Kaupthing Singer & Friedlander Limited (in Administration)

Administrators' Progress Report to creditors for the six month period from 8 October 2008 to 7 April 2009

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
GMRA	Global Master Repurchase Agreement
GMSLA	Global Master Securities Lending Agreement
HMT	Her Majesty's Treasury
ISDA	International Swaps and Derivatives Association
ING	ING Direct N.V.
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
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
SCML	Singer 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
The Act	The Insolvency Act 1986 (as amended)
The Company	Kaupthing Singer & Friedlander Limited
The Group	Kaupthing Singer & Friedlander Group PLC and its subsidiaries
The Rules	The Insolvency Rules 1986 (as amended)
Transfer Order	Kaupthing Singer & Friedlander Limited Transfer of Certain Rights and Liabilities Order 2008 (as amended)
TSA	Transitional Services Agreement

Notice: about this report

This report has been prepared by the Administrators solely to provide creditors with additional information concerning the progress of the administration in accordance with Rule 2.47 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.

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 (the Court Order). 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' first six monthly Progress Report on the progress of the Administration pursuant to Rule 2.47 of the Rules. The report covers the period of our appointment on 8 October 2008 to 7 April 2009. This report should be read in conjunction with the Administrators' previous report dated 14 November 2008 being the Administrators' statement of their proposals for achieving the purpose of the Administration prepared pursuant to paragraph 49 of Schedule B1 to the Act and Rule 2.27 of the Rules.

Summary of the Administrators' Proposals

The purpose of the Administration is to realise KSF's business and assets in a manner which will result in a more advantageous realisation than would be achieved on a winding up (a formal liquidation, as defined in the Act). However, for the first six months of the Administration the Administrators have been 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.

The above Overriding Objectives have now been completed. A summary of the Administrators' Proposals as approved by creditors at the Initial Meeting of creditors held on 1 December 2008 is provided at Appendix E.

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 Proposals are available at www.kaupthingsingers.co.uk.

2. 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. At the date of Administration, there were approximately 170,000 Edge deposit holders with total deposits of c.£2.6bn. This triggered liabilities under the Transfer Order from the FSCS and HMT to ING equivalent to the value of the Edge deposits that were transferred to ING, less £5m. Under the terms of the Transfer Order, the FSCS (on behalf of itself and HMT) will have a claim against KSF in respect of the sums that the FSCS paid to ING, so that ING would take over the liability to those depositors.

A Transitional Services Agreement was also entered into between KSF and ING for ongoing services to be provided by KSF whilst certain services relevant to the Edge accounts were fully migrated across to ING.

The migration of Edge data has been completed and ING have been successfully operating customer accounts on their IT and operational platforms since 9 February 2009. During the five month migration period, the Administrators have ensured KSF provided services to enable customer payments out over the five month period since 8 October 2008 totalling c.125,000 transactions with a value of c£1.25bn.

ING have confirmed the data migration to be complete and that KSF has satisfactorily fulfilled the requirements of the TSA. The Administrators understand that the customer feedback to ING has been positive with minimal issues arising.

The orderly wind down and decommissioning of the Edge operational platform and related suppliers is well advanced, including the separation of IT systems and infrastructure from Khf. 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.

The principles for charging Edge costs to ING in relation to the transfer of the Edge Retail accounts have been agreed. The sum of £5.2m has been received for the period of October to December 2008. A further sum of £2.8m is expected to be recovered for the periods of January to February 2009, followed by charges yet to be raised for March 2009.

Non-Edge deposit book

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.

Immediately after the Administrators' appointment, the Administrators placed notices on the KSF website to advise depositors of the Administration and the effect upon their deposits. HMT announced shortly after the commencement of the Administration that all customers of KSF meeting the FSCS compensation criteria would receive compensation in full on a gross basis irrespective of whether their balance exceeded the usual £50,000 limit.

The Administrators wrote to all KSF non-Edge depositors shortly after their appointment to advise them of the Administration and to request that they submit claims to the Administrators. Depositors were also advised that the FSCS would determine whether a deposit falls within the eligibility criteria to be compensated by the FSCS. We understand that the FSCS have written to all KSF depositors who are potentially eligible to claim under the FSCS rules to invite them to make a claim. For those depositors who are compensated by the FSCS, their claims will form part of the claim of the FSCS against KSF.

The Administrators have worked with KSF staff to provide additional information requested by the FSCS to assist them in agreeing claims. The Administrators have liaised closely with the FSCS to ensure that any queries they have in relation to individual claims are dealt with promptly and that consistent messages to concerned depositors are delivered by the FSCS and the Administrators.

We understand that the FSCS are progressing with payment of eligible claimants' claims and the Administrators are working with the FSCS to ensure that they have sufficient information to update KSF's systems for all payments made.

Other creditors

The Administrators wrote to all other known creditors, including trade suppliers, shortly after the appointment to advise them of the Administration and requesting them to submit claims to the Administrators. The claims of these creditors will rank equally with other depositors and the FSCS.

Banking Loan Book

KSF loan book

The KSF loan book is made up of three distinct portfolios; Private Banking, Property and Corporate. The book value of each portfolio per the Directors' Statement of Affairs is set out below:

	£m	£m
Private Banking	1,115	
KSIOM sub-participations	167	
Total Private Banking		1,282
Property		864
Corporate	630	
Khf sub-participations	190	
Total Corporate		820
Total		**2,966**

During the initial stage of the Administration, the primary objective was to stabilise lending operations as quickly as possible, to protect the value of the loan security. In order to achieve this, shortly after the date of appointment, the Administrators reinstated daily Credit Committee meetings, chaired by the Head of Risk, to which all credit related decisions are referred. Administrators' staff and legal advisers attend all meetings, alongside KSF's Banking and portfolio team heads, with the Administrators having the final approval of any decision. In certain cases it has been necessary to make further advances to customers to preserve value in KSF's security or to avoid potential claims for damages.

A detailed facility by facility review has been undertaken and strategies for all exposures and their recovery have been formulated whether that be refinancing, letting the loan run-off, or repayment at par or at an acceptable price where full repayment is not possible. These strategies are now being actioned by KSF staff under the supervision of the Administrators' team. A Banking database has been developed and rolled-out to all Banking staff to control the progression of these strategies and to monitor the recovery of the loan book.

A limited market testing exercise has been undertaken to test the appetite for a wholesale disposal of the loan books. Using the bids received, a comparison was performed between the realisations projected from the sale of the loan books and the projected realisations through a managed run-off, allowing for costs. This indicated that a higher return for creditors would be achieved through a managed run-off strategy.

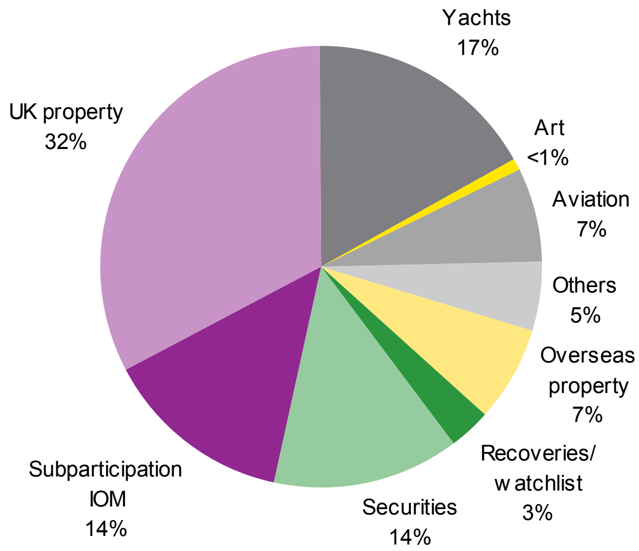
On establishing that a run-off of the loan book would be the appropriate strategy, the Administrators instigated a streamlining of the KSF Banking team to ensure that the number and level of staff was appropriate to the circumstances of a bank in Administration and to instil a focus on recovery, in order to seek to maximise returns for creditors.

Total realisations to 31 March 2009 from the Banking Book are approximately £283m.

Private Banking

Book value: £1,282m* ***Customers: 400****
**As at 8 October 2008*

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



The standard UK residential mortgage written by the Private Bank was a five year, interest only mortgage to a high net worth individual customer. At the date of appointment, the average remaining term is four years. Such loans are unlikely to refinance in the current market.

KSF's book of yacht construction loans held commitments to fund approximately £90 million in further payments, as at the date of Administration. After detailed review of the yacht facilities, a decision was taken not to continue funding large yacht constructions. This was determined to be the appropriate strategy, on the basis that there was uncertainty as to whether any further funds advanced would be recovered if the yachts were completed. The effect of this will be that the balances already advanced on these facilities may become more difficult to recover, although KSF retains the primary security. In seeking to mitigate potential damages claims, the Administrators have sought to reach agreements with certain borrowers to compromise their positions.

The KSIOM sub-participations arose when KSF Private Banking customers wished to structure their banking off-shore and KSF introduced these customers to KSIOM. Due to regulatory restrictions, KSIOM could not, in certain cases, provide the levels of facilities required by these customers. In such instances, KSF took sub-participations in these facilities onto its balance sheet. These sub-participations are 'silent' in that KSIOM is the lender of record. Discussions continue with KSIOM regarding these loan sub participations in the context of the overall relationship between KSF and KSIOM.

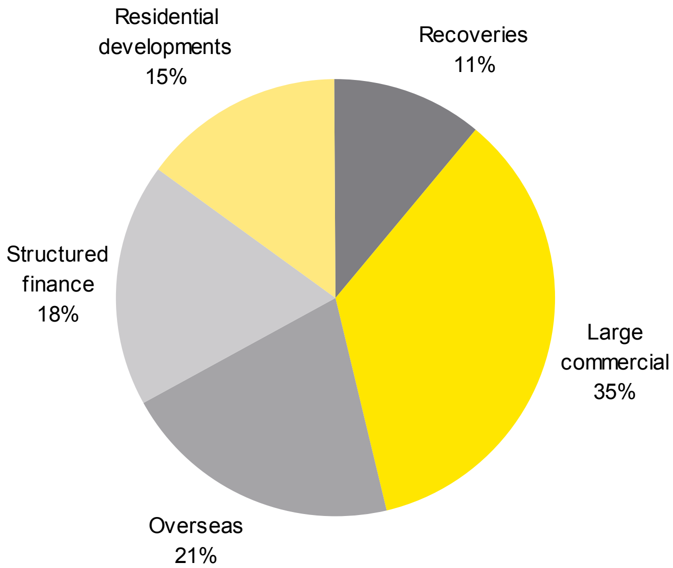
Funds recovered in the period from 8 October 2008 to 31 March 2009 in respect of Private Banking capital, interest and fees total £67.5m. During this period 38 customers have repaid their facilities.

Property

Book value: £864m*   Customers: 220*

**As at 8 October 2008*

The chart below sets out the components of the Property book by value:



The Property loan book has a particular focus on development led loans, predominantly within the UK residential sector. Many of these residential developments tend to be cash negative, prior to maturity, and require significant levels of management time from KSF.

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 loan-to-value ratios on these loans now exceed 100%.

To date all recoveries continue to be at or around par. However, given the prevailing property and credit market conditions, it is likely that on some of the larger exposures that were written shortly before Administration, deterioration from this position would result.

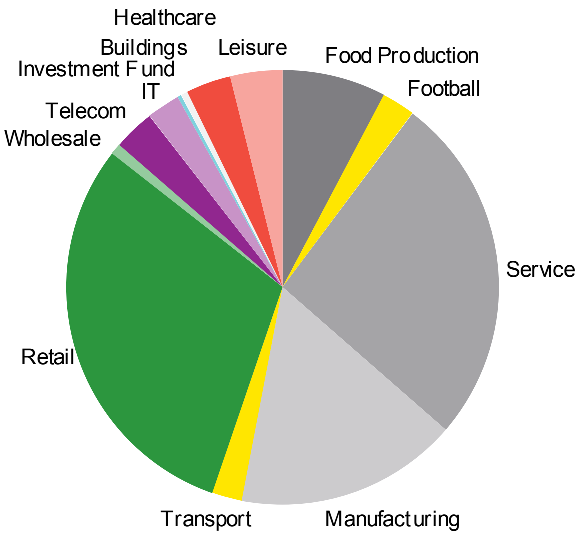
Funds recovered in the period from 8 October 2008 to 31 March 2009 in respect of Property capital, interest and fees total £80.5m. During this period 38 facilities have been repaid.

Corporate banking

Book value: £820m*   Customers: 83*

**As at 8 October 2008*

The Corporate book comprises a number of bilateral and syndicated loans primarily in sectors which are particularly vulnerable to the downturn in the UK economy, for example, retail and business support services. The chart below illustrates the Corporate book split by sector:



A number of these exposures are large loans to publicly listed entities which have been going through refinancing / restructuring, requiring significant time and effort of the KSF and administration teams since appointment.

KSF also holds £190 million in Corporate loans that it has sub-participated from Khf. These sub-participations are 'silent' in that Khf is the lender of record. Discussions continue with Khf regarding these loan sub participations in the context of the overall relationship between KSF and Khf.

Funds recovered in the period from 8 October 2008 to 31 March 2009 in respect of Corporate capital, interest and fees total £134.8m. During this period 12 customers have repaid their facilities.

Treasury assets

KSF had a large number of Treasury assets, which the Administrators are dealing with using five workstreams, as described below.

Repurchase agreements (Repo) and reverse repurchase agreements (Reverse repo)

KSF funded assets based on their liquidity characteristics and used the securities lending markets to manage KSF and other Kaupthing group companies' liquidity. This was performed by lending or selling outright to counterparties securities held either in KSF's own trading book or borrowed from counterparties under market standard agreements.

As at the date of the Administrators' appointment, KSF had approximately 80 Repo/Reverse repo and stock borrow/loan positions, a number of which were subsequently terminated by market counterparties in line with the relevant market standard agreements known as the GMRA and GMSLA.

Given the value of these positions, our focus has been to establish the current holdings of security and their respective values and terminating client facing agreements, where appropriate, in line with the relevant GMRA and GMSLA. All prime broker facing agreements were terminated by the relevant prime broker at or near the date of the Administrators' appointment.

We have now agreed the termination price with a number of KSF's prime brokers including one that increased, through negotiation by the Administrators, by c.£20m in KSF's favour. A number of sales have been completed to sell the underlying stock for certain Reverse repos. We also continue to negotiate appropriate settlements for client facing agreements, some of which are with counterparties now in default.

Contracts for Differences

As at the date of the Administrators' appointment, KSF had a large number of open CfD positions. This portfolio included "client side" CfDs (and equity spread betting and future positions) with direct clients of KSF or for another Kaupthing group company. In the normal course of business these client side positions would be hedged with "market side" CfDs (equity swaps) with prime brokers.

SCML (formerly Kaupthing Singer & Friedlander Capital Markets Limited) would act as agent for KSF both in facilitating the CfD business itself but also in the "book build" or unwind of the related physical hedge. In the normal course of business that physical hedge would typically be held by the prime broker. However, in the days leading up to Administration a number of both client and market side CfDs were unwound and, as at the date of the Administrators' appointment, KSF held certain CfD related stocks on its balance sheet.

Since the appointment of the Administrators, all market side CfDs have been terminated by the relevant prime brokers. By 31 October 2008, all remaining open client side CfD positions were terminated by the Administrators.

Our focus has been on the determination of termination prices and settlement amounts and to support this we are agreeing a market standard pricing methodology with a market participant. For client side CfDs we have also looked to price discovery from the prime broker statements, the last of which was received on 3 April 2009 (although it should be noted that we are challenging the valuations determined by a number of prime brokers). The first draft client termination statements have been produced and will be issued shortly.

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.

KSF typically entered into OTC derivatives as part of a hedge of a loan structure provided by Khf or other Kaupthing group companies. Since appointment, the Administrators' focus has been on identifying opportunities to negotiate with counterparties to terminate or agree a settlement in respect of the OTC derivatives.

KSF hedged each client side derivative with a similar derivative with a market counterparty. All these positions have either been terminated by the counterparty or, in the case of other Kaupthing group entities, have been terminated by the Administrators under the terms of the underlying ISDA agreements.

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.

Operations

The Operations functions are responsible for the processing of transactions to support business activities. Given the nature of this role, and the difficulty in performing this process since our appointment, the Administrators have focused on:

- Identifying monies held in Nostro accounts and securities held in Depot accounts and clearing legacy reconciliation exceptions
- Assessing the status of items in transit at the point of Administration
- Coordinating inter-dependencies within the workstreams, for example the linkages with ISDA/GMRA and/or CfD terminations
- Clearing operational processes to allow for effective performance of post-administration activity (for example, reactivating depot accounts such as Crest to support the sales process for stock held)

Work on these focus areas is largely complete although we expect ad hoc issues to arise from the normal conduct of business as the administration progresses.

Sale of Investments

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. We have focused on the identification and confirmation of specific holdings through the Operations workstream above, the confirmation of legal title and the engagement of market leading brokers to facilitate eventual exit from these investments.

Whilst these processes are now complete and the first significant investment sale has been completed, there remain a residual portfolio of investments that are of highly illiquid and/or delisted positions for which any realization of value will be difficult. We have largely completed a structured solution for one of the most significant of these positions and continue to work on suitable solutions and on clarifying our right to value for the remainder.

Subsidiary companies

Singer & Friedlander Investment Management Group

As detailed in the Proposals, on 21 October 2008 an agreement was reached to effect the sale of the business and assets of the SFIMG businesses to Williams de Broe Limited (WdB). At the same time a transitional services agreement (the TSA) was entered in to in order that the acquired businesses could be supported by SFIMG while SFIMG businesses were in the process of being transferred to WdB.

Costs of provision of the Services under the TSA are in the process of being recovered from WdB. The transition of the acquired business is nearing completion and the SFIMG businesses are now being run from WdB’s premises.

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

Kaupthing Singer & Friedlander Capital Markets Limited

SCML was a UK equity stockbroking business specialising in small and mid cap UK stocks and was controlled by KSF at the date of Administration. KSF owned 67% of the equity in SCML with the remainder being owned by the management of SCML.

As with SFIMG, it was necessary to effect the sale of SCML in the short term due to regulatory authorisation being at risk as a result of the Administration of KSF. As part of the disposal process, Kaupthing Singer & Friedlander Capital Markets Limited changed its name to Singer Capital Markets Limited with effect from 27 October 2008. On 29 October 2008, a sale and purchase agreement was signed and agreed with the management of SCML pursuant to which the management of SCML would purchase the outstanding shares in SCML owned by KSF conditional on regulatory approval being granted by the FSA. Regulatory approval was granted by the FSA on 5 December 2008 and the transaction completed on 16 December 2008.

A transitional services agreement (the TSA) was entered into between KSF and SCML pursuant to which KSF continued to provide certain services to SCML and granted SCML a licence to continue to occupy part of the fifth floor of One Hanover Street. KSF and SCML also entered into a Business Asset Transfer Agreement (the BATA) whereby SCML rented certain fixed assets for the period of the TSA. By Deed of Amendment dated 25 March 2009 the property licence in the TSA and the lease of fixed assets in the BATA were extended to 24 April 2009 to allow for a further period of time to relocate from the existing KSF property.

Asset finance subsidiaries

The Asset Finance division of KSF comprises 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 loans advanced by KSF.

Following Administration, the management of the Asset Finance division and their advisors discussed with the Administrators the strategy which would be most likely to deliver the best return for KSF, as creditor and shareholder and, in turn, for the creditors of KSF.

It was the view of management that the best plan was to keep all of the Asset Finance businesses as part of the KSF group for the time being, to seek to obtain some debt funding against the security of the underlying assets during the course of the first half of 2009, or shortly thereafter, and to seek a new owner for the Asset Finance businesses at a later date, the timing to be dictated by market conditions and the performance of the businesses.

The Administrators considered management's recommendations, as well as carefully looking into alternatives and listening to the advice and recommendations of the division's advisors, and concluded that they were supportive of management's plan. The Administrators agreed a modus operandi for these businesses with the CEO of the Asset Finance companies, and which has been agreed with the Creditors' Committee. The strategy that has been agreed is that the Asset Finance subsidiary companies will continue trading as normal at present and the Administrators are not seeking for KSF to sell these businesses at this point, partly in view of the current external market conditions.

The Asset Finance companies will continue to be restricted regarding the amount of new business they can write as they must operate within the cash flows the businesses can generate at the current trading level.

Regular meetings are held with management of Asset Finance companies to review the performance of the businesses, their cashflows and their profitability; reviews of management information of current companies, including meetings with members of management and staff, take place on a monthly basis.

Management have reviewed the business plans for the division and have commenced discussions with potential providers of debt finance.

KCP II (GBP) Limited

At the date of our appointment, KCP II GBP 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.

Singer & Friedlander Funding Plc (In Administration)

This company is a wholly owned subsidiary of KSF. It was incorporated solely to act as a funding vehicle for its immediate parent by the issuance of a £250m floating rate guaranteed note (FRGN) on 26 January 2005 (due on 9 February 2010), in the Eurobond market. This note was fully guaranteed by KSF and the FRGN's credit rating was based on the guarantee. During 2008, Funding purchased back (and therefore effectively cancelled) £9.67m of the FRGN which reduced the principal value of the FRGN from £250m to £240.33m. As a result of KSF's administration, and Funding's only material asset being a receivable of £240.33m plus applicable interest from KSF, the directors decided that Funding was insolvent and sought the appointment of administrators. Patrick Brazzill & Margaret Mills were appointed as Administrators on 15 October 2008.

It is anticipated that there will be no recovery to KSF from this subsidiary, but it will have an unsecured claim in the Administration in respect of the £240.33m, plus applicable interest.

On 23 March 2009, HSBC (C.I.) Limited, pursuant to a trust deed (the Trust Deed), formally notified the Administrators of an Event of Default and issued an Acceleration Notice. The consequence of this is that the entirety of the FRGN is immediately due and payable at its principal amount together with accrued interest as provided in, and subject to, the Trust Deed.

Other subsidiary companies

Since the Administrators' appointment a high level review into the subsidiary entities has been undertaken 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 results of the review have enabled the Administrators to determine which entities will be able to 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.

A summary of the results of the review are attached at Appendix B.

Work is now being undertaken, in conjunction with relevant KSF staff, to resolve issues preventing the entities from being struck off or liquidated.

Other assets

Other assets are made up in the main by cash at bank, balances with related group entities, (not dealt with elsewhere in this report) and certain tangible and intangible assets.

As with most banking institutions, KSF held funds at a variety of different banks and in different currencies; these included funds deposited at Khf. In a number of cases, KSF also had liabilities to these institutions and, some of these institutions have sought to set off these claims against funds held on deposit with KSF. These offset claims are being reviewed by our legal advisors and have been challenged, where appropriate, and further funds have been recovered in certain cases to date.

Balances owed by related KSF group entities continue to be reviewed in detail and where relevant, specifically the asset finance subsidiaries, realisation strategies are being developed for each entity.

Following advice from our property agents, King Sturge, we have surrendered or agreed terms in principle to the surrender of KSF's leasehold interests in a number of the residual property portfolio to minimise contingent claims from landlords. The residential freehold property referred to in our last report has now been let (for a period of twelve months), in order to allow KSF to benefit from any potential upift in the value of the property.

To date, KSF has sold the freehold reversion to one of the four industrial properties, owned by KSF, to the lessee (following the exercise of their right to acquire the freehold).

As part of the tangible asset disposal process all artwork previously owned by KSF has now been released to Christies to arrange sale at auction. The auction is expected to be held in May 2009. King Sturge are also instructed in the disposal programme by means of several public auctions in which surplus assets, principally cars, IT equipment and office furniture will be sold.

Head office premises – One Hanover Street, London, W1

The Administrators concluded that, both for operational and cost saving purposes, KSF should relocate to its former premises in New Street, London which were retained by KSF as their Disaster Recovery premises. For creditor information, the full address of the new premises is detailed in Appendix A.

Owing to the complexity of the move, in terms of both IT and staff requirements, the moves were staggered and were completed by 24 March 2009 before the March 2009 rental fell due. To assist with the orderly transition, the fourth floor and small basement area have been retained at present, largely for IT separation purposes. Although the landlord has not yet accepted a surrender of the majority of the building, a formal surrender of the third floor area was completed on 25 March 2009.

Successful decommissioning of the Hanover Street property has been partially completed, with a target date for full completion of 24 April 2009. Where possible all IT, network and furniture assets have been collected and placed into auction for sale.

Kaupthing Singer & Friedlander (Isle of Man) Limited

KSIOM 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. KSIOM is a wholly owned subsidiary of Khf.

KSIOM has not proceeded to liquidation as had been expected since the possibility of undertaking a Scheme of Arrangement has been proposed as an alternative to liquidation. Several hearings in the High Court in the Isle of Man have been undertaken at which it has been expected that either a liquidation appointment or a Scheme of Arrangement would be approved. 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.

At the date of appointment of the Administrators, several transactional positions existed between KSIOM and KSF. These included a deposit account where funds had been placed at KSF by KSIOM. It is expected that KSFIOM will have an unsecured claim for these funds in the Administration. Several certificates of deposit had also been purchased by KSF Treasury Department on behalf of KSIOM and at their request. KSIOM's funds were used to effect these purchases. Once proceeds are received on maturity of the Certificate of Deposit the proceeds will have to be remitted to KSIOM. KSF also acted as sub participant on several loans made by KSIOM. This is explained in the loan book section of this report.

Investigations of the various positions between the two companies is nearing completion.

At the date of the appointment of the Administrators, there were a number of payment transactions which had been requested of KSIOM, by KSIOM account holders but which had not reached their payment destination. The Administrators have entered into a significant amount of correspondence about these requests. In that correspondence the Administrators have confirmed the Liquidator Provisionally's advice that these unsettled payments are liabilities of KSIOM.

Kaupthing Bank hf

Khf is the ultimate parent company of KSF. 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. A transfer decision was subsequently made transferring certain domestic (Icelandic) assets and domestic deposits to a newly created bank, Nyi Kaupthing Banki hf. 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 meeting of creditors was held in Reykjavik on 5 February 2009 which the Administrators attended and the Administrators also held a meeting that day with representatives of 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 to 13 November 2009. We were advised at our meeting with the Resolution Committee that this will mean that a distribution to creditors is, therefore, unlikely to take place until 2010 at the earliest as payments to creditors cannot be made during the moratorium. The Resolution Committee have also stated that they are currently unable to provide an estimate of the likely recovery for creditors. The presentation provided to the meeting, and the report to creditors are on the Kaupthing Bank hf website, www.kaupthing.com and monthly updates on the position of Khf are also being placed there.

The main areas of interaction with Khf have been as follows, with further details below:

- Debt due from Khf subject to collateral held by KSF
- Sub-participations in loans where Khf is the lender of record
- Interdependence of IT systems and reliance on Khf for system access and support, in particular, in relation to Edge migration issues
- The judicial review of the Transfer Order which has been commenced by Khf

Debt due from Khf

There is a net balance due from Khf to KSF of approximately £895m. This has arisen through various intercompany transactions, and will be reduced by the realisation of collateral held by KSF. The respective finance departments of KSF and Khf are currently in the process of agreeing these amounts.

Sub-participations in loans

The position on these loans is that we are seeking to maximise our recovery from these in discussions with Khf, but it is likely that the claim by KSF will be an unsecured claim only and will only increase the amount shown above as due from Khf.

Interdependence of IT systems

As stated above, the migration of Edge to ING was concluded in February 2009. Since that date, further steps have been taken to decouple the IT systems from those of Khf, which is expected to be completed during April 2009.

An agreement with Khf for the provision of minimal services in respect of the KSF website, public facing IP ranges and e-mail re-direction is being finalised and these services will be run-off over a period of time.

Judicial review of the Transfer Order

Khf applied in January 2009 for a judicial review of the Transfer Order, which was served upon KSF as an interested party, and 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.

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 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

Tax work has been conducted on various workstreams including:

- Understanding potential M&A activity and providing advice to the Administrators on the potential tax implications and any planning opportunities
- Optimising the tax position during Administration
- Agreeing prior year corporation tax returns for all group companies and ensuring all filing requirements are met
- Agreement of Substantial Shareholder Exemptions availability with HMRC on certain disposals of shares so that they are treated as tax exempt

3. Other matters

Statutory and Legal reporting update

Statement of Affairs

The directors submitted their Statement of Affairs to the Administrators on 1 December 2008. For the reasons more fully outlined in section 5 of the Proposals, 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 additionally, the names and addresses and amounts due to non-preferential creditors. Consequently, steps were taken to obtain an Order under Rule 2.30(1), limiting disclosure of the Statement of Affairs.

On 20 February 2009 (pursuant to Rule 2.30(2)), the High Court ordered that disclosure of the Statement of Affairs be limited to the Redacted Statement of Affairs.

Following the making of the Order on 24 February 2009, Form 2.16B was filed at the Registrar of Companies together with the Redacted Statement of Affairs. The filing of this form satisfies the Administrators' obligations under Rule 2.29(7).

The Administrators also applied to court for an order to dispense with the requirement to include in the Proposals details of the names, addresses and individual amounts due to the KSF's creditors. The application was made on the grounds that full disclosure was not in the interests of creditors. This order was made on 13 November 2008.

Creditors should be aware that the Court Order appointing the Administrators ordered that the Court's file is not available for public inspection without the leave of the Court.

Financial information relating to the Statement of Affairs

In view of the court order limiting disclosure of the Statement of Affairs, the Administrators included in the Proposals a consolidated draft and unaudited balance sheet as at 7 October 2008. Monthly management accounts continue to be prepared.

There are no sums due to secured creditors. The sums shown as due to secured creditors on the Redacted Statement of Affairs are in respect of collateral held by some counterparties in respect of certain Treasury contracts. In due course, these will result in either a net liability which will rank as an unsecured claim, or there will be a refund due to KSF.

The Redacted Statement of Affairs refers to preferential creditors in the sum of £991,640. This includes 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 (RPO) in relation to outstanding pension contributions of £305,488. The Administrators are in the process of confirming this claim with the RPO, upon receipt of which this claim will be settled in full.

Legal issues

On 3 October 2008, the FSA issued a First Supervisory Notice to KSF requiring KSF to open a segregated trust account with the BoE (the Account), to place monies equivalent to the aggregate value of deposits accepted by KSF from its customers during the course of 2 & 3 October 2008 into the Account, and afterwards to credit the Account with a cash amount at least as great as the value of any subsequent deposits accepted. The FSA required that the First Supervisory Notice be kept confidential for the purpose of assisting in the smooth administration of KSF. For this reason, the Administrators were not able to provide information about the Account to creditors at an early stage.

The Administrators informed the Creditors' Committee of the existence of the Account as soon as they were able to do so after the confidentiality restrictions were lifted and they continue to keep the Creditors' Committee informed of any developments.

The Administrators have applied to the Companies Court for directions in relation to how monies in the Account should be distributed, and consider it appropriate to provide creditors of KSF with information about the Account and the court application. The legal issues raised are complex and there are numerous interested parties. Court hearings were held on 13 February and 12 March 2009. Further court hearings are required to determine these issues and the Administrators will proceed in accordance with directions of the Companies Court in relation to the monies in the Account. This application is being progressed by the Administrators as promptly as possible.

The Account held £147,436,226 at the time of the Administration. KSF was responsible for administering the Account and the Administrators have now taken over this role in their capacity as agents of KSF.

Various complex issues in relation to set-off have arisen in the Administration. The Administrators consented to a claim brought by Newcastle Building Society to proceed to determine one such issue. The Administrators defended those proceedings and obtained judgement in their favour on 8 April 2009 (Newcastle Building Society v Mills and Others [2009] EWHC 740 (CH)). The Court held that set-off was not available to Newcastle Building Society and accordingly it was obliged to make payment to KSF. This judgement is relevant to three other building societies who had also been relying on rights set-off rather than making payment under Certificates of Deposit issued to them by KSF.

Mechanism for distribution to creditors and proposed extension of the period of the administration

The Proposals highlighted in section 4, certain "exit strategies" as envisaged under the Act. The Proposals provide for the Administrators to be able to adopt any of the strategies available to them in order to bring the Administration to an end.

Since the approval of the Proposals by creditors on 1 December 2008, the Administrators have given detailed consideration to the appropriate insolvency process for paying dividends to unsecured non-preferential creditors. The Administrators, with the full support of the Creditors' Committee, consider that a distribution out of the administration is the most appropriate, timely and cost efficient manner to effect a distribution to creditors.

In order to effect such a distribution, and due to the complexity of the Administration of a bank, the Administrators have decided to apply to the Court for an extension of the Administration beyond the statutory one year period. The Administrators' application will be for an extension of three years, to 7 October 2012.

The Administrators' solicitors are in the process of preparing the necessary documentation to seek permission of the Court under paragraph 65(3) of Schedule B1 to the Act to make distributions to unsecured creditors. The application will be filed with the Court shortly.

It is considered that the making of distributions in the Administration will lead to creditors receiving a first distribution more quickly than if KSF had to enter another insolvency process. From discussions with the Creditors' Committee, the Administrators are aware that this is a key consideration for creditors. The making of distributions in the Administration will also avoid the time and expense of placing KSF into a further formal insolvency procedure and the duplication of necessary reporting processes.

If the Court grants the requested extension of the Administration, there will be no statutory requirement to notify individual creditors. We will, however publish a copy of the notice of extension which is filed at Companies House, together with the result of the application to Court for an extension of the Administration and permission to make a distribution to unsecured creditors, on KSF's website.

The timing of possible distributions arising from this application and actions required from creditors regarding the submission of claims are dealt with in the section of the report headed Estimated Outcome for Creditors below.

Receipts and Payments Account

The Receipts and Payments account for the period from 8 October 2008 to 7 April 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£8.4m 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£0.9m is held across 16 separate banks. We are in regular correspondence with the banks regarding these monies and hope to have this money under our control in due course.

We continue to return erroneously received monies in the post Administration period in line with legal advice provided. To date, c.£23.5m, c.€0.8m and c.US$3.3m has been returned. This repayment process is being undertaken manually with assistance from KSF staff. We continue to work closely with the clearing banks to obtain the information necessary to reduce the number of unallocated receipts. These have reduced significantly over the past few months.

Monthly cash flow forecasts are 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.

Estimated Outcome for Creditors

As creditors know from earlier correspondence, the Administrators concluded that it was not in creditors' best interests to make public the Directors' 'Estimated to Realise' value of the KSF assets by filing the Directors' Statement of Affairs as at 8 October 2008. Consequently, the receipts and payments account at Appendix C does not include a Statement of Affairs Estimated to Realise column as required by SIP 7.

At this stage, owing to the uncertainty of the future banking book recoveries, the fact that the formal process of claims admittance/adjudication has not yet commenced and hence the general level of unsecured claims has not yet been fully quantified, it is not yet possible to give an accurate assessment of the likely final distribution to creditors.

We are conscious, however, that an indication and possible timing of the initial distribution is required by creditors in view of financial planning going forward and/or statutory accounting purposes.

If the Court Order is granted during April or early May 2009 to allow the making of distributions to creditors from the Administration, it is the Administrators' current intention to pay the first distribution in June/July 2009. The Administrators will ensure that the first distribution is maximised and will agree the quantum with the Creditors' Committee. It is currently estimated that the first distribution will be a minimum of 10p in the £. It is also the intention of the Administrators to pay further distributions at regular intervals thereafter, subject to the agreement of the Creditors' Committee and it being cost effective to do so. The quantum of each distribution will be dependent upon the level of distributable cash at the time of distribution.

On the basis of current forecast recoveries from the banking book, prudent estimates of realisations from other assets, and based on the maximum estimates of unsecured claims, and current market conditions not deteriorating, the Administrators currently estimate that total distributions should be a minimum of 50p 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.

As outlined in the transmittal letter, we have now commenced the formal claim admittance process with a view to facilitating the earliest possible initial distribution should the application for permission to make a distribution be granted.

Although creditors may have already submitted a claim form for the purposes of the Initial meeting of Creditors, in anticipation of the commencement of the distribution process (either by the Court order referred to above), or consequential process if the granting of the Order is not made, please find attached under cover of the transmittal letter, the Administrators' 'Notice of Claim' form which we intend to use as part of the formal claims' admittance process. Please note that further details in respect of submission of the Notice of Claim form can be found on page 4 of the form.

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 four 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.

Administrators' remuneration and disbursements

Following the meeting of creditors on 1 December 2008 (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% subject to approval at future Creditors' Committee meetings.

The Creditors' Committee has been provided with an account of the time spent and charge-out rates of each staff grade, together with additional information setting out the approach to the Administration workstreams, milestones and progress against these milestones. Given the size and complexity of the case, these disclosures have included extensive explanations of the work performed by each of the Administration workstreams. In addition, the Creditors' Committee has been provided with a rolling budget and summary work plans for the following 3-6 month period.

The Administrators have incurred time costs of £15,936,804 plus VAT in the period to 6 March 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, unbilled time costs of £1,656,457 to 3 April 2009 are currently outstanding.

To date, the sum of £96,518 has been drawn in respect of disbursements. These costs are as detailed in Appendix D. All disbursements drawn are category 1 disbursements other than the Administrators' printing costs of £12,355 being category 2 disbursements. All disbursements have been approved by the Creditors' Committee as part of the general fee approval process.

Future Reporting

The Administrators will next report to creditors at the earlier of the conclusion of the Administration or in approximately six months time. As reported above, the Administrators are in the process of making an application to court for a three year extension to the Administration to allow the Administrators to effect distributions via the administration process.

If for whatever reason the Application is not granted, we will contact all creditors as soon as practicable, and publish a notice on the KSF website.

Appendix A Statutory information

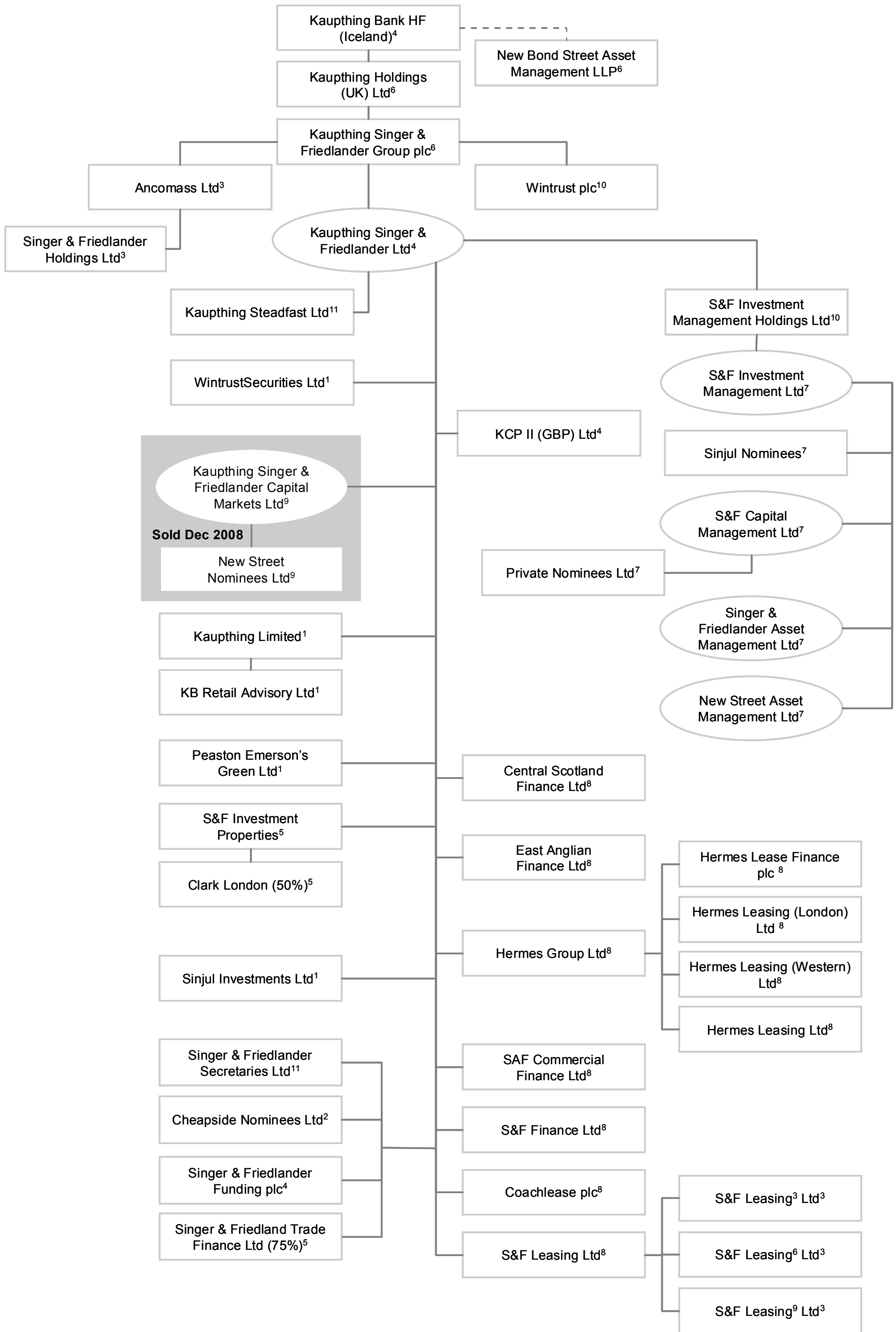
Company information

Registered number:	00875947
Company name:	Kaupthing Singer & Friedlander Limited
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
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

Appendix B Kaupthing Singer & Friedlander – group structure



Notes:

1. *Looking to place the entity into Members Voluntary Liquidation*
2. *Looking to strike the entity off the company register*
3. *Equity 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 – refer to the body of the report for details*
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. *Entity is in the process of being struck off the company register*

Appendix C Receipts and payments account for the period 8 October 2008 to 7 April 2009

	£	€	US$	Notes
Opening Balance				
Receipts:				
Cash Taken Over	248,779,916	42,635,142	108,562,522	1
Unallocated Receipts	12,914,101	1,568,036	21,203	2
Property Loans	68,131,883	1,028,257	17,902,120	3
Private Banking	56,312,539	8,502,725	9,293,723	4
Corporate Loans	113,546,561	16,538,604	14,460,442	5
Asset Finance	12,922,913			6
Repayment of Reserve Account Balance	3,193,894			7
Transitional Service Agreements	6,229,085			8
Refund of Subsidiary Staff Wages	414,749			9
Corporation Tax Refund	3,477,786			10
Dividends On Investments Held	1,819,346			
Rental Income & Return of Deposits	1,105,878			
Share Realisations	82,689,448			
Fee Share Agreement – Kaupthing hf	750,000			11
Bank Interest	798,626	54,961	21,980	
Other Realisations	141,269			
Third Party Receipts				
Third Party Receipts Identified	37,069,420	2,804,167	8,438,709	12
Total receipts	**650,297,414**	**73,131,892**	**158,700,699**	
Payments:				
Supplier payments	7,372,367		152,676	
Staff wages	20,205,585			
Employers NI Contributions	2,062,192			
Temporary Staff Payments	781,763			
Staff Expenses	207,081			
Employers Pension Contributions	1,210,272			
Payments of Subsidiary Wages	414,749			9
Drawdown Payments	18,952,690	83,327	754,065	13
Cash Ratio Deposit to Bank of England	227,715			14
Insurance	238,846			
Unallocated Payments	2,342,645			15
Administrators' Fees & Disbursements	18,355,833			
Legal & Other Professional Fees	9,528,391			
Rent, Rates & Utilities	4,889,174			
Withholding Tax	12,960			
Bank Charges and Interest	22,843	492	699	
Third Party Payments:				
Payments Made	23,518,381	820,479	3,342,967	12
Monies yet to be Returned to Third Parties	13,551,040	1,983,688	5,095,743	16
Total payments	**123,977,014**	**2,887,986**	**9,346,150**	
Closing Balance	**526,320,399**	**70,243,907**	**149,354,549**	
Reflected by				
Cash at Bank	539,871,439	72,227,595	154,450,292	17
Monies yet to be Returned to Third Parties	(13,551,040)	(1,983,688)	(5,095,743)	16
	526,320,399	**70,243,907**	**149,354,549**	

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.*
2. *These receipts have been received in the post administration period by KSF and are in the process of being allocated. The clearing bank have set up a suspense account for further receipts which may belong to KSF. 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 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.*
9. *Subsidiary wages have been paid by KSF, and then recharged to the individual respective subsidiaries.*
10. *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.*
11. *KSF's share from a syndicated deal partially funded by Kaupthing hf.*
12. *This represents monies received into the Administrators' accounts which we understand are due to subsidiary companies or to former customers of the bank. To date, £23,518,381, €820,479 and US$3,342,967 has been returned and the remainder will be transferred in due course.*
13. *These are drawdowns provided to existing customers across the loan books in respect of loans which are still being funded by KSF.*
14. *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.*
15. *These unallocated payments were processed by the clearing bank shortly after our appointment, and are currently being investigated.*
16. *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.*
17. *Includes post administration currency accounts which have been translated to sterling and included on the receipts and payments account.*
18. *All payments have been made gross of VAT.*

Appendix D Summary of Administrators' time costs for the period 8 October 2008 to 6 March 2009

	Breakdown of hours charged by grade						
Classification of work by function	Partner/ Director	Manager	Other Senior Professionals	Assistants & Support	Total Hours	Total Time Costs (£)	Average Hourly Rate (£)
Accounting & Administration	443.6	1,333.2	685.5	3,479.8	5,942.1	1,691,469	284.66
Asset Finance	187.0	56.8	25.5	7.0	276.3	156,786	567.45
Bank & Statutory Reporting	143.9	528.0	107.6	160.7	940.2	377,042	401.02
Banking Book	601.6	1,482.9	902.3	386.5	3,373.3	1,365,415	404.77
Creditors	182.5	912.8	351.1	2,227.8	3,674.2	900,081	244.97
Debtors	34.5	0.3	1.0	15.7	51.5	25,107	487.51
Edge Decomissioning	3.0	62.5	-	-	65.5	30,660	468.09
Edge Retail Accounts	1,337.5	3,522.3	2,920.5	1,809.1	9,589.4	3,581,818	373.52
Edge Retail Migration	246.0	1,024.5	26.5	-	1,297.0	636,838	491.01
Employee Matters	308.4	329.7	40.8	6.4	685.3	299,369	436.84
Help Desk	-	16.7	4.0	828.5	849.2	146,522	172.54
Immediate Tasks	295.5	206.3	415.3	188.2	1,105.3	416,336	376.67
Investigations & CDDA	24.0	13.8	-	-	37.8	23,497	621.61
Investment Banking	52.0	34.0	-	-	86.0	48,300	561.63
KSF Capital Markets	239.0	35.2	324.2	-	598.4	288,213	481.64
Legal Issues	110.2	322.9	0.6	-	433.7	188,788	435.30
Non-Edge IT Support	-	16.0	-	-	16.0	9,360	585.00
Other Assets	79.7	238.6	117.9	104.5	540.7	188,182	348.03
Property Book	229.2	1,947.7	2,072.7	1,177.3	5,426.9	1,981,850	365.19
Public Relations Issues	7.5	33.5	-	-	41.0	11,758	286.77
Retail Book	103.5	406.2	341.3	203.0	1,054.0	407,716	386.83
Retention of Title Issues	-	-	6.0	-	6.0	1,230	205.00
Sale Process	215.0	484.5	14.0	133.5	847.0	451,958	533.60
Statutory Duties	88.0	113.6	34.2	2.0	237.8	116,661	490.58
Trading	87.0	575.1	1,141.5	596.9	2,400.5	616,325	256.75
Treasury	506.8	475.5	475.0	-	1,457.3	705,316	483.99
VAT & Taxation	451.3	1,121.2	358.8	146.9	2,078.2	1,270,211	611.21
Total Hours	**5,976.7**	**15,293.8**	**10,366.3**	**11,473.8**	**43,110.6**	**15,936,804**	**369.67**
Total Time Costs (£)	**4,124,413**	**7,150,824**	**2,791,472**	**1,870,096**			
Average Hourly Rate (£)	**690.08**	**467.56**	**269.28**	**162.99**			

As part of the TSA arrangements for Edge, ING have paid or been invoiced £8m (as referred to in the report), of which £3.4m represents a contribution to the Administrators' costs.

Summary of Administrators' disbursements in the period 8 October 2008 to 6 March 2009

Expense type	Amount £
Accommodation & Subsistence	31,538
Advertising	425
Airfares	19,130
Bordereau	1,600
Miscellaneous	142
Other Travel	29,994
Printing	12,355
Stationery	365
Telephone	968
	96,518

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 LLP 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 (if formed) 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.

Appendix E Summary of the approved Administrators' proposals for achieving the purposes of the Administration

Proposals as approved by creditors at the meeting held on 1 December 2008 in accordance with paragraph 49 of Schedule B1 to the Insolvency Act:

a. continue to manage and finance KSF's business, affairs and property from asset realisations in such manner as is consistent with the requirements of the Transfer Order, and the Overriding Objectives, and in a manner which they consider to be expedient with a view to achieving a better result for KSF's creditors as a whole than would be likely if KSF were wound up (without first being in Administration)

b. should do all such other things and generally exercise all of their powers as Administrators, as they in their discretion consider desirable or expedient, in order to achieve the purpose of the Administration or to protect and preserve the assets of KSF or to maximise realisations of those assets, or for any other purpose incidental to these proposals

c. investigate and, if thought appropriate, pursue any claims that KSF may have against any person or entity including, without limitation, officers and former officers of KSF

d. continue to deal with statutory reporting and compliance obligations

e. invite the creditors to consider establishing and, if thought fit, establish a creditors' committee to exercise the functions conferred by or under the Act for KSF

f. continue the Administration for such period as necessary to achieve the purpose and, if necessary, make applications to the court to extend the term of the Administration beyond the one year statutory term

g. in due course, be discharged from liability pursuant to paragraph 98(1) Schedule B1 to the Act in respect of any action of theirs as Administrators at a time determined by the court

h. consult with the creditors' committee, if established, at appropriate intervals concerning the conduct of the Administration and the implementation and development of these proposals and the approval of the Administrators' remuneration

i. have their remuneration fixed by reference to the time properly spent by them and their staff on matters arising in the Administration

j. distribute and appropriate funds to KSF's secured and preferential creditors

k. use any of the "exit route" strategies available to them in order to bring the Administration to an end. In this instance, these could include the following:

   (a) the Administrators may formulate proposals for a scheme of arrangement under section 899 of the Companies Act 2006 and if so ordered by the court will put them to meetings of the various classes of creditors; or

   (b) the Administrators may place KSF into creditors' voluntary liquidation. In these circumstances, it is proposed that ME Mills, AR Bloom, PJ Brazzill and TM Burton be appointed as joint liquidators and any act required or authorised to be done by the joint liquidators may be done by either any or all of them. In accordance with paragraph 83(7) Schedule B1 to the Act and Rule 2.117(3) of the Rules, creditors may nominate alternative liquidators, provided that the nomination is made after the receipt of these proposals and before they are approved; or

(c) the Administrators may formulate a proposal for a company voluntary arrangement ("CVA") and put it to meetings of KSF's creditors and shareholders for approval.