	292	
Employers Pension Contributions	1,210	639	1,849	
Payments of Subsidiary Wages	415	-	415	10
Drawdown Payments	18,953	2,533	21,486	20
Legal & Other Professional Fees	9,528	8,209	17,737	
Cash Ratio Deposit to Bank of England	228	-	228	21
Insurance	239	184	423	
Unallocated Payments	2,343	(1,592)	751	22
Administrators' Fees and Disbursements	18,356	11,016	29,372	
Rent, Rates & Utilities	4,889	2,276	7,165	
VAT	-	71	71	
Withholding Tax	13	1	14	
Derivative Settlements	-	5,613	5,613	18
Inter-account Cross Currency Payments	-	16,707	16,707	17
Cheques and Direct Debits Released Post Admin'	-	1,003	1,003	23
Bank Charges and Interest	23	12	35	
	-	-	-	
Third Party Payments:	-	-	-	
Payments Made	23,518	32,203	55,721	19
Monies yet to be Returned to Third Parties	13,551	(2,834)	10,717	24
Distributions				
Distribution to Preferential Creditors	-	305	305	
Distribution to Unsecured Creditors	-	816,762	816,762	
Total payments	**123,978**	**904,421**	**1,028,399**	
Closing Balance	**526,320**	**78,311**	**604,631**	
Reflected by				
Cash at Bank	539,871	75,477	615,348	25
Monies yet to be Returned to Third Parties	(13,551)	2,834	(10,717)	24
Closing Balance	**526,320**	**78,311**	**604,631**	

	Euro Accounts			Dollar Accounts			
	Six months to7 April 2009	Six months to 7 Oct 2009	Total	Six months to 7 April 2009	Six months to 7 Oct 2009	Total	Notes
Opening Balance	€'000	€'000	€'000	$'000	$'000	$'000	
Receipts:							
Cash Taken Over	42,635	623	43,258	108,563	(4,501)	104,062	1
Unallocated Receipts	1,568	(678)	890	21	56	77	2
Property Loans	1,028	816	1,844	17,902	109	18,011	3
Private Banking	8,503	41,289	49,792	9,294	29,837	39,131	4
Corporate Loans	16,539	12,920	29,459	14,460	10,479	24,939	5
Dividends On Investments Held	-	5,784	5,784	-	-	-	
Share realisations	-	-	-	-	1,000	1,000	
Bank Interest	55	128	183	22	50	72	
Bond Maturities and Coupons	-	2,300	2,300	-	-	-	
ISDA Valuation Settlement	-	-	-	-	6,056	6,056	15
Derivative Settlements	-	6,595	6,595	-	22,377	22,377	18
Third Party Receipts Identified							
Third Party Receipts Identified	2,804	287	3,091	8,439	(974)	7,465	19
Total receipts	**73,132**	**70,064**	**143,196**	**158,701**	**64,489**	**223,190**	
Payments:							
Supplier Payments	-	-	-	153	397	550	
Drawdown Payments	83	2,834	2,917	754	2,112	2,866	20
Legal and Other Professional Fees	-	1	1	-	3	3	
Administrators' Fees and Disbursements	-	2	2	-	-	-	
Inter-account Cross Currency Payments	-	81,007	81,007	-	88,775	88,775	17
Bank Charges and Interest	1	7	8	1	10	11	
Third Party Payments:							
Payments Made	820	696	1,516	3,343	391	3,734	19
Monies yet to be Returned to Third Parties	1,984	(410)	1,574	5,096	(1,364)	3,732	24
Total payments	**2,888**	**84,137**	**87,025**	**9,347**	**90,324**	**99,671**	
Closing Balance	**70,244**	**(14,073)**	**56,171**	**149,354**	**(25,835)**	**123,519**	
Reflected by							
Cash at Bank	72,228	(14,483)	57,745	154,450	(27,200)	127,250	
Monies yet to be Returned to Third Parties	(1,984)	410	(1,574)	(5,096)	1,365	(3,731)	24
Closing Balance	**70,244**	**(14,073)**	**56,171**	**149,354**	**(25,835)**	**123,519**	

Notes:

1. *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. The GBP cash taken over has increased due to monies previously deemed to belong to a third party have since been established as KSF funds.The USD cash taken over has reduced during the period due to a reallocation of funds belonging to third parties.*
2. *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.*
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.*
6. *Interest payments servicing the loans provided to the Asset Finance subsidiaries.*
7. *This represents the repayment of the balance of the Bank of England Reserve Account, following formal notification that the working capital facility available to the Administrators was no longer required.*
8. *This represents a partial repayment of the balance of the Cash Ratio Deposit ("CRD") account held with the Bank of England*
9. *This represents payment for services provided in respect of businesses that have been sold or transferred (Singer & Friedlander Investment Management Ltd and Edge). Of this, £739,580 was received in respect of the sale of the business and assets of Singer & Friedlander Capital Markets Limited.*
10. *Subsidiary wages have been paid by KSF, and then recharged to the individual respective subsidiaries.*
11. *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.*
12. *This represents receipt from the sale of shares.*
13. *KSF's share from a syndicated deal partially funded by Kaupthing hf.*
14. *These amounts represent the receipt of Bond Principals and Interest.*
15. *These amounts represent monies received from two Banks relating to the net amount due to KSF further to the termination of all over-the-counter derivatives, foreign exchange and equity swaps traded between KSF and those Banks in the pre-administration period.*
16. *The amount represents receipt from two Banks with regards to a pre-administration repurchase agreement.*
17. *Inter-account cross currency receipts & payments. While these payments are internal in nature, they have been recognised as gross payments and receipts in order to illustrate the balance sheet movement between accounts. Failing to include such transfers would result in un-reconciled movements in the cash accounts.*
18. *These figures represent treasury derivatives close out agreements between KSF and two counterparties involving FX, Interest rate and equity swaps.*
19. *This represents monies received into the Administrators' accounts which we understand are due to subsidiary companies or to former customers of the bank.*
20. *These are drawdowns provided to existing customers across the loan books in respect of loans which are still being funded by KSF.*
21. *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.*
22. *These unallocated payments were processed by the clearing bank shortly after our appointment, and are currently being investigated.*
23. *These payments were in the payment system as at appointment, and were previously shown in Unallocated Payments and have been reallocated during the last six month period.*
24. *These amounts relate to receipts which have been identified as belonging to third parties, but have not yet been returned. They will be returned in due course, and the cash does not therefore make up part of the Administration estate.*
25. *Includes post administration currency accounts which have been translated to sterling and included on the receipts and payments account.*
26. *All payments have been made gross of VAT.*

Appendix D Summary of Administrators’ time costs for the period 8 October 2008 to 11 September 2009

Classification of work by function	Partner/ Director	Manager	Other senior professionals	Assistants and support	Total hours	Total time costs (£)	Average hourly rate (£)
	Breakdown of hours charged by grade						
Accounting and administration	1,027.3	2,760.8	3,739.6	6,825.6	14,353.3	3,880,639	270.37
Asset finance	259.0	131.2	100.0	7.0	497.2	238,545	479.78
Bank and statutory reporting	242.4	782.7	310.3	148.2	1,483.6	597,261	402.58
Banking book	1,452.9	1,874.3	2,215.8	1,640.8	7,183.8	2,612,795	363.71
Creditors	361.6	1,747.3	1,243.6	2,709.9	6,062.4	1,678,953	276.95
Debtors	62.0	34.5	1.8	138.9	237.2	79,335	334.46
Edge decommissioning	18.0	509.4	33.8	3.0	564.2	236,718	419.56
Edge retail accounts	1,703.1	3,714.1	3,764.9	1,759.0	10,941.1	4,091,802	373.99
Edge retail migration	246.0	1,228.2	26.5	-	1,500.7	743,905	495.71
Employee matters	465.8	408.5	157.3	236.7	1,268.3	495,806	390.92
Help desk	-	21.3	17.6	861.0	899.9	155,416	172.70
Immediate tasks	306.5	206.3	421.5	718.1	1,652.4	502,667	304.20
Investigations and CDDA	51.0	62.0	6.6	-	119.6	66,909	559.44
Investment banking	54.0	47.0	-	-	101.0	54,250	537.13
KSF Capital Markets	402.0	56.2	322.2	-	780.4	411,698	527.55
Legal issues	263.9	518.1	6.1	-	788.1	362,946	460.53
Members	-	1.4	-	-	1.4	504	360.00
Non-Edge IT support	-	177.0	-	-	177.0	72,150	407.63
Other assets	186.9	389.8	318.8	769.0	1,664.5	476,048	286.0
Property book	429.9	3,401.3	4,329.8	1,835.8	9,996.8	3,602,532	360.37
Public relations issues	7.5	35.7	-	-	43.2	12,310	284.94
Retail book	99.5	451.7	376.3	44.0	971.5	410,994	423.05
Retention of title issues	-	0.5	6.0	-	6.5	1,405	216.15
Sale process	244.0	519.2	118.5	247.5	1,129.2	549,422	486.56
Statutory duties	116.8	146.7	85.2	2.0	350.7	161,513	460.54
Trading	365.7	1,275.6	1,570.8	1,383.7	4,595.8	1,334,766	290.43
VAT and taxation	888.4	2,081.0	847.7	350.7	4,167.8	2,381,493	571.40
Total hours	**9,254.2**	**22,581.8**	**20,020.7**	**19,680.9**	**71,537.6**	**25,212,792**	**353.33**
Total time costs (£)	**6,372,384**	**10,382,824**	**5,341,831**	**3,115,753**			
Average hourly rate (£)	**688.59**	**459.79**	**266.82**	**158.31**			

Summary of Administrators' disbursements for the whole period to 11 September 2009

Expense type	Amount (£)
Accommodation and subsistence	44,439
Statutory advertising	425
Airfares	24,909
Bordereau	1,600
Miscellaneous	371
Other travel	44,941
Printing	22,470
Stationery	366
Telecoms	1,687
Ernst & Young – overseas office costs	114,737
	255,945

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 corporate finance, 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 Administrations. Any sizeable amendments to these rates will be advised to the Creditors' Committee or alternatively, the body of creditors in the statutory Progress Reports.

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 No. 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 No. 9 provides that such disbursements are subject to approval as if they were remuneration. It is our policy, in line with SIP No. 9, to seek approval for Category 2 disbursements before they are drawn.