Kaupthing Singer & Friedlander Limited (in Administration)

Administrators' Progress Report to creditors for the six month period from 8 April to 7 October 2011

3 November 2011

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
Funding	Singer & Friedlander Funding Plc
GP	KCP II (GP) Limited
HMT	Her Majesty's Treasury
ING	ING Direct N.V.
Initial Meeting	The initial meeting of creditors held on 1 December 2008
IT	Information technology
Khf	Kaupthing Bank hf
King Sturge	King Sturge International LLP
KSF	Kaupthing Singer & Friedlander Limited
KSF Group	KSF and its subsidiary companies
KSIOM	Kaupthing Singer & Friedlander (Isle of Man) Limited
LTV	Loan to Value
Master	Kaupthing Capital Partners II Master L.P. Inc
OTC	Over the counter
Overriding Objectives	Certain objectives set out in the Transfer Order which overrode those in paragraph 3(1) of Schedule B1 to the Act for a period of six months from 8 October 2008
Proposals	Administrators' Statement of Proposals dated 14 November 2008 as provided to creditors pursuant to paragraph 49 of Schedule B1 to the Act
RBS	Royal Bank of Scotland
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
SFIP	Singer & Friedlander Investment Properties Limited
SIP	Statement of Insolvency Practice
SoA	Statement of Affairs
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 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) of the Rules. Nothing in this report should be relied upon for any purpose including, without limitation, in connection with any investment decision in relation to the debt, securities or any other financial interest of any member of the KSF Group including for the avoidance of doubt any decision to buy or sell or not to buy and sell any debt, securities or other financial interest. Anyone making such investment decisions should rely on their own enquiries prior to making such decisions and none of the Administrators, Ernst & Young LLP, its partners, members, employees, professional advisers or agents accept any liability and/or assume any duty of care to any third party, (whether it is an assignee or successor of another third party or otherwise) in respect of this report.

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The information contained in this report has been prepared by the Administrators. In preparing this report, the Administrators have relied upon information from the KSF Group records. Although the Administrators have no reason to doubt the accuracy of that information, they are unable to warrant or represent that it, or any information provided by a third party is accurate or complete. The Administrators act at all times solely as agents of KSF and without personal liability.

Please note that amounts included in this report are stated in Sterling. However, there are some amounts that are denominated in other currencies and, therefore, may be subject to foreign exchange movements. These foreign exchange movements have been highlighted as foreign exchange gains/losses in the Receipts and Payments account.

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

Contents

1. Introduction

Background

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

This report, including its appendices, constitutes the Administrators' sixth six monthly report on the progress of the Administration pursuant to Rule 2.47(3) of the Rules. This report provides details of the work undertaken in the period 8 April 2011 to 7 October 2011 and should be read in conjunction with the Administrators' previous reports and updates and certain other formal announcements.

Copies of the above documents and other announcements are available on the KSF website, www.kaupthingsingers.co.uk.

Summary of the Administration objectives

The objective of the Administration is to realise KSF's business and assets in a manner which will result in a more advantageous realisation for KSF creditors as a whole than would be achieved on a winding up (a formal liquidation, as defined in the Act), without first being in Administration. Additionally, for the first six months of the Administration, the Administrators were directed by the Transfer Order to achieve the Overriding Objectives of:

- ► Ensuring that KSF provides, and managing the affairs, business and property of KSF to enable it to provide, the services and facilities reasonably required by ING to discharge its obligations in respect of the rights and liabilities under the second transfer (as defined in the Transfer Order).

- ► Ensuring that KSF performs the other obligations imposed on it by or under the Transfer Order.

As previously reported, the above Overriding Objectives have been completed.

Creditors' Committee

A Creditors' Committee was elected at the Initial Meeting. The Administrators and their staff meet regularly with the Creditors' Committee and have, to date, held fifteen formal committee meetings. These and other committee matters are dealt with separately in the body of this report.

Permission to make distributions and extension to the Administration

The Administrators applied to Court in April 2009 to (i) request the Court's permission to make distributions to unsecured creditors pursuant to Paragraph 65(3) of Schedule B1 to the Act, and (ii) extend the Administration for a period of up to three years, until 7 October 2012. As previously reported, the application was successful and an Order of the Court was issued on 24 April 2009.

The Administrators currently intend to make an application to Court in the first quarter of 2012 to request the Court's permission to extend the Administration for a period of two years to 7 October 2014.

Future reporting

The Administrators' next formal report to creditors will be in approximately six months time covering progress in the period to 7 April 2012.

2. Summarised key developments

Progress in the period

The body of the report below details the major areas of progress since 8 April 2011, certain areas of particular significance being:

- ► Banking loan book recoveries of c.£182m, increasing total loan recoveries to £1,739m as at 7 October 2011;
- ► Repayments of c.£39m from the Asset Finance division; represented by c.£27.5m capital, c.£6.4m interest and tax losses sold for c.£5.1m
- ► The distribution of over 99% of the funds deposited in the Bank of England Trust Account to those beneficiaries entitled to the funds;
- ► Payment of the sixth and seventh dividends to unsecured creditors totalling 10p in the £.

Full details of recoveries made for the period of this report together with the total realisations to 7 October 2011 are set out in Appendix A, being the Administrators' Receipts and Payments account.

Dividends to creditors

The Administrators paid two dividends of 5p in the £ to unsecured creditors with admitted claims on 25 May 2011 and 5 October 2011, respectively. The Administrators have now distributed the sum of c.£2,677m against admitted unsecured creditor claims totalling c.£4,255m to date.

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

Dividends	Date of Distribution	Quantum (p in £)
First dividend	22 July 2009	20p in £
Second dividend	9 December 2009	10p in £
Third dividend	30 March 2010	5p in £
Fourth dividend	28 July 2010	10p in £
Fifth dividend	8 December 2010	8p in £
Sixth dividend	25 May 2011	5p in £
Seventh dividend	5 October 2011	5p in £
Total paid to date		63p in £
Eighth dividend	March/April 2012	Not yet known

3. Update on conduct of the Administration

Banking loan book

KSF loan books

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

(£'m)	SoA as at 8 October 2008	Actual Capital cash collections to 7 October 2011	Actual total cash collections to 7 October 2011
Corporate	631	553	604
Property	864	411	439
Private Banking	1,115	642	696
Sub participations – KSIOM	167	-	
Sub participations – Khf	190	-	
Total	2,967	1,606	1,739

Notes:

1. *Cash collections are converted into sterling as at transaction date exchange rates*
2. *Corporate banking receipts shown above exclude cash receipts of c.£26m from warrant cancellation and Swap settlements*
3. *Property receipts shown above exclude cash receipts of c.£2m from warrant cancellation and Swap settlements*

Total cash receipts to 7 October 2011 from the Banking loan book are c.£1,739m comprising c.£1,606m capital repayments, c.£119m interest repayments and c.£14m fees. Note that the numbers quoted above differ from the numbers quoted in the receipts and payments section of the report. The loan book analysis in this section translates all foreign currency receipts into GBP at transaction date exchange rates, whereas the receipts and payments table translates USD and EUR balances into GBP as at the reporting date's exchange rates. In addition, the receipts and payments section includes swap settlements and warrant cancellations not included above.

The focus of the Administrators continues to be to manage the loan books 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 Credit Committee meetings for final approval, which are held three times a week.

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

There continue to be a limited number of cases where it has been necessary for KSF to make further loan advances to customers to preserve/enhance value in KSF's security or to comply with facility documentation. To date, drawdowns of this nature total c.£42m. To the extent that KSF has had to provide further funds, beyond those initially envisaged as debt finance, an appropriate commercial rate of interest has been charged.

The current net drawdown position is c.£6m since a number of the post-appointment drawdowns have subsequently been recovered through capital collections from the associated loans.

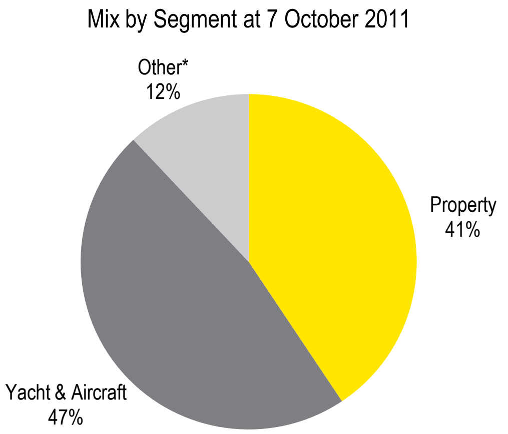
Loan book provisions are reviewed quarterly on a loan by loan basis. Write-offs are only crystallised when all possible collection routes for a debt are fully explored. Any write-offs are verified and approved by the Administrators. During the period under review a large number of loan accounts were closed where no further recoveries are expected, with combined amounts written-off of £257m resulting in a total write-off of £337m.

Private Banking

(£'m)	SoA value as at 8 October 2008	SoA value less actual capital collections to 7 October 2011	SoA value less actual total collections to 7 October 2011
Book value	1,115	473	419
Sub participations – KSIOM	167		-
No. of borrowers	372		90

Actual cash collected 8 October 2008 to 7 October 2011	(£'m)
Capital	642
Interest	52
Fees	2
Total	696

The chart below sets out the mix by segment of the Private Banking loan book by the value of amounts outstanding as at 7 October 2011:



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

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

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

As at 7 October 2011, 47% of the total Private Banking loan book by value was secured against yachts and aircraft, which comprises mostly of large, luxury yachts. No further large yacht constructions are being financed.

The aircraft portfolio includes loans secured against private jets. Activity continues to focus on encouraging borrowers to refinance or to sell the security on a voluntary basis. KSF had managed to exit from 15 of its 26 positions in respect of the Yacht & Aircraft book as at 7 October 2011.

As previously reported, KSF had sub-participated in a number of loans advanced by KSFIOM. The loans represented a claim against KSFIOM which was the subject of mandatory set-off against the claim submitted in the administration by KSFIOM. The terms of a settlement agreement were finalised with KSFIOM in February 2011, in accordance with which KSF received set-off of the sub-participated loans valued in accordance with the Rules.

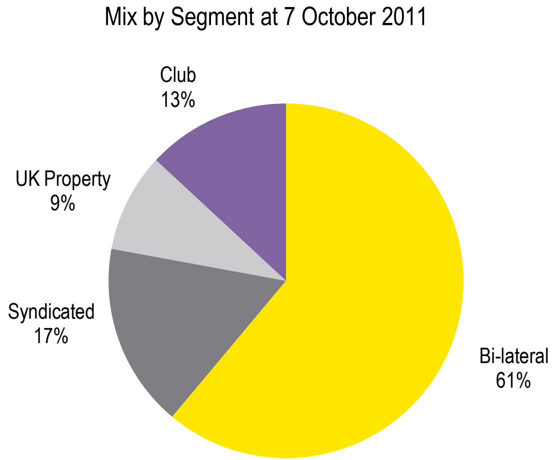
Corporate loan book

(£'m)	SoA value as at 8 October 2008	SoA value less actual capital collections to 7 October 2011	SoA value less actual total collections to 7 October 2011
Book value	631	78	27
Sub participations – Khf	190		190
No. of borrowers	77		20

Actual cash collected 8 October 2008 to 7 October 2011	(£'m)
Capital	553
Interest	44
Fees	7
Total	604

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

The chart below sets out the mix by segment of the Corporate loan book by the value of amounts outstanding as at 7 October 2011:



Bilateral/senior lender loans represented 61% of the Corporate loan book (excluding the Khf sub-participations) at 7 October 2011. Typically KSF is either the sole lender or a senior lender alongside a UK clearing bank and holding a significant portion in a small syndicate on what are generally Private Equity backed companies. The current strategy continues to focus on encouraging the borrower and/or other individual members to refinance KSF's position.

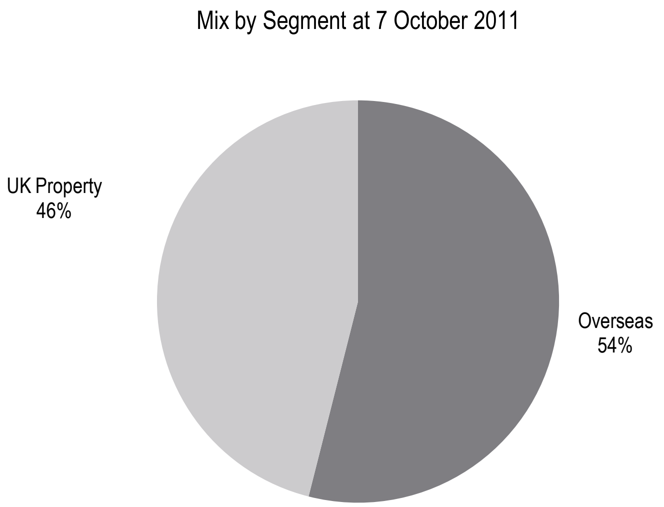
As previously reported, KSF has sub-participation positions in loans advanced by Khf. These sub-participations are 'silent' in that Khf is the lender of record and, therefore, they form part of the KSF claim submitted to the Winding-up Committee of Khf. Further information in respect of the Khf claim can be found in the body of the report.

Property loan book

(£'m)	SoA value as at 8 October 2008	SoA value less actual capital collections to 7 October 2011	SoA value less actual total collections to 7 October 2011
Book value	864	453	425
No. of borrowers	220		67

Actual cash collected 8 October 2008 to 7 October 2011	(£'m)
Capital	411
Interest	23
Fees	5
Total	439

The chart below sets out the mix by segment of the Property loan book by the value of amounts outstanding as at 7 October 2011:



Since the date of Administration, three quarters of the property loan book accounts have been closed. Going forward, for simplicity, the Property Partnerships and Property Finance categories have been rolled into UK and Overseas Property where appropriate.

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

We are continuing to meet requests for committed funds where expenditure helps to preserve/enhance the value of the security. However, where appropriate, we are realising part built assets. It should be noted that access to development finance remains challenging and continues to stifle transactions.

The majority of the outstanding overseas loans relate to development sites in the Caribbean, where a lack of available credit continues to limit sales and refinance opportunities. There has been some success in the marketing of completed developments and this continues to be a key focus of the Administration.

There are a relatively small number of UK commercial facilities outstanding within the property loan book, many of which have outstanding balances in excess of the market value of the Bank's security. We continue to seek consensual restructurings where feasible, with a view to enhancing KSF's security through, for example, seeking revised planning permission on schemes which have proven not to be commercially viable.

Treasury assets and asset positions

As previously reported, KSF had a large number of Treasury assets and positions, which the Administrators had dealt with under four workstreams: Repos, Contracts for difference and Equity Swaps, OTC derivatives and Sale of Investments. These workstreams have been supported by the overarching functions of Operations and Finance.

All workstreams are now nearly complete and after the progress achieved in the last six months only three areas of significance remain unresolved:

- Agreement of termination value with one Prime Broker counterparty for a portfolio of equity swaps. This portfolio was held as a hedge to the CfD book and the termination value has been in dispute since the termination statement was received in 2009. Many of the underlying equity positions were illiquid and, therefore, their valuation has been subjective and the Prime Broker had previously only provided limited information on price discovery. In October 2011, we received a more extensive report from the Prime Broker which both provided more insight into the valuation. We are currently assessing whether further information and/or negotiation is required.

- A legal dispute in relation to shareholdings which originally arose from repo transactions. We continue to work with our legal advisors to both build the documentary support for our case and defend our position with the counterparty. Whilst we believe KSF has a strong position, we do not expect this dispute to be resolved in the near future.

- The treasury element of the residual claim outstanding against Khf.

Subsidiary companies

Asset Finance subsidiaries

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

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

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

Following receipt of a ‘AAA’ rating from an external rating agency, the first tranche of the external financing for the Asset Finance division was completed on 10 November 2010. The facility is for £150m and the revolving period is for a term of 18 months. To date, £147.5m has been drawn against eligible assets and this has been immediately repaid to KSF. The remainder of the facility will be drawn down if and when certain assets become eligible. Total remaining debt owed by the division to KSF was approximately £222m at 30 September 2011.

The external refinancing is due to start amortising in May 2012 and negotiations have commenced with the existing debt provider to seek to extend the terms, and possibly increase the size, of the facility.

As a further part of the restructuring of the Asset Finance division, six of the ten dormant legacy companies were placed into members’ voluntary liquidation in September 2011.

The Administrators continue to hold regular meetings with management to monitor the performance of the Asset Finance businesses, cashflows and profitability, and to review management information. This includes attendance at the monthly board meetings.

Finally, the Asset Finance division and their advisors, in conjunction with the Administrators, continue to explore potential opportunities to sell the Asset Finance division in its entirety which, as detailed above, will be to some extent dictated by market conditions.

Singer & Friedlander Investment Management Group

The Investment Management division of KSF comprised six companies made of three companies each with its own nominee company. The businesses were all solvent and the Administrators sought to safeguard the value of the business of the Investment Management companies by ensuring that they continued to trade as going concerns. In order to meet this objective, it was decided that these interests would be best satisfied by disposing of either the company, or if this was not possible the business of the company, to a third party investment management business.

The successful sale and transfer of the business and assets of SFCM was effected to WdB on 26 March 2010.

During the period since our last report, SFAM has been placed into members’ voluntary liquidation with Margaret Mills and Patrick Brazzill being appointed Joint Liquidators.

We continue to work on a variety of complex issues, often protracted in nature, which are preventing SFCM and SFIM being put into members’ voluntary liquidation. Work with the SFIM management team is now focused on the resolution of issues prior to the solvent liquidation of SFCM (subject to FSA approval), followed by the solvent liquidation of SFIM, again subject to the approval of the FSA to relinquish the Investment Management Advisory licence.

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

KCP II (GP) Limited (In Compulsory Liquidation)

As previously reported, Kaupthing Capital Partners II Master, L.P. Inc was a private equity investment vehicle established by the Kaupthing Group in 2007 for the purpose of investing in certain strategic investments using funds from private investors, Khf and Kaupthing Bank Luxembourg SA. The main investments were an investment in Booker Group plc, ADP Healthcare plc, Consort Medical and Phase Eight Holdco. SFAM provided certain management and operating services to the KCP fund being owed c.£6.2m.

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

As outlined in our earlier reports, Master was placed into administration together with GP, with representatives of Smith & Williamson being appointed Administrators. Subsequently, on 24 February 2010, Smith & Williamson were appointed Liquidators of GP.

Following significant negotiations between a number of disputing parties, the two administrations of KCP have produced a surplus of funds which are now (via the GP liquidation) available to meet the management fees of SFAM as sole GP creditor. In view of SFAM's liquidation, the debt has now been assigned to KSF.

On 22 August 2011, the GP Liquidators paid their first interim dividend to KSF of c.£0.8m. The GP liquidators estimate (subject to costs and tax clearance), that the future dividends to KSF will be in the region of £700k- £2.2m, depending on final costs and tax clearance.

Singer & Friedlander Funding plc (In Administration)

As previously reported, the Administrators applied to Court to determine how to value the claim that Funding submitted in the Administration of KSF for c.£243m in respect of an intercompany debt that KSF owes to Funding.

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

The Trustee sought and was granted leave to appeal directly to the Supreme Court in what is known a 'leapfrog' appeal (as the Court of Appeal, the court of next instance, would be bound by the Court of Appeal decision in SSSL Realisations which interpreted the rule in Cherry v Boultbee).

The appeal was held in July 2011 and on 19 October 2011 the Supreme Court unanimously agreed to allow the Trustee's appeal.

In giving its reasoning, the Supreme Court considered the effect of the rule against double proof. The rule requires that an insolvent company (or bankrupt) should not be required to pay two dividends in respect of the same debt, thereby protecting other creditors from dilution by improper claims. In cases of suretyship, a guarantor (e.g. KSF) has an obligation to a creditor (e.g. the Trustee) to satisfy the obligations of a principal debtor (e.g. Funding). The guarantor has a right to an indemnity from the principal debtor and is, therefore, also potentially a creditor. However, applying the rule against double proof, the guarantor is not entitled to claim for an indemnity until it has discharged its guarantee as to permit otherwise would be to allow the guarantor to compete against the creditor in respect of what is in substance the same debt.

The effect of the rule against double proof prevents there being any set-off between KSF and Funding in respect of the amounts paid by KSF to the Trustee under the guarantee. However, following the Court of Appeal's decision in the case of SSSL Realisations, the effect of the Rule was to re-introduce a netting off by allowing the Administrators to require that Funding first satisfy the full amount of its indemnity to KSF (and not simply an amount equal to the dividends actually paid by KSF) before allowing it to claim in KSF's insolvency. This could be done on a notional basis by assuming a contribution from Funding to KSF and then calculating Funding's dividend based on the increased estate of KSF. As previously noted this would have meant Funding would not have been eligible to receive a distribution from KSF.

However, the Supreme Court, having undertaken a detailed re-examination of the case of SSSL Realisations and the supporting authorities, took the view that the Rule did not operate in parallel to the rule against double proof and the Court of Appeal had fallen into error by allowing the Rule to be applied too widely. Funding's claim against KSF for c.£243m can, therefore, be admitted for proof.

The effect of the guarantee claim from the Trustee into KSF and future claim from the Trustee into Funding (once it moves into creditors' voluntary liquidation) will be that the Trustee will receive dividends equivalent to 100p in the £ in respect of its claim.

Other subsidiary companies

With the exception of the SFIM Group companies, there are no subsidiary companies in the KSF group which are not in members' voluntary liquidation, in a form of insolvency process or have been sold.

To date, the following direct/indirect subsidiaries have been placed into solvent liquidation or dissolved via strike-off procedure.

Members' voluntary liquidation	Date of appointment	Date of ceasing to act (if applicable)
Singer & Friedlander Investment Management Holdings Limited	31 March 2009	28 February 2011
KB Retail Advisory Limited	16 June 2009	14 September 2010
Sinjul Investments Limited	16 June 2009	
Wintrust Securities Limited	16 June 2009	14 September 2010
Kaupthing Limited	02 July 2009	
Peaston Emerson's Green Limited	11 November 2009	14 September 2010
Singer & Friedlander Trade Finance Limited	21 April 2010	20 July 2011
Clarke London Limited	29 March 2011	25 August 2011
Singer & Friedlander Asset Management Limited	24 June 2011	
Central Scotland Finance Limited	5 September 2011	
Hermes Lease Finance plc	5 September 2011	
Hermes Leasing (London) Limited	5 September 2011	
Hermes Leasing (Western) Limited	5 September 2011	
Hermes Leasing Limited	5 September 2011	
Singer & Friedlander Finance Limited	5 September 2011	

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

The liquidation of Sinjul Investments is expected to continue for a period of time due to the existence of tax losses which may be required by other group companies in the future.

The liquidation of Kaupthing Limited is also expected to continue for a period of time due to claims it has in other insolvencies.

On 18 August 2011, SFIP was acquired by the purchaser of the New Street premises as explained in further detail in Section 5.

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

Kaupthing Bank hf

As previously reported, the Administrators submitted KSF's claim against Khf with a gross value of approximately £753m, subject to set off in respect of claims from Khf under loan sub-participation agreements and agreement of collateral valuations applied by KSF. The Administrators subsequently reduced their claim by the aggregate sum of c£58m in respect of the proposed set off of two Khf funded sub-participation agreements.

During the period since our last report, the Administrators have sought to advance informal negotiations with the Winding-up Committee which commenced in late 2010 in respect of the areas of dispute in KSF's claim. Unfortunately, owing to limited resource and conflicting priorities, the Khf representatives were unable to progress this matter in the timescale which had originally been proposed. However, Khf have recently advised the Administrators that resolution of the KSF claim is a priority for them and the informal negotiations are proceeding with a view to trying to finalise matters by 31 December 2011.

As you will be aware from previous reports, the Winding-up Committee have acknowledged KSF is likely to have a valid claim but, as you will appreciate, at this time, the Administrators are unable to provide an indication of the expected adjudicated net claim against Khf as it is unclear how the Winding-up Committee intend to value all elements of the claim.

The Administrators continue to attend creditors' meetings convened by the Winding-up Committee and understand that the value of Khf's assets are expected to exceed the level of priority claims agreed by the Winding-up Committee or subject to dispute. Accordingly, the Winding-up Committee, in consultation with their informal creditors' committee, are considering options to enable a return to creditors but have stated that they are currently unable to provide an estimate of the likely recovery for creditors or provide a timeline for a return to creditors.

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

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

Taxation

The Administrators' corporation tax and VAT teams are implementing tax strategies which maximise value for the estate of KSF by ensuring that KSF's corporation tax and VAT positions are optimised.

Together with ensuring that KSF's corporation tax compliance obligations are fully satisfied, the corporation tax team has focused on obtaining payment for the corporation tax losses incurred by KSF in each period. To date, KSF has surrendered losses of approximately £26m in exchange for payments exceeding £7.2m for the surrender of these losses.

4. Creditor update

Non-preferential creditors

The Administrators are required to issue a notice of their intention to declare a dividend to unsecured creditors prior to the payment thereof. Accordingly, prior to each dividend, all known creditors are advised of the requirement to formally register their claims, to the extent they have not already done so, by completing an Insolvency Claim Form in accordance with Rule 2.72 of the Rules.

The Administrators have received a total of 975 claims to date with a gross value of c.£5.4bn of which 439 claims (c.£0.6bn) were received from non-Edge depositors. The remaining 536 claims (c.£4.8bn) arise from all other aspects of KSF's business including repurchase and derivative counterparties, CfD clients, landlords, trade creditors, employees, employee taxes, pension scheme, associated companies and the FSCS in relation to Edge accounts. The claims of these creditors rank equally as non-preferential claims.

Claims to a value of c.£4.3bn have been admitted to rank for dividend and c.£0.7bn have been rejected to date, with the current estimated maximum claims not expected to exceed £4.8bn.

The Administrators continue to be proactive in processing outstanding claims and new claims received in response to dividend notices. There are currently 25 disputed or non-agreed claims with a gross value of c.£0.4bn. At the time of paying each dividend, the Administrators are required to make provision for the dividend entitlements payable in respect of those claims which were disputed or not agreed in whole or part at the date of the dividend. Accordingly, as these claims are resolved, funds reserved at prior dividends are used to settle any dividend entitlements attributable to the finalised claims and any surplus funds reserved against such claims released back to the estate.

Dividends to non-preferential creditors

As you will be aware, on 4 March 2011 the Administrators issued a notice of their intention to declare a sixth dividend to unsecured creditors. Subsequently, on 25 May 2011, the Administrators declared and paid the sixth dividend of 5p in the £ to creditors whose claims had been admitted to rank for dividend. The initial cost of the sixth dividend to the estate was £218,977,247, being 5p in the £ on claims of £4,379,544,932.

On 11 July 2011, the Administrators issued a notice of their intention to declare a seventh dividend to unsecured creditors. Subsequently, on 5 October 2011 the Administrators declared and paid the seventh dividend of 5p in the £ to creditors whose claims had been admitted to rank for dividend. The initial cost of the seventh dividend to the estate was £212,762,398 being 5p in the £ on claims of £4,255,247,960. At the time of paying the time of paying the seventh dividend, the Administrators made a provision of £271,182,883 for unsettled claims in the amount of £430,449,020.

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

In the period between the sixth and seventh dividends, the Administrators adjusted the admitted claims of parties who have received reimbursement from the Bank of England trust account, as further explained in the section below. Accordingly, the value of admitted claims was reduced by approximately £128m.

Estimated outcome for creditors

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

The historical distribution timetable is set out below:

Dividends	Date of Distribution	Quantum (p in £)
First dividend	22 July 2009	20p in £
Second dividend	9 December 2009	10p in £
Third dividend	30 March 2010	5p in £
Fourth dividend	28 July 2010	10p in £
Fifth dividend	8 December 2010	8p in £
Sixth dividend	25 May 2011	5p in £
Seventh dividend	8 October 2011	5p in £
Total paid to date		63p in £

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

On the basis of current forecast recoveries from the banking book, prudent estimates of realisations from other assets, maximum estimates of unsecured claims and current market conditions not deteriorating, the Administrators currently estimate that total dividends to unsecured creditors should be in the range of 79p to 86p in the £. The Administrators would stress that this estimate could be lower or higher if there are significant issues which impact either future realisations or the level of claims from creditors and thus the estimate is indicative and cannot be relied upon.

Non-Edge deposit book

As previously reported, the Administrators and the FSCS continue to work closely in accordance with the agreed framework and timetable for the provision of information in respect of payments made by the FSCS to non-Edge depositors prior to payment of each dividend. This process is essential to ensure that depositors do not receive compensation from the FSCS as well as a dividend from the Administration.

Creditors' Committee

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

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

The membership of the Committee as at the end of this reporting period, was constituted as follows:

1. Cats Protection;

2. Financial Services Compensation Scheme Limited;

3. Peterborough City Council;

4. Kaupthing Singer & Friedlander (Isle of Man) Limited (In Liquidation); and

5. The Trustees of The Singer & Friedlander Limited Pension & Assurance Scheme.

5. Other matters

Receipts and Payments account

The Administrators' Receipts and Payments account for the period 8 October 2008 to 7 October 2011 is attached at Appendix A, which also includes a summary of the receipts and payments for the six month period of this report. This shows all funds received and paid from the bank accounts under the Administrators' control. It should be noted that (where applicable) all payments are shown inclusive of VAT. The cash is held across a number of clearing banks in order to mitigate risk. Some monies are usually invested in low risk, short term money markets in order to achieve a greater rate of return than if left in a standard business current account. However, as at 7 October 2011, no monies were held on short term money market deposit accounts due to the payment of the seventh dividend on 5 October 2011.

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

Please refer to Appendix A for further details of the receipts and payments to 7 October 2011.

Statement of Affairs

As previously reported, in view of the redaction of the Directors' SoA we have not reflected the Directors' Estimated to Realise valuations as required under SIP 7 in the Receipts and Payments account attached at Appendix A.

Operational matters

Staffing

Since our last report, the KSF employee headcount has reduced from 56 to 48 staff represented by 28 back-office and 20 front-office loan book team as at 7 October 2011. This headcount reduction has arisen from the continued focus on core operations and by the ongoing reduction in front and back office staff as the loan book operations and ancillary tasks continue to wind down. Further back-office redundancies have been made and a number of staff are currently working their notice period with an end date of 31 December 2011.

Property

With regard to property matters, the Administrators surrendered KSF's lease relating to the New Street, EC2 property (the site of the run-off operations) and entered into a flexible short term lease on the first floor of the premises. The surrender was achieved by paying a reverse premium of £10.25m (net of VAT) which was considered beneficial as it removed a potential liability from the KSF Group freeholding company (SFIP) of at least £14.2m.

The purchaser acquired the property via the purchase of SFIP for £1, thereby eliminating a further Group entity. By surrendering the lease, the Administrators have minimised the leasehold rental costs for the remainder of the projected Administration period and responsibility for a full 'repair and maintenance' lease to December 2018.

IT

The Administrators, with the assistance of the Bank's IT and Operations teams, review as an ongoing process both KSF's IT costs and other large intermittent payment costs. Subject to ongoing business needs, costs are reduced wherever possible.

The Administrators, in conjunction with the KSF IT staff, have continued with the implementation of the data retention project. The project aims to ensure that all identified electronic data is securely 'captured' ahead of the final KSF closure formalities which will commence once the Loan Book monies have ultimately been recovered. To this end the team has completed the initial phases of the project and has mapped the data required for typical customer and business related enquiries. The information is being used as a basis for designing and building the future IT environment for electronic data retention.

The operating cost profile of KSF continues to be managed through a regular cost forecasting process. As part of the costs profile process, KSF management produce detailed forecasted cost analysis for the period to 7 October 2012 (the current end date of the Administration), which are regularly updated and reviewed.

Regulatory and Compliance

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

During the period, there has continued to be regular engagement with FSA and other regulatory authorities on a wide range of regulatory issues. This has included the compilation and provision to the authorities of information under both formal and ad hoc requests and the production of detailed reports on and analyses of historic data, as requested.

In addition, we have continued to work with the FSA and third party investment managers to dispose of (and in certain cases, wind down) the businesses within the asset management division in an orderly manner, having regard to both the interests of underlying customers and the Administration.

Dialogue has continued with FSA to deregister or reduce as appropriate the number and scope of regulatory permissions held, to enhance efficiencies and to ensure the bank and its subsidiary businesses are not burdened with unnecessary regulatory fees. This also entails seeking and obtaining regulatory waivers from the requirement to produce certain regulatory and reporting items no longer required for the Administration and agreeing a simplified suite of management information to meet all current regulatory reporting requirements.

Legal issues

Bank of England Account (the “Account”)

As you will be aware from previous reports, the Administrators applied to the High Court for directions in relation to how certain monies deposited in an account with the BoE should be distributed in accordance with a First Supervisory Notice issued by the FSA on 3 October 2008. The judgment was handed down on 10 July 2009 and the Judge granted permission for all parties to appeal the judgment. All parties (except for the Administrators) filed an Appellant’s Notice with the Court of Appeal. The judgment from the Court of Appeal was handed down on 27 May 2010. Further details in respect of the judgment can be found on the KSF website.

The Administrators undertook a final review of the entitlements in the Account to ensure that payments made through the administration dividend or FSCS compensation processes had been considered. This process was concluded in June 2011. Accordingly, letters were issued to parties with an interest in the Account advising them of how their entitlement had been calculated.

In order to receive their funds from the Account, interested parties were required to provide written confirmation that they did not fall within the categories which were confirmed in the Court of Appeal judgment as having no interest in the Account. Upon receipt of such confirmation, the Administrators released the appropriate entitlements to the interested parties. This was done on a piecemeal basis so as not to delay payments to interested parties who provided prompt confirmation.

As you will be aware from previous reports, £147.4m was deposited into the Account by KSF. The reconciliation identified that the Account, to which KSF had deposited £147.4m, was overfunded in the amount of approximately £13m. Accordingly, these funds were repaid to KSF. The significant majority of the remainder of the funds in the Account have now been distributed to those parties identified as having an entitlement to payment from the Account.

The majority of parties identified as being entitled to payment from the Account had submitted non-preferential claims in the Administration in respect of their entitlement and had been paid dividends on their claim. Accordingly, prior to providing those parties with the full amount of their claim to funds in the Account, it was necessary to deduct an amount representing dividends previously received by those parties in respect of their claim to funds in the Account. Those amounts were deducted and repaid to the estate of KSF. The total amount paid to KSF from the Trust account in this respect was approximately £81m.

Where customers or the FSCS have admitted non-preferential claims in the Administration in relation to eligible deposits which have been settled from the Account, their claims were reduced accordingly in advance of making the seventh dividend.

In addition to their basic entitlement, each beneficiary received the pro-rata entitlement to net interest earned (after deduction of legal costs) on funds held in the Account. The beneficiaries are responsible for accounting for any tax liability on the interest they receive.

Creditors should note that the trust monies of c.£147.4m are not recognised in the Receipts and Payments account reflected in Appendix A.

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

A significant claim has been made against the KSF estate arising from the non-settlement of an equity position, the sale of which was executed just before KSF entered into administration. This claim, which is based on losses suffered from the non-settlement, has been rejected by the Administrators due to insufficient evidence that it was the responsibility of KSF to settle the trade. The claimant has applied to Court under Rule 2.78 of the Rules to appeal the Administrators' decision. At this time we do not have an indication of when the application will be heard by the Court.

Singer & Friedlander Funding plc (In Administration)

This is reported upon in the other subsidiary companies section on page 9 of this report.

The Singer & Friedlander Limited Pension & Assurance Scheme

One of the largest outstanding unagreed claims is from KSF's main pension scheme (the "Scheme"). A sum has been provisionally admitted to allow the Scheme to benefit from the initial distributions whilst the Debt on Employer matter referred to below, is being finalised.

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

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

Following various meetings with the Scheme Trustee, it was agreed with the Trustee that an application would be made to Court for directions on the correct interpretation of Regulation 5 of the Employer Debt Regulations 2005. The application form was issued by the Scheme Trustees on 15 June 2011, and the hearing has been scheduled for three days from 18 January 2012.

Administrators’ remuneration and disbursements

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

The Creditors’ Committee have approved a further hourly fee rate increase of 3%, with effect from 1 July 2011, at the Creditors’ Committee meeting held on 20 September 2011.

As part of the fee approval process, the Committee members receive a comprehensive analysis of the Administrators’ costs including time costs by activity and grade together with a detailed fee narrative by each individual work stream.

The Administrators’ total hours and time costs relating to the six six-month periods since the date of appointment are analysed in the table below:

Period to	Total time costs (£)	Total hours
7 April 2009	17,941,057	48,746
7 October 2009	8,403,547	25,920
7 April 2010	6,608,869	18,409
7 October 2010	5,676,906	15,137
7 April 2011	4,692,167	12,232
7 October 2011	4,032,063	9,545
Total	47,354,609	129,989

The above information differs marginally from our previous reports due to the reallocation of certain costs between the six month periods.

As is evident from the above table, in the six months to 7 October 2011, time costs of £4,032,063 have accrued totalling 9,545 hours at an average rate of £422. The Administrators’ cumulative time costs accrued from date of appointment to 7 October 2011 being c.£47m plus VAT. The volume of hours worked by the Administrators’ staff has reduced by approximately 22% over the last six months in comparison to the last six months.

An analysis of the time spent for both the period of this report and from 8 October 2008 to 7 October 2011 (in accordance with SIP 9), are attached as Appendix D. As previously reported, the above time costs are inclusive of the Administrators’ time costs recovered from ING in the amount of £3.54m pursuant to the transfer of the Edge depositors’ accounts.

To date, the sum of c.£434,000 (inclusive of VAT) has been drawn in respect of disbursements. All disbursements have been notified to the Creditors’ Committee as part of the general fee approval process. However, separate formal approval was obtained from the Creditors’ Committee to sanction the drawing of Category 2 disbursements. Category 2 disbursements are charges made by the office holder’s firm that include elements of shared or overhead costs. In the period of this report, the Administrators’ disbursements totalled £14,140 plus VAT.

Appendix A Receipts and payments account for the period 8 October 2008 to 7 October 2011

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

	8 October 2008 to 7 April 2011 £'000 [1]	Six months to 7 October 2011 £'000 [1]	Total £'000 [1]	Notes
Receipts				
Cash taken over	400,997	17,075	418,072	2
Property loans	419,654	18,320	437,974	3
Private banking	574,322	119,745	694,067	4
Corporate loans	595,513	33,150	628,663	5
Asset Finance	321,988	38,996	360,984	6
Realisations from Transitional Service Agreements	14,342	62	14,404	7
Tax	10,558	1,952	12,510	8
Rental income	5,210	265	5,475	
Share realisations and dividends	337,720	3,124	340,844	9
Financial instrument receipts	295,291	4,632	299,923	10
Inter-account cross currency receipts	612,921	59,601	672,522	11
Other realisations and interest	17,342	1,435	18,777	12
Unallocated receipts	712	(649)	63	13
Total receipts	3,606,570	297,708	3,904,278	
Payments				
Supplier payments	21,312	821	22,133	
Staff wages and related expenses	53,448	5,030	58,478	
Drawdown payments	37,951	4,025	41,976	14
Legal and other professional fees	28,259	2,576	30,835	
Insurance	624	-	624	
Administrators' fees	49,373	3,950	53,323	
Administrators' disbursements	420	14	434	
Rent, rates and utilities	10,272	13,343	23,615	17
Tax	84	274	358	
Financial instrument settlements	5,622	-	5,622	15
Inter-account cross currency payments	604,987	68,471	673,458	11
Cheques and direct debits released post admin	1,204	-	1,204	16
Bank charges and interest	345	22	367	
Distributions				
Distribution to preferential creditors	305	-	305	
Distribution to unsecured creditors	2,324,975	351,721	2,676,696	
Total payments	3,139,181	450,247	3,589,428	
Foreign exchange gain/(loss)	137	82	219	1
Closing balance	467,526	(152,457)	315,069	18

Notes:

1. *Foreign currency transactions (excluding Euro and US Dollar) were previously converted into Sterling using an exchange rate as at the period end date of the report. These foreign currency transactions are now converted into Sterling using the exchange rate at the relevant date of each transaction to avoid unnecessary exchange movements. The net effect of these changes is shown as a foreign exchange gain/(loss). With regard to Euro and US Dollar receipts and payments, these transactions are converted into Sterling using the exchange rate as at 7 October 2011.*
2. *Cash taken over represents monies belonging to KSF and previously held by certain third party banks. These funds are now under KSF's control. These monies may include some post administration receipts which need to be returned to third parties.*
3. *A combination of capital repayments and interest payments from the Property loan book as well as cash received from warrant cancellation and Swap settlements of c.£2m.*
4. *A combination of capital repayments and interest payments from the Private Banking loan book.*
5. *A combination of capital repayments and interest payments from the corporate loan book as well as cash received from warrant cancellation and Swap settlements of c.£26m.*
6. *A combination of capital repayments and interest payments from the Asset Finance subsidiaries.*
7. *This represents payment for services provided in respect of businesses that have been sold or transferred (SFIM, SCAF and Edge).*
8. *This amount relates to money received post administration in respect of tax paid in July and August 2008 on behalf of various Asset Finance subsidiaries.*
9. *This represents receipt from the sale of shares and receipt of dividends.*
10. *This is the product of closed Financial Instrument positions including ISDA valuation settlements, Bond maturities and Coupons, Repurchase Agreements and Equity Swaps.*
11. *The movement in inter-account cross currency receipts & payments mainly attributed to the transfer of funds held in the foreign currencies bank accounts to the Sterling account to facilitate the distributions to creditors.*
12. *This includes sundry debtors, interest received and miscellaneous receipts such as proceeds from the sale of property, chattel sales and fee refunds.*
13. *These receipts have been received in the post administration period by KSF and are in the process of being allocated. These amounts are being investigated to establish whether they belong to KSF, or need to be returned to the remitter.*
14. *These are drawdowns provided to existing customers across the loan books in respect of loans which are still being funded by KSF.*
15. *These figures represent treasury derivatives close out agreements between KSF and two counter-parties involving FX, Interest rate and Equity Swaps.*
16. *These payments were released immediately after appointment and before any stop could be placed on them.*
17. *Rent and property related costs increased in the last six months due to the surrender of the lease of the New Street property on 18 August 2011. This lead to a payment of £13.1m of which £2.1m is VAT to be reclaimed. See the property section in the report for more details.*
18. *The closing balance represents total receipts less total payments plus the foreign exchange gain for the period. The closing balance does not include a sum of c.£0.6m which the Administrators are holding in respect of third party monies received in error. The Administrators continue to progress the repayment of these monies as and when bank account details become available.*

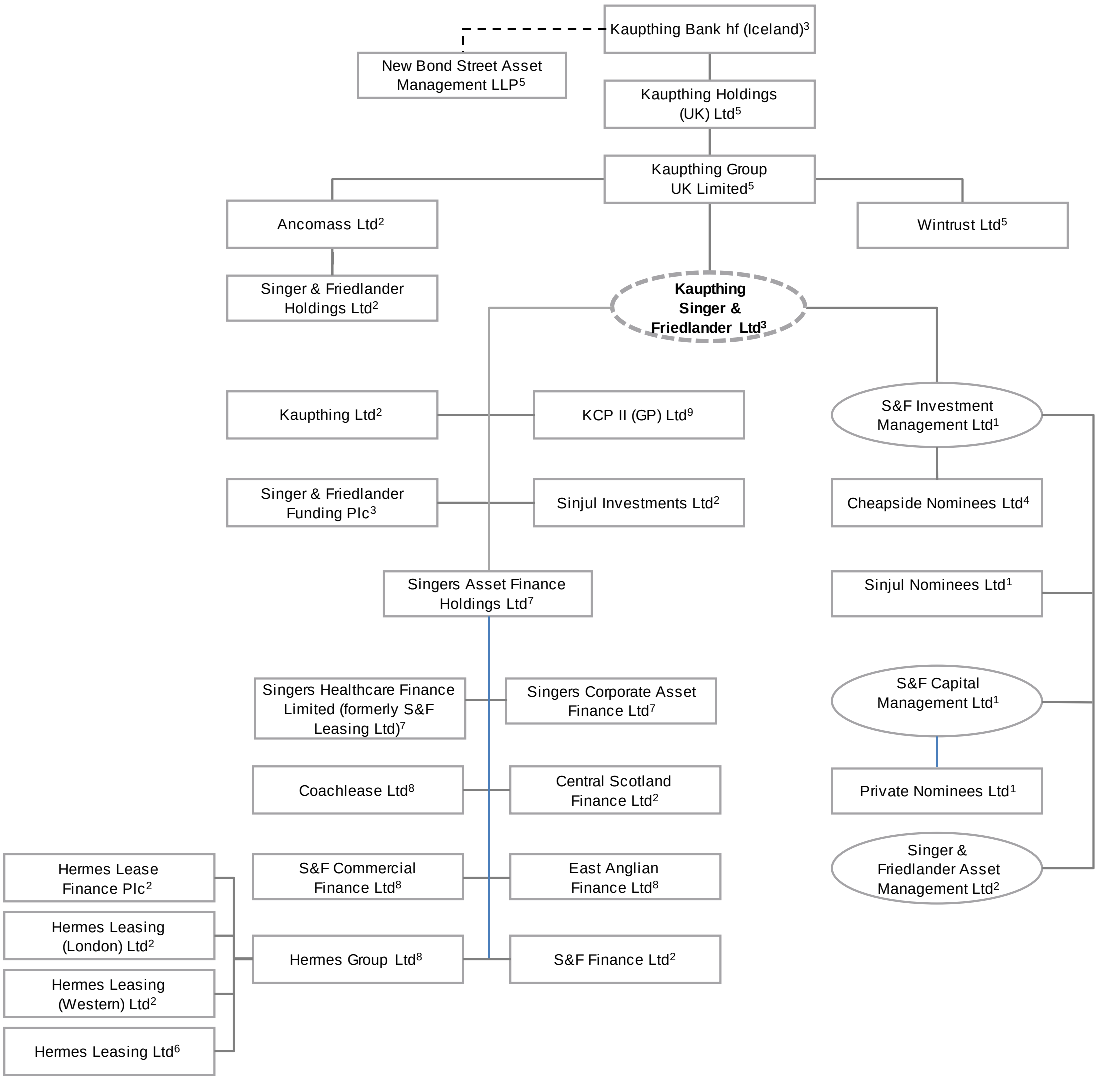
Appendix B Statutory and other information

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

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
Period of Administration:	Extended by Court consent to 7 October 2012
Prescribed Part:	The Administrators have established that there are no valid fixed or floating charges registered against KSF. In the absence of floating charge, there are no monies required to be set aside to creditors under s176A of the Act being under 'Prescribed Part' formula

Statement Concerning the EC Regulation	
EC Regulation Statement	In accordance with the Credit Institutions (Reorganisation and Winding Up) Regulations 2004, the EC Council Regulation on Insolvency Proceedings does not apply to this Administration. Under these Regulations the Administration is conducted according to UK insolvency legislation and is not governed by the insolvency law of any other European Economic Area member State

Appendix C Kaupthing Singer & Friedlander – group structure



Notes:

1. *Looking to place the entity into members' voluntary liquidation*
2. *Entity is in members' voluntary liquidation*
3. *Entity is in administration*
4. *Entity is currently under review to decide its strategy going forward*
5. *Entity is outside the jurisdiction of the Administrators of KSF Limited*
6. *Asset Finance legacy entity*
7. *New company, with restructuring completed in August 2009*
8. *Business and assets have been transferred to Singers Corporate Asset Finance Limited*
9. *Entity is in compulsory liquidation*

Appendix D Summary of Administrators' time costs for the period 8 October 2008 to 7 October 2011

Classification of work by function	Breakdown of hours charged by grade: Partner/ Director	Manager	Other senior professionals	Assistants & support	Total hours	Total time costs (£)	Avg. hourly rate (£)
Accounting and admin.	1,279.3	4,446.8	8,635.5	12,882.7	27,244.3	7,043,628	259
Asset Finance	830.3	971.0	180.1	12.5	1,993.9	1,024,132	514
Bank and statutory reporting	486.9	1,597.4	1,058.3	244.2	3,386.8	1,355,007	400
Banking book	3,106.1	7,742.0	6,791.6	5,457.8	23,097.5	8,339,280	361
Creditors	663.8	2,958.5	3,084.7	2,949.9	9,656.9	3,006,996	311
Debtors	65.0	74.4	10.8	138.9	289.1	104,249	361
Edge decommissioning	19.0	522.8	299.5	11.0	852.3	301,342	354
Edge retail accounts	1,636.5	4,243.0	4,222.7	1,710.6	11,812.8	4,311,844	365
Edge retail migration	249.0	1,264.8	32.5	-	1,546.3	765,478	495
Employee matters	1,025.6	746.4	519.1	274.7	2,565.8	1,166,853	455
Help desk	-	24.1	60.5	861.0	945.6	165,622	175
Immediate tasks	315.3	207.0	437.5	718.1	1,677.9	512,565	306
Investigations and CDDA	216.5	139.9	135.1	40.5	532.0	264,353	497
Investment banking	57.0	47.0	-	-	104.0	55,960	538
IT Wind Down Project	5.5	1,059.3	314.5	-	1,379.3	638,582	463
KSF Capital Markets	773.3	73.6	324.2	0.7	1,171.8	682,157	582
Legal issues	629.5	688.0	25.6	17.0	1,360.1	717,960	528
Members	-	1.4	-	-	1.4	504	360
Non-Edge IT support	-	192.1	3.0	-	195.1	79,896	410
Other assets	639.3	1,024.8	558.9	769.0	2,992.0	1,154,558	386
Property	1,175.1	6,558.4	8,848.7	1,893.3	18,475.5	7,047,011	381
Public relations issues	10.0	42.1	-	2.0	54.1	17,553	325
Retail book	117.0	500.7	383.1	44.0	1,044.8	454,179	435
Retention of title issues	-	7.9	6.8	-	14.7	5,243	357
Sale process	622.0	1,480.4	1,362.0	303.2	3,767.6	1,642,469	436
Statutory duties	155.3	184.5	149.0	7.5	496.3	223,573	451
Trading	532.4	1,512.0	1,581.3	1,653.8	5,279.5	1,610,010	305
VAT and taxation	1,640.5	3,871.9	1,847.7	691.5	8,051.6	4,663,599	579
Total hours	**16,250.2**	**42,182.2**	**40,872.7**	**30,683.9**	**129,989.0**	**47,354,609**	**364**
Total time costs (£)	**11,431,585**	**19,790,785**	**11,186,722**	**4,945,517**	**47,354,609**		
Avg. hourly rate (£)	**703**	**469**	**274**	**161**	**364**		

Summary of Administrators' time costs for the period 8 April 2011 to 7 October 2011

	Breakdown of hours charged by grade						
Classification of work by function	Partner/ Director	Manager	Other senior professionals	Assistants & support	Total hours	Total time costs (£)	Avg. hourly rate (£)
Accounting and admin.	21.4	211.7	1,076	753.9	2,063.0	558,504	271
Asset Finance	85.5	147.7	-	-	233.2	141,608	607
Bank and statutory reporting	65.5	161.4	105.5	61	393.4	169,341	430
Banking book	366.4	1,636.4	858.1	485.8	3,346.7	1,413,930	422
Creditors	50.1	247.1	675	7	979.2	358,247	366
Debtors	-	2.9	-	-	2.9	1,496	516
Employee matters	145.3	81.4	111.7	-	338.4	183,345	542
Immediate tasks	2.8	-	-	-	2.8	2,058	735
Investigations and CDDA	11	-	-	-	11.0	8,470	770
IT Wind Down Project	2	532.4	-	-	534.4	254,079	475
KSF Capital Markets	52	-	-	-	52.0	38,280	736
Legal issues	72.3	44.5	4	17	137.8	80,767	586
Other assets	53	114.6	-	-	167.6	99,587	594
Property	17.1	155.1	7.5	-	179.7	101,362	564
Retail book	-	-	4.8	-	4.8	1,416	295
Statutory duties	15	0.4	19.5	4.2	39.1	16,172	414
Trading	8	20.8	-	-	28.8	16,952	589
VAT and taxation	152.8	518.2	220.6	138.6	1,030.2	586,451	569
Total hours	**1,120.2**	**3,875.8**	**3,082.7**	**1,467.5**	**9,545.0**	**4,032,063**	**422**
Total time costs (£)	**868,336**	**2,019,387**	**879,609**	**264,730**	**4,032,063**		
Average hourly rate (£)	**775**	**521**	**286**	**180**	**422**		

Charging and disbursement policy

Administrators' charging policy for fees

The size and complexity of the assignment has necessitated that the Administrators put in place a team of Ernst & Young personnel including specialists in financial services, real estate, taxation, systems and IT, HR, communications and other Advisory Services, as well as core restructuring personnel. The work required is delegated to the most appropriate level of staff taking account of the nature of the work and the individual's experience. Work carried out by all staff is subject to the overall supervision of the Administrators.

All time spent by staff working directly on case-related matters is charged to a time code established for the case. Each member of staff has a specific hourly rate, which is subject to change over time. Where the Administrators utilise the services of specialist departments within the Administrators' firm such as tax, these departments may charge a number of hours if and when the Administrators require their advice. These rates will vary and may exceed those of the Administrators' restructuring staff.

The rates used by the Administrators may periodically rise over the period of the Administration but are, however, subject to the agreement of the Creditors' Committee.

Administrators' charging policy for disbursements

Statement of Insolvency Practice No.9 divides disbursements into two categories:

Category 1 disbursements are defined as specific expenditure relating to the administration of the insolvent's affairs and referable to payment to an independent third party. Such disbursements can be paid from the insolvent's assets without approval from the Creditors' Committee or the general body of creditors. In line with SIP 9, it is our policy to disclose Category 1 disbursements drawn but not to seek approval for their payment.

Category 2 disbursements are charges made by the office holder's firm that include elements of shared or overhead costs. SIP 9 provides that such disbursements are subject to approval as if they were remuneration. It is our policy, in line with SIP 9, to seek approval for Category 2 disbursements before they are drawn.