

The Insolvency Act 1986

**Administrators' progress report**

Name of Company

Kaupthing Singer &amp; Friedlander Limited (In Administration)

Company number

00875947

In the High Court of Justice, Chancery Division,  
Companies Court

[full name of court]

Court case number

8805 of 2008

(a) Insert full name(s)  
and address(es) of  
administrator(s)

We (a) Margaret Elizabeth Mills, Alan Robert Bloom, Patrick Joseph Brazzill and Benjamin

Thom Cairns of Ernst &amp; Young LLP, 1 More London Place, London SE1 2AF

administrator(s) of the above company attach a progress report for the period

from

to

(b) Insert dates

(b) 8 October 2014

(b) 7 April 2015

Signed



Joint Administrator

Dated

**Contact Details**

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record.

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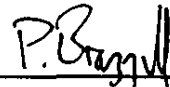
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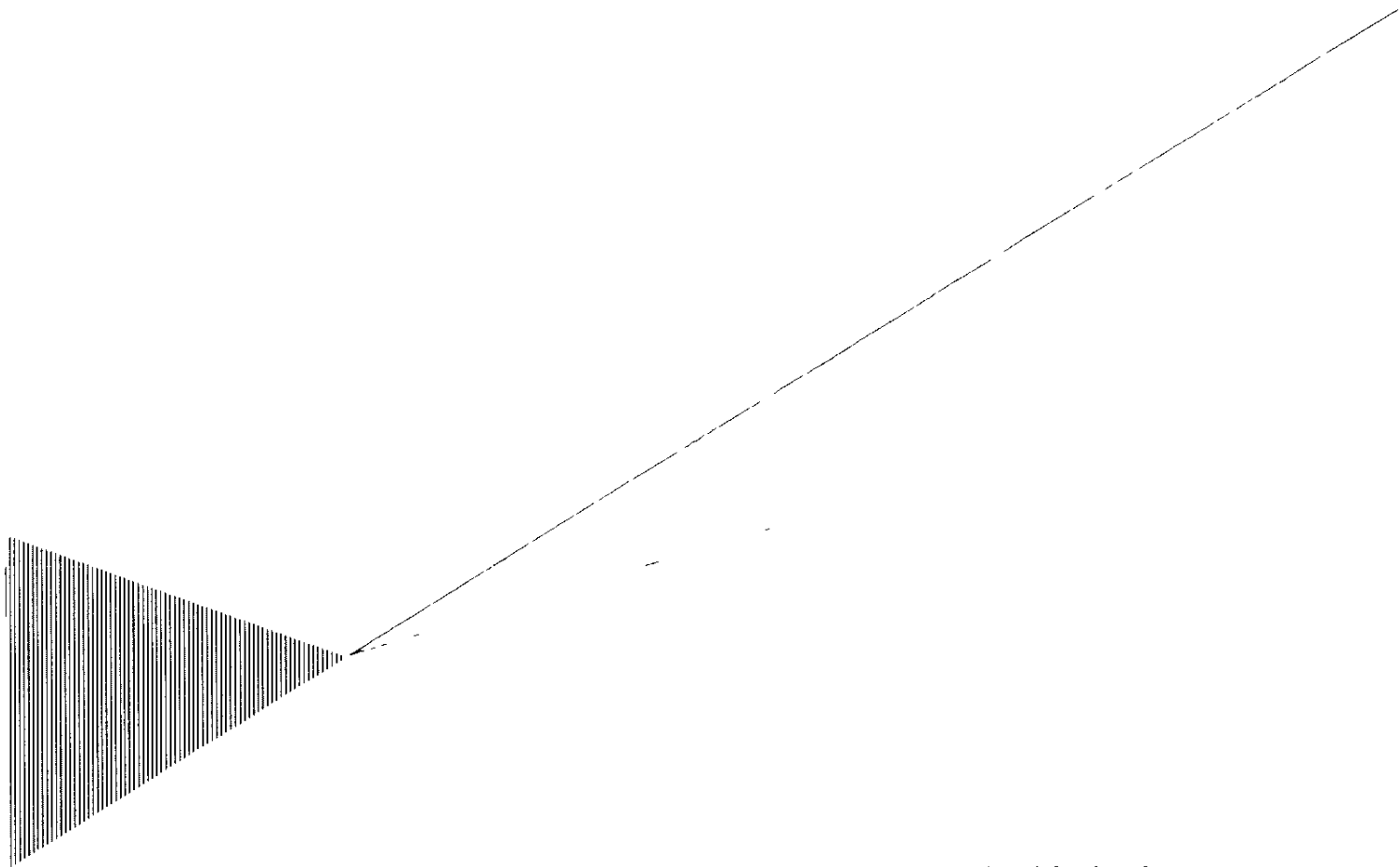
Signed



Joint Administrator

Dated

7 May 2015



**Kaupthing Singer & Friedlander Limited -  
(In Administration)**

Administrators' Progress Report to creditors for the  
six month period from 8 October 2014 to 7 April 2015



**Building a better  
working world**

## Abbreviations

The following abbreviations are used in this report

Administrators	Up to 26 April 2013, Margaret Elizabeth Mills, Alan Robert Bloom, Patrick Joseph Brazzill and Thomas Merchant Burton all of Ernst & Young LLP. From 26 April 2013 and for the period covered by this report, Margaret Elizabeth Mills, Alan Robert Bloom, Patrick Joseph Brazzill and Benjamin Thom Cairns all of Ernst & Young LLP
CfD	Contract for difference
Edge	The Edge internet deposit facility
FCA	Financial Conduct Authority
FSCS	Financial Services Compensation Scheme
Funding	Singer & Friedlander Funding plc
HMRC	Her Majesty's Revenue & Customs
IT	Information technology
Khf	Kaupthing Bank hf
KSF	Kaupthing Singer & Friedlander Limited
KSF Group	KSF and its subsidiary companies
KSFIOM	Kaupthing Singer & Friedlander (Isle of Man) Limited
LPA	Law of Property Act 1925
LTV	Loan to Value
Overriding Objectives	Certain objectives set out in the Transfer Order which overrode those in paragraph 3(1) of Schedule B1 to the Act for a period of six months from 8 October 2008
SAF	Singers Asset Finance
Scheme	Singer & Friedlander Limited Pension and Assurance Scheme
SFAM	Singer & Friedlander Asset Management LLP, subsequently SFAM Ltd
SFCM	Singer & Friedlander Capital Management Limited
SFIM	Singer & Friedlander Investment Management Limited
SIP	Statement of Insolvency Practice
SoA	Statement of Affairs
SSA	Services and Secondment Agreement
The Act	The Insolvency Act 1986 (as amended)
The Rules	The Insolvency Rules 1986 (as amended)
Transfer Order	Kaupthing Singer & Friedlander Limited Transfer of Certain Rights and Liabilities Order 2008 (as amended)

## Notice: about this report

This report has been prepared by the Administrators solely to provide creditors with additional information concerning the progress of the administration in accordance with Rule 2.47(3) of the Rules. Nothing in this report should be relied upon for any purpose including, without limitation, in connection with any investment decision in relation to the debt, securities or any other financial interest of any member of the KSF Group including for the avoidance of doubt any decision to buy or sell or not to buy and sell any debt, securities or other financial interest. Anyone making such investment decisions should rely on their own enquiries prior to making such decisions and none of the Administrators, Ernst & Young LLP, its partners, members, employees, professional advisers or agents accept any liability and/or assume any duty of care to any third party, (whether it is an assignee or successor of another third party or otherwise) in respect of this report.

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

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

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

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

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

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# **1. Introduction**

## **Background**

On 8 October 2008, KSF entered into administration and ME Mills, AR Bloom, PJ Brazzill and TM Burton were appointed to act as Administrators by order of the High Court in London. TM Burton was replaced by BT Cairns on 26 April 2013. Under the terms of the appointment, any act required or authorised to be done by the Administrators may be carried out by any one of them.

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

This report, including its appendices, constitutes the Administrators' thirteenth 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 October 2014 to 7 April 2015 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](http://www.kaupthingsingers.co.uk)

## **Summary of the administration objectives**

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

- ▶ Ensuring that KSF provides, and manages the affairs, business and property of KSF to enable it to provide, the services and facilities reasonably required by ING to discharge its obligations in respect of the rights and liabilities under the second transfer (as defined in the Transfer Order)
- ▶ Ensuring that KSF performs the other obligations imposed on it by or under the Transfer Order

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

The key focus of the administration continues to be recovering the outstanding loans from the banking loan book.

## **Creditors' Committee**

The Administrators and their staff continue to meet regularly with the Creditors' Committee to provide them with our reports on the progress of the administration and to consult with them on any major matters, by way of actual meetings or via conference calls. These and other Committee matters are dealt with separately in the body of this report.

## **Permission to make distributions and extension to the administration**

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

Creditors will be aware that two extensions to the administration have been ordered by the Court, following the Administrators' application, and the extension expires on 7 October 2015.

The Administrators are in the process of preparing a court application to apply for a third extension of the administration of three years. It is expected the application will be submitted during May / June 2015. In our last report it was anticipated that a two year extension would be applied for. However, because of significant ongoing litigation and ongoing delays to recovery of monies from the Khf estate (also involving some litigation in Iceland), the Administrators consider that a two year extension is unlikely to be sufficient to conclude the administration at this time.

## **Future reporting**

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

## **2. Summary of key developments**

### **Progress in the period**

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

- ▶ Banking loan book recoveries of £21m, increasing total loan recoveries to £2,197m as at 7 April 2015,
- ▶ The twelfth dividend was paid on 10 December 2014 at a rate of 1p in the £,
- ▶ The IT system was successfully migrated to a third party service provider in November 2014,
- ▶ KSF has successfully moved its head office and operations to the office of the Joint Administrators,
- ▶ In respect of proceedings issued against a derivative counterparty regarding funds totalling \$65m which were paid to Khf in error, a judgment was handed down in the High Court in favour of the derivative counterparty on the basis of an estoppel by convention. The Administrators were granted leave to appeal the judgment by the Court of Appeal and an appeal hearing has been scheduled for June 2015

Full details of recoveries made for the period of this report together with the total realisations to 7 April 2015 are set out in the Administrators' receipts and payments account at Appendix A

### **Dividends to creditors**

On 29 September 2014, a notice of intention to declare a twelfth dividend to unsecured creditors was issued and a copy published at [www.kaupthingsingers.co.uk](http://www.kaupthingsingers.co.uk)

The twelfth dividend was subsequently paid on 10 December 2014 at a rate of 1p in the £ and dividends paid to date total 82 5p in the £

The estimated range for total dividends to non-preferential creditors remains at 85p-86 5p in the £

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



### 3. Update on conduct of the administration

#### Banking loan book

##### KSF loan books

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

(£'m)	SoA net book values as at 8 October 2008	Actual capital cash collections to 7 April 2015	Actual total cash collections to 7 April 2015
Corporate	631	677	734
Property	864	568	600
Private Banking	1,115	805	863
<b>Total</b>	<b>2,610</b>	<b>2,050</b>	<b>2,197</b>

##### Notes

- 1 Cash collections are converted into sterling as at transaction date exchange rates
- 2 Corporate banking receipts exclude cash received from warrant cancellations and swap settlements of c. £26m
- 3 Property banking receipts exclude swap settlements of c. £1m
- 4 Differences between the loan book receipts as per the receipts and payments account to 7 April 2015 (Appendix A) and the above table are explained below

Loan book recovers to 7 April 2015 total £2,197m, consisting of £2,050m capital repayments, £133m interest repayments and £14m in fees

Creditors should note that the above table translates all foreign currency receipts into Sterling ("GBP") at transaction date exchange rates. However, the receipts and payments account, attached at Appendix A, translates foreign currency balances into GBP as at the reporting date, being 7 April 2015. The receipts and payments account also includes amounts received in respect of swap settlements and warrant cancellations, which are not presented above.

The Administrators continue to focus on maximising recoveries from KSF's loan book, accelerating receipts from borrowers wherever possible in order to enhance realisations for creditors within reasonable timescales.

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

The Administrators continue to authorise further drawdown payments to customers if it is believed that this will preserve or enhance KSF loan book recoveries. To date, drawdown payments total £52m, of which £50m has been recovered through capital repayments on the associated loans. The net drawdown position is, therefore, £2m. Where permitted by facility agreements with the borrowers, KSF continues to charge interest at an appropriate commercial rate on any drawdown payments made to customers.

Provisions for bad and doubtful debts in respect of the loan book are reviewed monthly on a loan by loan basis or on an ad-hoc basis in light of any new developments, and are subject to the Administrators' approval. Write-offs during the administration currently total £688m, excluding sub participations, following a net write back of £4m during the period in question as a result of the successful outcomes of KSF's claims against valuers referred to below. Creditors should note that each write-off is stated against the gross value of the respective loan, and not against the net book values detailed within the SoA.

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

Individual loan exposures are regularly reviewed at Credit Committee meetings in the context of any recent developments or newly available information. Loan book strategies are then revised to seek to ensure the maximum recovery is realised for creditors. Based on current information, the estimated realisable value of the remaining loans in the KSF loan book is approximately £34m.

As previously reported, KSF had sub-participations in a number of private banking loans advanced by KSFIOM with a value of £167m in the Directors' SoA. The loans represented a claim against KSFIOM which was subject to mandatory set-off against the claim submitted in the administration of KSF by KSFIOM and, therefore, no cash realisations will be received in respect of the sub-participations.

Similarly, KSF held a number of sub-participation positions in corporate loans advanced by Khf with a value of £190m in the Directors' SoA. The loans represent a claim against Khf which are included within the agreed unsecured claim in the Khf winding up proceedings. Further information in respect of the Khf claim can be found later in this report.

### Private Banking

Actual cash collected (£'m)	8 October 2008 to 7 October 2014	6 months from 8 October 2014 to 7 April 2015	8 October 2008 to 7 April 2015
Capital	800	5	805
Interest	56	-	56
Fees	2	-	2
<b>Total</b>	<b>858</b>	<b>5</b>	<b>863</b>

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

As at 7 April 2015, the private banking book holds accounts for 7 borrowers and comprises three segments, being property, yachts and "other", which represent approximately 55%, 30%, and 15% of the private banking book respectively, by the value of amounts outstanding. "Other" includes securities backed loans and unsecured loans.

At the date of this report, KSF holds one regulated mortgage. The Administrators are holding discussions with the borrower with regard to refinancing prior to expiry of the loan.

In our last report, creditors were advised the private banking portfolio had one yacht position outstanding, and this position remains unchanged. At the time of our previous report, the majority of this loan had been repaid and the terms of settlement provided for two deferred payments to be received in December 2014 and December 2015. The first of these payments has been received and accounts for the majority of realisations in the period. The second and final payment is expected in December 2015.

### Corporate loan book

Actual cash collected (£'m)	8 October 2008 to 7 October 2014	6 months from 8 October 2014 to 7 April 2015	8 October 2008 to 7 April 2015
Capital	677	-	677
Interest	49	-	49
Fees	8	-	8
<b>Total</b>	<b>734</b>	<b>-</b>	<b>734</b>

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

Creditors will recall that, as at the date of the last report, the final syndicated loan position in the Corporate loan book was sold which enabled the Administrators to achieve an early realisation and eliminate any risk with respect to future refinancing of the facility.

It was also reported that a sum of c. £2.5m had been realised in respect of a loan that had previously been written off. This was in respect of a loan where KSF was acting as agent and one of the lenders and KSF has received these funds. Both KSF and Khf had been funding investigations by the liquidators of the corporate borrowers and some of the proceeds realised by the liquidators will be

paid to Khf. The facility and agency arrangements are complex and the Administrators have taken legal advice as to the entitlement of KSF and Khf and continue to progress the matter.

### Property loan book

Actual cash collected (£'m)	8 October 2008 to 7 October 2014	6 months from 8 October 2014 to 7 April 2015	8 October 2008 to 7 April 2015
Capital	552	16	568
Interest	28	-	28
Fees	4	-	4
<b>Total</b>	<b>584</b>	<b>16</b>	<b>600</b>

As at 7 April 2015, the property loan book holds accounts for 12 borrowers and comprises two segments, being overseas property and UK property, which represent 95% and 5% of the property loan book respectively, by the value of amounts outstanding. The overseas property is situated in France, Barbados and St Lucia.

A number of sales, negotiated refinances and settlements have resulted in total realisations of £16m in the period. This primarily relates to a refinanced French property (€1.65m), the sale of a French property (€1.3m), the sale of a property in Barbados (\$7.4m) and the settlement received following a claim made by the Administrators against a valuer (see below for further details).

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

However, in cases where borrowers are uncooperative or have breached the terms of the facility, the Administrators have sought to enforce KSF's security by appointing Administrators over the borrower concerned or Receivers over the property against which KSF has security or they are commencing legal proceedings. Of the remaining 12 loan accounts, 5 are subject to such enforcement action.

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

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

For a small number of property loans, it was apparent that valuations undertaken at the time that the loan was granted had significantly overvalued the underlying property. As such, claims have been brought against the valuers concerned for losses incurred as a result of KSF placing reliance on the valuations to form a lending decision. As mentioned above, we are pleased to report that the settlement of £9m previously reported as having occurred after the last reporting period has concluded and was received in the period. Further, another settlement that was outstanding was also concluded for a value of £135k. There are no further similar claims outstanding.

### Kaupthing Bank hf

As previously reported, KSF's agreed unsecured claims in the Khf winding-up proceedings amount to £406.3m. The only component of the KSF claim which remains unresolved relates to the derivative counterparty payment in error prior to administration, with a gross value of approximately £36.8m (\$65m). The settlement of this component of the KSF claim is subject to the outcome of ongoing Icelandic and UK legal proceedings with the derivative counterparty (see below).

One other matter which remains outstanding as between Khf and KSF relates to the proceedings in the District Court of Reykjavik in respect of the proposed rescission of the repurchase of two bonds by Khf in May 2008.

The Administrators are advised that there have been some recent developments in relation to related rescission proceedings which provide guidance on next steps to progress such cases. Dependent

upon the approach of the Court in the other proceedings, our understanding is that the matter is now unlikely to proceed to trial before early 2016

As regards the Khf winding-up proceedings, the Winding-up Committee held a formal creditors' meeting on 22 April 2015 at which they presented an update on the financial position of Khf as at 31 December 2014. Further information in relation to the Khf Winding-up proceedings, including copies of progress reports and presentations made at creditors' meetings, are available on the Khf website ([www.kaupthing.com](http://www.kaupthing.com)), and provide greater detail in respect of all matters relating to the Khf estate. As creditors will be aware, the principal barrier to Khf issuing a composition proposal to its creditors is the existence of Icelandic capital controls, which require the Khf Winding-up Committee to obtain an exemption from the Central Bank of Iceland to the terms of a draft composition proposal. The Administrators understand that the Icelandic Government and the Central Bank of Iceland have recently commented that economic conditions have improved and that they are considering steps in relation to the relaxation of the capital controls, although no formal indication of the timing or nature of these steps has been provided.

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

#### **Funds paid to Khf in error prior to KSF's administration**

As previously reported, the Court of Appeal upheld the Administrators' application for leave to appeal the judgment of the High Court in respect of the proceedings against a derivative counterparty in relation to funds in the amount of \$65m which were paid to Khf in error shortly prior to KSF's administration.

The appeal application is listed to be heard by the Court of Appeal in the week commencing 8 June 2015.

In relation to costs, we have previously reported that the Judge at first instance ordered that KSF make an interim costs payment to the derivative counterparty in the amount of £0.6m, which was duly made. The Administrators have subsequently made a balancing payment of £0.4m in full and final settlement of costs arising in relation to the first instance proceedings. The costs paid to the derivative counterparty would only be recoverable by KSF if it is successful in the appeal application.

## **4. Creditor update**

### **Non-preferential creditors**

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

The Administrators have received a total of 1,054 claims as at 7 April 2015, with a gross value of c £5.5bn, of which 483 claims (c £0.6bn) were received from non-Edge depositors. The remaining 571 claims (c £4.9bn) arise from all other aspects of KSF's business including repurchase and derivative counterparties, CfD clients, landlords, trade creditors, employees, employee taxes, pension scheme, associated companies and the FSCS in relation to Edge accounts. The claims of these creditors rank equally as non-preferential claims.

As at 7 April 2015, claims to the value of c £4.1bn have been admitted to rank for dividend and c £1.4bn have been rejected. The current estimated maximum claims are not expected to exceed c £4.1bn.

In the period, the Administrators have been contacted by some creditors advising that they have assigned their debts to third parties. Whilst these assignments do not have an impact on the overall value of claims admitted for dividend, they do require adjustment to the Administrators' records in relation to the assigned claims, and have increased the number of admitted claims by 31, where some claims have been divided amongst two or more assignees.

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

At the time of paying each dividend, the Administrators are required to make provision for the dividend entitlements payable in respect of those claims which were disputed or not agreed in whole or part at the date of the dividend. Accordingly, as and when these claims are resolved, funds reserved at prior dividends are used to settle any dividend entitlements attributable to the finalised claims, and any surplus funds reserved against such claims released back to the estate.

### **Dividends to non-preferential creditors**

In accordance with the Notice of Intended Dividend issued to creditors on 29 September 2014, the Administrators declared and paid a twelfth dividend of 1p in the £ on 10 December 2014.

Funds in the amount of c £40.99m were distributed to unsecured creditors with agreed claims totalling £4,099m. No provision was made in respect of claims not agreed as there were none at the date of the dividend.

Future dividends will be paid subject to consultation with the Creditors' Committee, and when the level of distributable funds makes it cost effective to do so. As previously reported, the Administrators have agreed with the Creditors' Committee that, for the time being, the minimum dividend payable will be 0.5p in the £ and, if greater, will be paid at minimum increments of 0.25p in the £, which equates to the distribution of funds in the amount of c £10m. The Administrators will continue to use the KSF website to provide updates in relation to dividend timing in between progress reports.

Creditors should note that as the majority of the assets, other than the outstanding loan book and the claim against Khf, have been collected, the level of future dividend payments will be dependent on the timing and quantum of ongoing loan book recoveries and distributions from Khf.

The Administrators are not in a position to provide confirmation of the exact timing or quantum of any dividends beyond the twelfth dividend at this time. However, the historical distribution timetable is set out below

Dividends	Date of Distribution	Quantum (p in £)
First dividend	22 July 2009	20p in £
Second dividend	9 December 2009	10p in £
Third dividend	30 March 2010	5p in £
Fourth dividend	28 July 2010	10p in £
Fifth dividend	8 December 2010	8p in £
Sixth dividend	25 May 2011	5p in £
Seventh dividend	5 October 2011	5p in £
Eight dividend	2 May 2012	10p in £
Ninth dividend	31 October 2012	3p in £
Tenth dividend	6 June 2013	3p in £
Eleventh dividend	18 December 2013	2.5p in £
Twelfth dividend	10 December 2014	1p in £
Total paid to date		82.5p in £
Thirteenth Dividend	Estimated to be Q1 2016	Not less than 0.5p in £

#### Estimated outcome for creditors

On the basis of forecast recoveries from the banking book, prudent estimates of realisations from other assets, maximum estimates of unsecured claims and current market conditions not deteriorating, the Administrators estimate that total dividends to non-preferential creditors remain in the range of 85p-86.5p in the £. The Administrators would stress that this estimate could be lower or higher as there are significant issues which may impact either future realisations or the level of claims from creditors, and thus the estimate is indicative and cannot be relied upon.

#### Non-Edge deposit book

As previously reported, the Administrators and the FSCS continue to work closely in accordance with the agreed framework and timetable for the provision of information in respect of payments made by the FSCS to non-Edge depositors prior to payment of each dividend. Whilst the FSCS have processed almost all of the compensation claims they have received, this process remains essential to ensure that depositors do not receive compensation from the FSCS as well as a dividend from the administration.

## **5. Other matters**

### **Receipts and payments account**

Please find attached at Appendix A the Administrators' receipts and payments account for the period 8 October 2008 to 7 April 2015, which includes a summary of the receipts and payments for the reporting period. All receipts and payments are shown inclusive of VAT, where applicable.

As detailed in the notes to the receipts & payments account, foreign currency transactions occurring in currencies other than Euro and US Dollar are converted into Sterling using the exchange rate as at the relevant date of each transaction. With regard to Euro and US Dollar, these currency transactions are converted into Sterling using the exchange rate as at 7 April 2015.

The funds in the Administrators' control are held across a number of clearing banks in order to mitigate risk. Some monies are invested in low risk, short term money markets in order to achieve a greater rate of return than if left in a standard business current account.

The Administrators' receipts and payments account is a statement of cash received and cash paid out and does not reflect estimated future realisations or costs.

### **Statement of Affairs**

As previously reported, in view of the redaction of the Directors' SoA we have not reflected the Directors' estimated to realise valuations as required under SIP 7 in the receipts and payments account attached at Appendix A.

### **Creditors' Committee**

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

The Committee continues to attend the formal meetings and providing their opinions by way of consultation on major issues. We wish to express our thanks for this assistance and the considerable time they have committed to date.

The membership of the Committee during this reporting period was constituted as follows:

- 1 Cats Protection,
- 2 Financial Services Compensation Scheme Limited,
- 3 Peterborough City Council,
- 4 The Trustees of The Singer & Friedlander Limited Pension and Assurance Scheme, and
- 5 Kaupthing Singer & Friedlander (Isle of Man) Limited (In Liquidation)

As previously reported, KSF/OM, who were previously a member of the Committee, ceased to be a member of the Committee with effect from 9 October 2014.

Further, The Trustees of The Singer & Friedlander Limited Pension and Assurance Scheme also ceased to be a member of the Committee with effect from 23 December 2014.

The remaining three members of the Creditors' Committee continue to act.

### **Subsidiary companies**

#### ***Singer Asset Finance subsidiaries (Asset Finance)***

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

As reported previously, a payment of £14.75m from the first escrow account (which held £15.3m), was received in October 2013. This payment was approximately £1.5m higher than was originally anticipated and Shawbrook also paid a sum of £0.6m in respect of tax losses surrendered by KSF to Shawbrook.

I am pleased to report further sums of £2.74m and £0.6m were received from the escrow accounts in January 2015. There remains £0.28m in the remaining escrow account and this must remain until a tax enquiry window has closed. Subject to any queries HMRC raise, we anticipate these monies will be realised in Q1 2016.

### ***Singer & Friedlander Investment Management Group***

As previously reported, the final pre-liquidation corporation tax returns of SFIM and SFCM have been submitted to HMRC. Further information is required by HMRC which is in the process of being provided. This should enable HMRC to issue tax clearance to the Joint Liquidators who will then be in a position to make a distribution to KSF as shareholder and close the liquidations.

### ***Other subsidiary companies***

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

A summary of the direct / indirect subsidiaries which have been placed into solvent liquidation or dissolved via strike off procedure is set out in the table at Appendix C.

It was previously reported that the liquidation of Sinjul Investments Limited and Kaupthing Limited would remain open for the foreseeable future, as both entities have capital losses which could be utilised by KSF, if required. Having concluded that it is highly unlikely that any capital gains will arise for KSF to utilise these losses, the liquidations shall be closed imminently and a distribution shall be made to KSF from Kaupthing Limited.

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

### ***Operational matters***

#### ***Closedown***

At the date of the last report, the administration was being conducted from KSF's former trading premises at, New Street, London, which was being occupied by SFAM and the administration team. The SFAM team continue to be based in New Street.

As advised previously, the premises were vacated prior to the end of December 2014 and, going forward, the administration team will operate from EY's offices.

#### ***Information Technology matters***

The Administrators, with the assistance of the IT and operations team seconded from SFAM, review KSF's IT systems and costs as an ongoing process. Subject to ongoing business needs, costs are reduced wherever possible.

KSF is required to retain data as part of legal and regulatory requirements. A long-term data retention environment has been specified and built, with non-mandatory applications and functions wound down to leave a core of key applications that allow the loan book to continue to be managed, which will allow data to be retained indefinitely to the Administrators' order. Operating and support procedures for this core system have been documented and tested for effectiveness and accuracy.

In the last report, creditors were advised that the Administrators had put the process out to tender and after consideration, it was awarded to a third party to store and host the core system going forward. Hardware maintenance is also being carried out externally, with the service being provided by a different provider.

I am pleased to report that as a result of this preparation, the IT system was successfully migrated in November 2014.



### **Services and Secondment Agreements of SFAM**

Creditors will recall that the second and third SSAs, by which all remaining employees of KSF who were transferred to SFAM were being seconded to KSF expired on 31 December 2014

The Administrators considered that the most effective approach would be to continue to use the former banking staff with regards to the collection of the loan book, and maintaining operations and regulatory compliance. This relationship is governed by the Fourth SSA which currently runs to 31 December 2015 and is in respect of the front, back and middle office operations

### **Regulatory and Compliance**

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

KSF holds one regulated mortgage, as noted above. Once this loan has been exited or closed, KSF will apply to remove its remaining regulatory permissions to further reduce reporting requirements.

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

### **Administrators' remuneration and disbursements**

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

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

The Administrators' total hours and time costs relating to the twelve six-month periods since the date of appointment are provided below.

<b>Period to</b>	<b>Total time costs (£)</b>	<b>Total hours</b>	<b>Avg hourly rate (£)</b>
7 April 2009	17,941,057	48,746	368
7 October 2009	8,403,547	25,920	324
7 April 2010	6,608,869	18,409	359
7 October 2010	5,676,906	15,137	375
7 April 2011	4,692,167	12,232	384
7 October 2011	4,032,063	9,545	422
7 April 2012	3,941,098	9,223	427
7 October 2012	3,431,717	8,420	408
7 April 2013	2,783,280	6,540	426
7 October 2013	2,967,288	6,733	441
7 April 2014	1,758,862	4,615	381
7 October 2014	1,568,464	3,107	505
7 April 2015	1,457,924	2,775	525
<b>Total</b>	<b>65,263,242</b>	<b>171,402</b>	<b>381</b>

In accordance with SIP 9, attached at Appendix D is an analysis of the time incurred and the associated costs for the administration as a whole and the period in question. As previously reported, the above time costs are inclusive of the Administrators' time costs recovered from ING in the amount of £3.5m pursuant to the transfer of the Edge depositors' accounts.

To date, disbursements of £0.4m plus VAT (inclusive of Category 2 disbursements) have been incurred, of which c. £12k plus VAT were incurred during the period. Category 2 disbursements are charges made by the office holder's firm that include elements of shared or overhead costs.

## Appendix A Receipts and payments account for the period 8 October 2008 to 7 April 2015

	Receipts & Payments for the period 8 October 2008 to 7 October 2014	Presentational foreign exchange movements on historical Receipts & Payments	Receipts & Payments in six months to 7 April 2015	Total	Notes
	£'000 <sup>1</sup>	£'000 <sup>2</sup>	£'000 <sup>3</sup>	£'000	
<b>Receipts</b>					
Cash taken over	416,580	2,697	49	419,326	6
Property loans	579,240	(42)	15,501	594,699	7
Private banking	839,422	1,030	4,742	845,194	8
Corporate loans	746,718	(1,062)	24	745,680	9
Asset Finance	581,063	-	-	581,063	10
Realisations from Transitional Service Agreements	14,493	-	18	14,511	11
Tax	21,356	-	215	21,571	12
Rental income	5,779	-	-	5,779	
Share realisations and dividends	415,921	(2,652)	3,524	416,793	13
Financial instrument receipts	299,721	1,550	-	301,271	14
Inter-account cross currency receipts	833,398	-	8,920	842,318	15
Other realisations and interest	75,181	(106)	114	75,189	16
<b>Total receipts</b>	<b>4,828,872</b>	<b>1,415</b>	<b>33,107</b>	<b>4,863,394</b>	
<b>Payments</b>					
Supplier payments	23,694	27	74	23,795	17
Staff wages and related expenses	85,502	1	164	85,667	18
Drawdown payments	51,522	284	5,591	57,397	19
Legal and other professional fees	51,224	-	1,779	53,003	20
Transaction costs relating to SAF sale	10,588	-	-	10,588	
Insurance	985	-	48	1,033	
Administrators' fees	72,970	-	2,298	75,268	21
Administrators' disbursements	486	-	14	500	
Rent, rates and utilities	24,361	-	-	24,361	
Tax	496	-	-	496	
Financial instrument settlements	5,622	-	-	5,622	22
Inter-account cross currency payments	794,885	1,060	8,671	804,616	15
Cheques and direct debits released post admin	1,204	-	-	1,204	23
Bank charges and interest	428	(8)	4	424	
<b>Distributions</b>					
Distribution to preferential creditors	305	-	-	305	
Distribution to unsecured creditors	3,644,013	-	40,947	3,684,960	24
<b>Total payments</b>	<b>4,768,295</b>	<b>1,364</b>	<b>59,590</b>	<b>4,829,239</b>	
Foreign exchange gain/(loss)	150	-	-	150	5
<b>Closing balance</b>	<b>60,737</b>	<b>51</b>	<b>(26,483)</b>	<b>34,305</b>	25

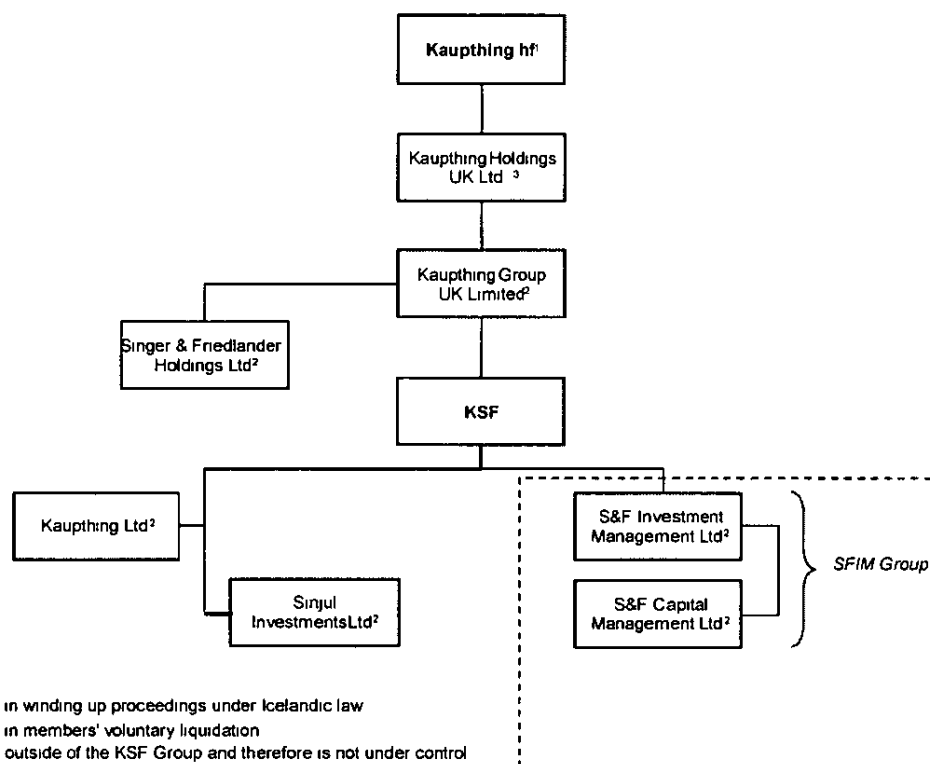
## Notes

- 1 All receipts and payments are presented in Sterling and amounts are inclusive of VAT where applicable
- 2 Receipt and payments as per our progress report to 7 April 2015 are stated gross of presentational foreign exchange differences
- 3 Presentational foreign exchange differences show the effect of movement in Euro and US Dollar exchange rates within the period of 8 October 2014 to 7 April 2015 on all historical Euro and US Dollar receipts and payments reported to 7 April 2015
- 4 Receipts and payments within the six months to 7 April 2015 show all receipts and payments made within the period 8 October 2014 to 7 April 2015. Transactions occurred throughout the period at the exchange rates on the relevant date of transaction. This column translates all receipts and payments into Pounds Sterling as at the period end exchange rate date of 7 April 2015. Therefore this column will include foreign exchange differences on Euro and US Dollar receipts and payments within the period
- 5 Foreign currency transactions occurring in AUD, CAD, HKD, JPY, NOK and NZD are converted into Pounds Sterling using the exchange rate as at the relevant date of each transaction. The 'Foreign exchange gain/loss' line shows the effect of changes in exchange rate when physically transferring funds from these foreign currency accounts into Sterling accounts
- 6 Cash taken over represents monies belonging to KSF and previously held by certain third party banks. These funds are now under KSF's control
- 7 A combination of capital repayments, interest and fee payments from the property loan book
- 8 A combination of capital repayments, interest and fee payments from the private banking loan book
- 9 A combination of capital repayments, interest and fee payments from the corporate loan book as well as cash received from warrant cancellation and swap settlements
- 10 A combination of capital repayments and interest payments from the Asset Finance subsidiaries
- 11 This represents payment for services provided in respect of businesses that have been sold or transferred (SFIM, SAF and Edge)
- 12 This amount relates to money received post administration in respect of tax bills paid in July and August 2008 on behalf of various Asset Finance subsidiaries and subsequent tax refunds received
- 13 This represents receipts from the sale of shares and receipt of dividends
- 14 This is the product of closed Financial Instrument positions including ISDA valuation settlements, Bond maturities and Coupons, Repurchase Agreements and Equity Swaps
- 15 The movement in inter-account cross currency receipts & payments can be mainly attributed to the transfer of funds held in the foreign currency bank accounts to the Pounds Sterling account to facilitate distributions to creditors
- 16 This includes sundry debtors' interest received and miscellaneous receipts such as proceeds from the sale of chattel assets and fee refunds
- 17 Supplier payments in relation to ongoing costs including expenditure on IT
- 18 This represents payments for staff wages and related expenses. The amount paid to 7 April 2015 is higher than that previously reported due to incentive payments made to SFAM
- 19 These payments are drawdowns provided to existing customers across the loan books in respect of loans which have open facilities funded by KSF where the Administrators have assessed that the further drawings will enhance realisations or reduce potential claims
- 20 Legal and other professional fees relate to legal advice obtained, court proceedings and litigation conducted in connection with various issues across the administration. Professional fees paid to SFAM are also included in this line
- 21 Administrators' fees relate to amounts actually billed during the current period and therefore differ from the amounts incurred in the period as per the SIP 9 in Appendix D
- 22 These figures represent treasury derivatives close out agreements between KSF and two counterparties involving FX, Interest rate and Equity Swaps
- 23 These payments were released immediately after appointment and before any stop could be placed on them
- 24 The amount distributed to unsecured creditors increased by £40,947m during the period. This differs from the figure quoted in Section 4 of the report by £42k relating to a dividend payable to a creditor which was retained by the Administrators as recovery of an overpayment of a previous dividend following a reassessment and reduction of the creditors' claim
- 25 The closing balance represents total receipts less total payments, including all foreign exchange movements for the period from 8 October 2008 to 7 April 2015. Further, over the period of administration, third party funds totalling c £86m have been received and returned, which do not form part of the estate. The Administrators return funds to third parties as soon as reasonably practicable. At the date of this report, a sum of c £3,000 was being held pending the return payment

## Appendix B Statutory and other information as at 7 April 2015

<b>Company Information</b>	
<b>Registered number</b>	00875947
<b>Company name</b>	Kaupthing Singer & Friedlander Limited
<b>Current trading address/ registered office address</b>	1 More London Place London SE1 2AF
<b>Former trading address</b>	One Hanover Street London W1S 1AX
<b>Previous names</b>	Singer & Friedlander Limited until 22 August 2006
<b>Details of the Administrators and of their appointment</b>	
<b>Administrators</b>	ME Mills, AR Bloom, PJ Brazzill and BT Cairns of Ernst & Young LLP, 1 More London Place, London, SE1 2AF
<b>Date of appointment</b>	8 October 2008 (ME Mills, AR Bloom and PJ Brazzill) 26 April 2013 (BT Cairns)
<b>By whom appointed</b>	The appointment of ME Mills, AR Bloom and PJ Brazzill was made by the High Court of Justice, Chancery Division, Companies Court on the application of the Financial Services Authority. The appointment of BT Cairns was made by the High Court of Justice, Chancery Division, Companies Court on the application of the continuing Joint Administrators following the resignation of TM Burton.
<b>Court reference</b>	High Court of Justice, Chancery Division, Companies Court – case 8805 of 2008
<b>Division of the Administrators' responsibility</b>	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.
<b>Period of administration</b>	First extension to 7 October 2012 granted by Court on 24 April 2009 Second extension to 7 October 2015 granted by Court on 13 August 2012
<b>Prescribed Part</b>	The Administrators have established that there are no valid fixed or floating charges registered against KSF. In the absence of a floating charge, there are no monies required to be set aside to creditors under s176A of the Act being under the 'Prescribed Part' formula.
<b>Statement Concerning the EC Regulation</b>	
<b>EC Regulation Statement</b>	In accordance with the Credit Institutions (Reorganisation and Winding Up) Regulations 2004, the EC Council Regulation on Insolvency Proceedings does not apply to this administration. Under these Regulations the administration is conducted according to UK insolvency legislation and is not governed by the insolvency law of any other European Economic Area member State.

## Appendix C Kaupthing Singer & Friedlander – group structure at 7 April 2015



### Notes

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

### Direct / Indirect Subsidiaries

Members' voluntary liquidation	Date of appointment	Date struck off the register
Singer & Friedlander Investment Management Holdings Limited	31 March 2009	7 June 2011
KB Retail Advisory Limited	16 June 2009	27 December 2010
Singul Investments Limited	16 June 2009	
Wintrust Securities Limited	16 June 2009	27 December 2010
Kaupthing Limited	02 July 2009	
Peaston Emerson s Green Limited	11 November 2009	27 December 2010
Singer & Friedlander Trade Finance Limited	21 April 2010	25 October 2011
Clarke London Limited	29 March 2011	6 December 2011
Singer & Friedlander Asset Management Limited	24 June 2011	27 September 2012
Singer & Friedlander Investment Management Limited	24 September 2013	
Singer & Friedlander Capital Management Limited	24 September 2013	
Creditors' Voluntary liquidation	Date of appointment	Date struck off the register
Singer & Friedlander Funding plc	2 January 2012*	28 August 2014
Strike off	Date struck off the register	
Singer & Friedlander Secretaries Limited	21 July 2009	
Kaupthing Steadfast Limited	21 July 2009	
Cheapside Nominees Limited	27 August 2013	
Private Nominees Limited	27 August 2013	

\*Following the appointment of Administrators on 27 November 2008

## Appendix D Summary of Administrators' time costs for the period 8 October 2008 to 7 April 2015

### 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	1,509 4	6,130 8	11,763 8	16,260 2	35,664 2	9,726,537	273
Asset Finance	1,144 3	1,563 7	181 6	31 5	2,921 1	1,573,936	539
Bank and statutory reporting	806 6	2,525 6	2,179 0	989 5	6,500 7	2,569,430	395
Banking book	4,816 4	13,666 0	14,396 2	6,443 5	39,322 1	15,174,626	386
Creditors	907 8	3,715 4	4,886 3	3,059 0	12,568 5	4,168,600	332
Debtors	69 5	77 7	37 2	140 6	325 0	118,316	364
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	0 0	1,546 3	765,478	495
Employee matters	1,130 3	894 5	704 6	274 7	3,004 1	1,377,238	458
Help desk	0 0	24 1	60 5	861 0	945 6	165,622	175
Immediate tasks	315 6	207 0	437 5	718 1	1,678 2	512,793	306
Investigations and CDDA	216 5	140 4	135 1	52 5	544 5	267,104	491
Investment banking	57 0	47 0	0 0	0 0	104 0	55,960	538
IT Wind Down Project	27 9	1,678 7	518 6	32 0	2,257 2	1,092,822	484
KSF Capital Markets	773 3	73 6	324 2	0 7	1,171 8	682,157	582
Legal issues	1,425 5	1,580 4	507 3	228 6	3,741 8	2,014,540	538
Members	0 0	1 7	0 0	0 0	1 7	669	394
Non-Edge IT support	0 0	192 1	3 0	0 0	195 1	79,896	410
Other assets	972 8	1,609 7	664 2	843 3	4,090 0	1,773,385	434
Property	1,273 3	6,762 1	8,850 6	1,893 3	18,779 3	7,248,054	386
Public relations issues	10 0	44 3	1 9	2 0	58 2	19,276	331
Retail book	117 0	500 7	383 1	44 0	1,044 8	454,179	435
Retention of title issues	0 0	7 9	6 8	0 0	14 7	5 243	357
Sale process	623 0	1,480 4	1,362 0	303 2	3,768 6	1,643,201	436
Statutory duties	181 5	383 4	328 1	44 7	937 7	425,314	454
Trading	590 9	1 640 8	1,759 4	1,653 8	5,644 9	1,774,475	314
VAT and taxation	2,412 1	5,357 7	2,920 1	1,219 1	11,909 0	6,961,206	585
<b>Total</b>	<b>21,285 2</b>	<b>56,336 3</b>	<b>56,965 8</b>	<b>36,816 9</b>	<b>171,40 2</b>	<b>65,263,242</b>	<b>381</b>
<b>Total time costs (£)</b>	<b>14,993,819</b>	<b>27,564,283</b>	<b>16,147,414</b>	<b>6,557,726</b>	<b>65,263,242</b>		
<b>Avg hourly rate (£)</b>	<b>704</b>	<b>489</b>	<b>283</b>	<b>178</b>	<b>381</b>		

## Summary of Administrators' time costs for the six month period 8 October 2014 to 7 April 2015

### 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	30 0	371 0	224 3	301 1	926 4	377,122	407
Asset Finance	1 0	10 6	0 0	0 0	11 6	7,490	646
Bank and statutory reporting	28 7	138 7	12 4	0 0	179 8	106,867	594
Banking book	118 7	360 5	278 3	64 4	821 9	437,657	532
Creditors	16 9	90 7	195 1	1 6	304 3	140,349	461
Debtors	0 0	1 2	6 7	0 0	7 9	3,088	391
Employee matters	0 0	4 1	0 9	0 0	5 0	2 874	575
IT Wind Down Project	1 0	14 0	2 4	0 0	17 4	10,752	618
Legal issues	99 1	79 8	1 6	0 0	180 5	143,122	793
Other assets	46 8	52 8	3 0	17 6	120 2	79,186	659
Property	0 0	0 0	0 4	0 0	0 4	124	310
Statutory duties	0 0	20 8	35 6	0 0	56 4	26,144	464
VAT and taxation	35 2	80 1	15 8	14 8	145 9	123 157	844
<b>Total</b>	<b>377 4</b>	<b>1,224 3</b>	<b>776 5</b>	<b>399 5</b>	<b>2,777 7</b>	<b>1,457,931</b>	<b>525</b>
<b>Total time costs (£)</b>	<b>342,718</b>	<b>772 124</b>	<b>257,443</b>	<b>85,647</b>	<b>1,457,931</b>		
<b>Avg hourly rate (£)</b>	<b>908</b>	<b>631</b>	<b>332</b>	<b>214</b>	<b>525</b>		

Time costs of £1,457,931 have been incurred in the six months to 7 April 2015, representing total hours of 2,778 at an average hourly rate of £525. The Administrators' cumulative time costs incurred from date of appointment to 7 April 2015 are c. £65.3m plus VAT.

### Charging and disbursement policy

#### *Administrators' charging policy for fees*

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

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

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



### ***Administrators' charging policy for disbursements***

SIP 9 divides disbursements into two categories

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

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