



**Kaupthing Singer & Friedlander (Isle of Man) Limited – in Liquidation
 (“KSFIOM” or “the Company”)**

**Joint Deemed Official Receivers’ and Joint Liquidators’ report for the period from
 9 October 2008 to 15 July 2009**

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1. Letter from the Joint Deemed Official Receivers and the Joint Liquidators

Introduction

As notified in our letter to creditors dated 10 June 2009, Peter Spratt and I were appointed as Joint Deemed Official Receivers and Joint Provisional Liquidators (hereafter referred to as the “JPL’s”) on 27 May 2009, following the making of a Winding Up Order, having previously been appointed as Joint Liquidators Provisionally (“JLP’s”) . As indicated below, following the meeting of creditors, Peter Spratt and I have now been appointed as Joint Liquidators and Joint Deemed Official Receivers (“JL’s”).

The JL’s hereby write to provide creditors with :-

- a summary of the Directors’ Statement of Affairs as at 9 October 2008 and the Joint Deemed Official Receivers observations thereon under Rule 103 of the Companies (Winding Up) Rules 1934 (“the Rules”);
- a report on the period of the Provisional Liquidation from 9 October 2008 to 26 May 2009 and matters arising since the making of the Winding Up Order on 27 May 2009, including a Receipts and Payments account; and
- a summary of the costs and disbursements incurred by the Joint Liquidators Provisionally for the period 9 October 2008 to 26 May 2009 inclusive.

First Meeting of Creditors

As previously notified the first meeting of creditors was held at 11:00 a.m. BST on Tuesday, 7 July 2009, at Villa Marina, Harris Promenade, Douglas, Isle of Man.

Creditors were invited to vote, in person or by proxy, on whether or not:

- (i) an application should be made to Court to appoint a Liquidator in place of the Joint Deemed Official Receivers and Joint Provisional Liquidators;
- (ii) an application should be made to the Court for the appointment of a Committee of Inspection (“Committee”) and who the members of the Committee should be if appointed; and
- (iii) the maximum number of members of the Committee should be limited to seven in number.

Under the Companies Act 1931, for a resolution to be passed a majority in number and value of creditors of the Company present either in person or by proxy and voting at the meeting must vote in favour. Under Rule 39 of the Rules the Deemed Official Receiver or Chairman of the meeting as the case may be, shall as soon as possible after the first meetings of creditors and contributories are held, report the result of the meeting to the Court. The Deemed Official Receiver lodged his report with the High Court in the Isle of Man on 16 July 2009 advising the following:-

As required under the Companies Act 1931, the resolution put to the meeting was for an application to be made to Court to appoint a Liquidator in place of the Joint Deemed Official Receivers. This resolution failed to gain the support of a majority in number and value of creditors of the Company present either in person or by proxy and voting at the meeting. Consequently the Joint Liquidators have applied to the Court to make an Order confirming their appointment as Joint Liquidators.

1. Letter from the Joint Deemed Official Receivers and the Joint Liquidators

Resolutions as to whether a Committee of Inspection should be formed and whether it should be limited to a maximum of seven members were both passed at the meeting.

A resolution for Stuart Roberts, Gavin Brake, Axa Isle of Man Ltd and Singer & Friedlander (Isle of Man) Ltd Retirements Benefit Scheme to be appointed to the Committee, failed to be supported by a majority in number and value of creditors of the Company present either in person or by proxy and voting at the meeting and was therefore not passed.

Accordingly those present and voting were requested to select up to seven out of the eleven nominees who had put their names forward prior to the meeting being:-

- Nigel Smith
- Axa (Isle of Man) Limited
- Gavin Brake
- William McMurray
- Michael James Lees
- Stuart Roberts
- Simon Bessant
- Alex Marsella
- Singer & Friedlander (Isle of Man) Limited Retirement Benefits Scheme
- Peter Wakeham
- Royal Skandia Life Assurance Limited

The report to Court provides an analysis of the voting in respect of the Committee membership but does not make a recommendation as to how the voting should be interpreted given the lack of guidance contained within the Isle of Man Companies Act or Winding Up Rules.

The contents of the Report will be considered at a Court hearing, the date of which has yet to be set. Details of the outcome will be posted on the Company's website.

Interim First Dividend and Estimated Dividend Range

Creditors are reminded that to take part in the first dividend to creditors they must have submitted a completed Proof of Debt form by Wednesday, 12 August 2009. Faxed or emailed Proof of Debt forms will not be accepted for proving a creditor's claim in the liquidation. Given the requirements of the Rules, it is not possible for us to consider using a fully electronic claims process.

1. Letter from the Joint Deemed Official Receivers and the Joint Liquidators

All correspondence (including any completed Proof of Debt forms) should be addressed to:

Kaupthing Singer and Friedlander (Isle of Man) Limited
PO Box 197
Samuel Harris House
5-11 St Georges Street
Douglas
Isle of Man
IM99 1SN

As stated in the letter to creditors on 10 June 2009, it is the intention of the JL's that a first interim dividend will be paid at the end of August 2009 to creditors with agreed claims. The JLP's have previously estimated that the first interim dividend will be 14.5p in the pound based on realisations to date, and that the dividend could be higher if further funds were received prior to the end of August 2009. As indicated below, it would appear that the remaining monies in respect of the Certificates of Deposit will be recovered shortly and pending agreement of the Company's claim, it is hoped that a dividend from KSFUK will also have been received by the time the first interim dividend is paid. If these funds amounts are received in time they will be taken into account when calculating the amount of the first interim dividend that it is declared.

As set out in section 3 below, the JL's have provided, for indicative purposes only, an estimate of the ultimate dividend range that creditors may receive in due course from the liquidation, being between 73p in the pound on a low case basis and 88p in the pound on a high case basis. It should be noted, however, that this is an estimate and the ultimate dividend paid may vary from this range, perhaps materially. The quantum and timing of any future distributions is dependent upon a number of factors where there are continuing uncertainties, including but not limited to:-

- Certificates of Deposit (CD's)
- Collateral shares
- Agreement of the unsecured claim against Kaupthing Singer and Friedlander Limited ("KSFUK") and amount of dividend paid
- Loan book recoveries
- Claim against Kaupthing Bank h.f. ("Kaupthing h.f.")
- The level of final agreed claims in the liquidation
- The level of future costs of the liquidation

The JL's are however focused on returning funds to creditors as soon as possible and it is hoped that sufficient further funds will become available to enable the duly appointed Liquidator to pay a second interim dividend to creditors later in the second half of 2009.

1. Letter from the Joint Deemed Official Receivers and the Joint Liquidators

Next report

There are no formal requirements in respect of reporting to creditors under the Isle of Man Companies Act or the Rules. The JL's will consult with the Committee as to the timings of reports to creditors but anticipate that the next formal report will be sent to creditors following the six month anniversary of the Winding Up Order. In the meantime the JL's will however seek to post updates on the website when there are any material developments

If you have any queries, please address these to the Joint Liquidators and Joint Deemed Official Receivers at the address above, or e-mail branch@kaupthing.com, or telephone the helpline on +44 (0) 1624 699 340.

Mike Simpson and Peter Spratt
Joint Liquidators and Joint Deemed Official Receivers

2. Summary of the Directors' Statement of Affairs as at 9 October 2008 and the Joint Deemed Official Receivers observations thereon under Rule 103 of the Companies (Winding Up) Rules 1934

On Tuesday 30 June 2009, the directors' of the Company submitted a Statement of Affairs of the Company as at 9 October 2008 to the Deemed Joint Official Receivers in accordance with Rule 33 of the Rules, having been granted a short extension by the Joint Deemed Official Receivers in respect of the timeline for submitting such a statement. In accordance with Rule 103 of the Rules the Deemed Joint Official Receivers provide below a summary of the directors' Statement of Affairs and comments thereon:

Summary of the Directors' Statement of Affairs as at 9 October 2008			
	Note	Book value	Estimated to realise
		£'000	£'000
Assets subject to fixed charge or floating charge	2.1	-	-
Uncharged assets at appointment			
Cash at bank on appointment		108,916	108,664
Certificates of deposit (including accrued interest)		53,501	53,501
Advances to customers (loans)	2.2	416,088	372,973
<u>KSFUK transactions</u>	2.3		
Deposits with KSFUK		349,610	Unknown
Less potential set-off by KSFUK pursuant to sub-participation agreement		(164,255)	Unknown
Less Intercompany recharges		(633)	Unknown
Interest rate swaps and foreign currency deals			-
Sale and repurchase agreement		136,000	Unknown
Net balance due from KSF Holdings Isle of Man Ltd	2.4	206	206
Balance due from Kaupthing hf	2.5	185,532	94
Balance due to Kaupthing hf		(185,438)	
Parental guarantee from Kaupthing hf		Unknown	Unknown

2. Summary of the Directors' Statement of Affairs as at 9 October 2008 and the Joint Deemed Official Receivers observations thereon under Rule 103 of the Companies (Winding Up) Rules 1934

Directors' Statement of Affairs as at 9 October 2008			
		Book value	Estimated to realise
		£'000	£'000
Furniture, equipment, and fittings		743	78
Sundry debtors	2.6	317	64
Other assets	2.7	429	-
Estimated total assets available for preferential creditors		901,016	535,580
Estimated amounts due to preferential creditors	2.8	(1,654)	(1,654)
Estimated surplus available to ordinary unsecured creditors		899,362	533,926
Estimated unsecured claims			
Depositors	2.9	(863,384)	(863,384)
Employee entitlements		-	-
Sundry creditors	2.10	(5,434)	(5,434)
Amounts owed to other Group Companies	2.11	(38,497)	(38,497)
Estimated Total Unsecured Creditors		(907,315)	(907,315)
Estimated deficit to shareholders		(7,953)	(373,389)
Contingent Liabilities		Unknown	Unknown

2. Summary of the Directors' Statement of Affairs as at 9 October 2008 and the Joint Deemed Official Receivers observations thereon under Rule 103 of the Companies (Winding Up) Rules 1934

1 Causes of failure of the Company

As reported previously to creditors, on 8 October 2008 Kaupthing Singer & Friedlander Ltd ("KSFUK") a sister company of the Company was made the subject of an administration order made by the High Court of Justice of England and Wales. We are advised that the Company received no prior notice that steps were being taken in England to place KSFUK into administration nor was the Company made aware of certain statutory instruments which came into effect prior to the Administration Order relating to KSFUK's operations.

The administration of KSFUK had the effect of freezing the Company's assets held by KSFUK and as a result created a liquidity problem for the Company. We are advised that, unable to access its assets held by KSFUK including substantial deposits, the Company looked to its ultimate parent, Kaupthing h.f. in Iceland. As previously reported, Kaupthing h.f. had provided the Company with a written undertaking dated 17 September 2007 guaranteeing to meet any shortfall in the Company's assets. No funding was made available to the Company by Kaupthing h.f. and the directors of the Company accordingly presented a petition to the Isle of Man High Court for the Company to be wound up.

As to whether there are other issues which materially contributed to the failure of the Company, an investigation will be carried out by the appointed liquidator which may provide further information in this regard.

2 Comments on the Directors' Statement of Affairs

2.1 Assets subject to fixed or floating charge

The directors' have stated that there are no fixed or floating charges over the Company's assets and we have not been made aware of any assets that are subject to charge. The Isle of Man Companies Registry records do not show any registered charges over the Company's assets.

2.2 Loan Advances

This figure includes interest to 9 October 2008 but does not allow for future interest income. The directors advise that for prudent reasons in arriving at the Estimated to Realise figure they have allowed for known doubtful debts and have also included a Bad Debt provision equivalent to 10% of the loan book balances.

We understand, however, that no allowance has been made for the impact of set off referred to in 3.3 in section 3 of this report.

2.3 KSUK transactions

The Statement of Affairs shows an estimated net position owed by KSFUK to the Company of £320.7m but the directors comment that this is subject to agreement of the termination position under the ISDA Master Agreement and the Global Master Repurchase Agreement ("the Repo Agreement"). The aforementioned amount includes a figure of £136m in respect of the Repo Agreement. We would refer you to paragraph 3.4 in section 4 for further comments in respect of this claim.

2.4 Amount owed by KSF Holdings Isle of Man Ltd ("Holdings")

Whilst the Statement of Affairs indicates that Holdings may owe the Company £0.2m, we understand that Holdings is also a creditor of the Company in respect of a deposit amount of £9.2m. As such, further investigation is required to ascertain if there is sufficient mutuality for set-off to apply.

2. Summary of the Directors' Statement of Affairs as at 9 October 2008 and the Joint Deemed Official Receivers observations thereon under Rule 103 of the Companies (Winding Up) Rules 1934

2.5 Amount owed by and to Kaupthing h.f. and under the parental guarantee

The directors comment that they anticipate that the respective balances will be set off resulting in a net amount of £0.9m being owed by Kaupthing h.f. to the Company. They have estimated this amount to be recoverable in its entirety but this may be open to question given that Kaupthing h.f. is currently under a moratorium process in Iceland. The directors indicate that they are unable to comment on the likely outcome of a claim under the parental guarantee for similar reasons.

2.6 Sundry debtors

The Directors' Statement of Affairs states that the Company was owed £0.3m from sundry debtors. These balances comprise prepayments, unpaid fees and other sundry receivables.

2.7 Other assets

The Directors' Statement of Affairs states that the Company held other assets of £0.4m. These balances comprise deferred taxation and pension assets and are not considered realisable. They arose due to the accounting requirements of IAS 19 and once the Company was unable to continue as a going concern, these assets ceased to hold any realisable value.

2.8 Preferential creditors

This includes VAT, employee income tax and NI due as at 9 October 2008. It also includes Corporate Tax due for the year ended 31 December 2007 and to 9 October 2008. It also includes an amount for redundancy costs of £0.5m which requires further investigation as, in general, redundancy costs fall to be dealt with as an unsecured claim.

2.9 Depositors

This includes amounts that have been paid under the Isle of Man Treasury's ("the Treasury") Early Payment Schemes 1 and 2.

2.10 Trade creditors

The Directors' Statement of Affairs indicates that sundry creditors were owed £5.4m as at 9 October 2008. This includes an estimate of £3m in respect of amounts owed to the Company's pension scheme. It also includes a small number of persons who had deposited funds in the Company but have as yet failed to supply sufficient detail in relation to the source of those funds, pursuant to Isle of Man Anti Money Laundering Legislation. As such they are shown as sundry creditors rather than depositors in the Company's records.

2.11 Amounts owed to other Group Companies

The Directors' Statement of Affairs refers to £38.9m of other creditors. This relates to amounts owed to sister companies.

2.12 Contingent liabilities

The Directors' Statement of Affairs refers to contingent liabilities totalling £26.2m. These relate to Letters of Credit issued on behalf of a customer and to six guarantees issued on behalf of customers. The Letters of Credit have not been called upon at this time and the customers concerned are being encouraged to make alternative arrangements.

3. A combined Receipts and Payments account for the period 9 October 2009 to 26 May 2009 and Estimated Outcome Statement

	Note (Sec 4)	Summary of the Directors' Statement of Affairs as at 9 October 2008		Realised to 26 May 2009 £'000	Joint Liquidators' estimated outcome			
		Book value £'000	Estimate to realise £'000		High Est future £'m	Low Est. future £'m	Total High £'m	Total Low £'m
Assets subject to fixed charge or floating charge		-	-	-	-	-	-	-
<u>Uncharged assets at appointment</u>								
Cash at bank on appointment	3.1	108,916	108,664	115,459	0.2	-	115.7	115.5
Certificates of deposit	3.2	53,501	53,501	18,263	35.2	35.2	53.5	53.5
Advances to customers (loans)	3.3	416,088	372,973	10,432	403.0	333.0	420.3	350.3
Interest income on loans	3.3	-	-	6,960				
Collateral shares	3.4	-	-	6,271	93.5	93.5	99.8	99.8
Net balance due from KSFUK	3.5	320,722	Unknown	-	117.6	52.0	117.6	52.0
Property, equipment and other sundry assets	3.6	1,489	142	8	-	-	-	-
Net balance due from Kaupthing Holdings Ltd		206	206	-	-	-	-	-
Net balance due from Kaupthing hf	3.7	94	94	-	unknown	unknown	-	-
Parental guarantee from Kaupthing hf	3.8	Unknown	Unknown	-	unknown	unknown	-	-
Interest income on cash in hand since appointment		-	-	648			0.6	0.6
Total estimated assets		901,016	535,580	158,041	649.5	513.7	807.5	671.7

3. A combined Receipts and Payments account for the period 9 October 2009 to 26 May 2009 and Estimated Outcome Statement

<i>(cont).</i>		Summary of the Directors' Statement of Affairs as at 9 October 2008		Realised to 26 May 2009	Joint Liquidators' estimated outcome			
	Note (Sec 4)	Book value £'000	Estimate to realise £'000		£'000	High Est future £'m	Low Est future £'m	Total High £'m
Total estimated assets		901,016	535,580	158,041	649.50	513.70	807.5	671.7
Less Provisional Liquidators' costs	5.1	-	-	-				
Less legal and other professional fees	5.2	-	-	(1,024)				
Less employees, rent, utilities and other costs	5.3/5.4	-	-	(1,712)				
Total Costs and expenses	5.6			(2,736)	(12.3)	(12.3)	(15.0)	(15.0)
Estimated total assets available for preferential creditors		901,016	535,580	155,305	637.2	501.4	792.5	656.7
Estimated amounts due to preferential creditors	4.1	(1,654)	(1,654)		(1.7)	(1.7)	(1.7)	(1.7)
Estimated surplus available to ordinary unsecured creditors		899,362	533,926		635.5	499.7	790.8	655
Total ordinary unsecured creditors (excluding contingent liabilities)	4.2	(896,014)	(896,014)					
Estimated dividend range for ordinary unsecured creditors	6						88 p in £	73 p in £
Contingent Liabilities		Unknown	Unknown					

4. Report on the Provisional Liquidation for the period from 9 October 2008 to 26 May 2009 and any matters arising since the making of the Winding Up Order on 27 May 2009

Role of the Liquidators Provisionally

- 1.1 The role and powers of Liquidators Provisionally are laid out in the Order under which they are appointed by the Court and are primarily to take possession of the assets of the Company for the beneficial preservation of such assets. For instance under the Order granted on 9 October 2008 and subsequently amended on 24 October 2008, the sale of the Company's assets required the consent of both the Financial Supervision Commission and the Court.
- 1.2 It is not the role of the JLP's to carry out an investigation into the Company's affairs as the full range of powers to do so and to pursue any resulting actions rests with a Liquidator.
- 2 General comments on Receipts and Payments to 27 May 2009 and the Estimated Outcome Statement**
- 2.1 A receipts and payments for the period 9 October 2008 to 27 May 2009 is set out on pages 11 and 12 together with an Estimated Outcome Statement. This shows total receipts for the period of £158m, and total payments of £2.7m, resulting in a net balance of cash in hand of £155.3m as at 27 May 2009. A more detailed Receipts and Payments Account in the relevant currencies is attached at Appendix 1. Where payments were made in a currency other than Pound Sterling, the foreign exchange rate utilised for this analysis was as at close of business on 26 May 2009.
- 2.1.1 Since 27 May 2009, the following material receipts and payments have occurred:-
- | | |
|---|---------|
| Receipt of monies relating to collateral shares | £93.5m |
| Receipt of loan interest and loan repayments | £5.1m |
| Payment of Legal and Professional Fees | (£0.7m) |
- The balance currently in hand is £263m.
- 2.2 We would advise that the realisation process relating to collateral shares disposed of to date required certain indemnities to be given to J P Morgan Cazenove in order to effect a sale of the shares. It is not envisaged that there will be any claim under these indemnities which are time limited and which expire over the period between September 2009 to late May 2010. As the indemnities expire, the realisations relating to those specific indemnities will become available for distribution to creditors. This will for instance impact the timing of the distribution of the £93.5m referred to above, where c. £65m will become available for distribution in late November 2009 and the remainder in late May 2010.
- 2.3 Following the making of the Winding Up Order on 27 May 2009, funds held have been converted into sterling to match the currency in which distributions to creditors will be made. The funds under management are invested by our in-house Treasury team and are invested with banks who are A1+ rated (Standard & Poors short-term rating). Given continuing fluctuations in ratings of individual banks, the funds are invested for short periods only.

4. Report on the Provisional Liquidation for the period from 9 October 2008 to 26 May 2009 and any matters arising since the making of the Winding Up Order on 27 May 2009

2.4 The Estimated Outcome Statement and dividend range referred to therein are provided for indicative purposes only. The actual return to creditors may differ from the range provided for a variety of reasons, including recoveries may be less than estimated and additional claims may come to light.

3 Comments on Assets and Receipts

3.1 Cash at bank on appointment

The Directors' Statement of Affairs states that as at 9 October 2008 an equivalent of £108.9m was held by the Company. The JPL's liaised extensively with the 20 banks concerned and, as at 26 May 2009, a total amount of £115m had been realised (the amount differs due to foreign exchange movements). All sums have now been realised except for amounts at 4 banks totalling c £0.27m. The amounts remaining are in dispute, and will be litigated if necessary.

3.2 Certificates of deposit ("CDs")

As at 9 October 2008 there were 8 CDs which had been purchased by KSFUK for the Company which had not yet matured for principal amounts totalling £53m. In the Directors' Statement of Affairs accrued interest of £0.5m has also been allowed for. Funds have been recovered via KSFUK in respect of 4 of the CD's, totalling £18m plus accrued interest of £0.3m.

However the remaining 4 building societies alleged that they were not aware that KSFUK had purchased the CD's on behalf of another company and that they were themselves owed money by KSFUK against which they intended to apply set-off. As reported previously an application by one of the building societies to apply set-off was made in the English High Court. Judgment was awarded in favour of KSFUK and the Company. Since the date of the Court hearing and following discussions between the respective sets of lawyers, all 4 building societies have now released their claims over the CDs and have released funds totalling £35m to KSFUK. We understand that the administrators of KSFUK ("the Administrators") have recommended to the UK Treasury that the funds be released to the Company and have received clearance in this regard in accordance the Kaupthing Singer & Friedlander Transfer of Certain Assets and Liabilities Order 2008 (S.I. 2008 No. 2674). It is therefore our view that this amount will be recovered in full.

3.3 Advances to customers

3.3.1 According to the Directors' Statement of Affairs, as at 9 October 2008 the Company had loans to customers, valued at a sterling equivalent of £416m. This amount does not allow for the operation of set-off (see below) or for future interest income.

3.3.2 As at 26 May 2009 there are 174 loan facilities with 157 customers, with the outstanding capital value of the loans of a sterling equivalent of £418m. Some of the loans are in foreign currency and this figure therefore differs from that included in the Directors' Statement of Affairs. Between 9 October 2008 and 26 May 2009, £6.9m has been collected on the loans in respect of interest payments due and £10.7m has been collected in respect of capital repayments, based on foreign exchange rates on the date of repayment. Further sums totalling £5.1m have been collected during the Liquidation period.

4. Report on the Provisional Liquidation for the period from 9 October 2008 to 26 May 2009 and any matters arising since the making of the Winding Up Order on 27 May 2009

- 3.3.2 A relatively small number of loan customers also have deposit accounts where they are owed money by the Company, estimated as at 27 May 2009 to total £11.3m. Since the date of the Winding Up Order, these amounts are subject to set-off against loans from the Company. We have written to the loan customers concerned to inform them of the amount that will be set-off against their loan, together with the recalculated interest charge from 27 May 2009.
- 3.3.3 As reported previously the large majority of loans are secured on premium residential properties and are interest only during the life of the loan, with the capital repayment being made on the maturity of the loan. The loans mature over the period up to 2017 as set out in the capital repayment table below (but are on average for a term of between one to five years from inception):-

Year	Capital Repayments £'m
2009	60
2010	33
2011	153
2012	109
2013	36
2014	11
2015	0
2016	12
2017	4
Total	£418m

- 3.3.4 The Company's loan book continues to be actively managed by the JL's, working with members of the Company's staff. The current strategy is to run off the loan book over its natural life, to maximise the return to creditors. We have conducted meetings with each of the significant loan customers and a panel of banking institutions has been approached to assist customers in re-financing their loans as terms expire. A number of loans are in the process of being re-financed and we anticipate further redemptions over the summer months as the UK housing market recovers and property sales rise. Updated desktop valuations have been carried out during the second quarter of 2009 on all UK properties secured on loans where the loan to value ratio was 60% or greater. The desktop valuations indicated on an overall basis that properties previously valued at £124m had revised valuations totalling £110m. Where there are loan to value breaches, the clients concerned have been formally requested to make capital payments to bring the facility back within agreed parameters. Some borrowers have challenged the accuracy of the desk top valuations, and they have been invited to commission full valuations to be provided to the Company at their own expense.

4. Report on the Provisional Liquidation for the period from 9 October 2008 to 26 May 2009 and any matters arising since the making of the Winding Up Order on 27 May 2009

There are currently 28 customers where interest is more than 30 days overdue. However, the majority of these are due to the borrower awaiting the outcome of set-off claims and/or currency conversion rates and it is anticipated that these will cease to be in breach once these issues are resolved.

Given the interest only nature of the loan portfolio, it is difficult to predict with certainty the amount that will be recovered in due course but we note that in general terms the loan portfolio is secured on assets of a high quality. For the purposes of providing indicative amounts in the Estimated Outcome Statement we have used capital loan values (excluding future interest income which is estimated to be c. £35m) converted into Sterling as at 31 March 2009, and have assumed that, on a high and low case basis, amounts totalling £11m will be applied in set-off. On a high case basis we have assumed that those loans with a revised LTV default and that the security is realised at the level of the revised desktop valuations. On a low case basis we have assumed that all loans default and that only 60% of the security value of the underlying assets will be realised.

3.4 Disposal of share collateral – Repo Agreement

The Company and KSFUK entered into various sale and repurchase agreements in relation to shares from April 2008 onwards. These arrangements were governed by the Repo Agreement dated 5 June 2008. The total Repurchase Amount under the Repo Agreement was £185m. Notice of termination of the Repo Agreement was given in October 2008 although it is the view of our legal advisors that the agreement terminated automatically following the appointment of Administrators to KSFUK on 8th October 2008.

There were 5 sets of collateral shares held by the Company under the Repo Agreement as at the time of the appointment of the Administrators to KSF UK on 8 October 2008. Certain shares were “in transit” on 8 October 2008 which meant the Repo Agreement was under collateralised at the time of appointment of the Administrators which may result in the Company having a claim against KSFUK under the Repo Agreement as referred to below. We continue to investigate the issues relating to the movement of the shares in transit and to seek legal advice with regard to the Company’s position. We also continue to correspond with the Administrators of KSF UK to establish the factual background and have reserved our position currently with regard to any legal action the Company may have in respect of these particular shares.

Of the five sets of shares held in the portfolio on 9 October 2008, the Company’s respective 23% and 22% holdings in JJB Sports Plc and Booker Plc have now been sold on the Company’s behalf by JP Morgan Cazenove via placings in the market. These were both substantial holdings in listed plcs and as such it was considered appropriate to instruct a well known and credentialed firm such as JP Morgan Cazenove to advise on and carry out the disposal of the shares. The position was complicated further by disputes over legal and beneficial ownership of the shares which needed to be resolved before the shares could be sold on the market. A total amount, net of fees, of £99.8m has been recovered in respect of the shares. In addition a dividend of £0.6m is owed to the Company in respect of the Booker shares which is held by a third party and our lawyers are currently in correspondence with the third party to obtain release of the funds.

Of the remaining three sets of shares, two comprise smaller holdings in two Icelandic companies, one of which has been suspended on the NASDAQ OMX and subsequently delisted. It is not believed that a material recovery will be made in respect of these two sets of shares.

We are not currently in a position to disclose the identity or the size of our holding in respect of the third set of shares due to continuing disputes over

4. Report on the Provisional Liquidation for the period from 9 October 2008 to 26 May 2009 and any matters arising since the making of the Winding Up Order on 27 May 2009

the legal and beneficial interest in the shares. For the purposes of the Estimated Outcome Statement and given the commercial sensitivity involved, we have not attributed any value to this set of shares.

3.5 Amount owed by KSFUK

The Administrators of KSFUK have called for claims and indicated they intend to pay a dividend of at least 20 pence in the pound in July 2009. Further, they estimate that the total dividend that they will pay in due course may be at least 50 pence in the pound.

A claim has been lodged by the JPL's in the Administration of KSFUK, the particulars of which are discussed below. We also understand that the Administrators of KSFUK have received clearance from the UK Treasury that any dividend thereon can be remitted to the Company in accordance with the Kaupthing Singer & Friedlander Transfer of Certain Assets and Liabilities Order 2008 (S.I. 2008 No. 2674).

3.5.1 Deposits with KSFUK and sub participation agreement

The Directors' Statement of Affairs indicates that there was £349.6 m in deposits at KSFUK as at 9 October 2008 and amounts payable to KSFUK of £164.2m in respect of the sub-participation agreement with KSF UK under which the KSFUK provided funding in respect of the Company's loan book.

Considerable reconciliation work has been required to reflect the position with regard to transactions which had not completed as at the date the Company went into liquidation provisionally. The JPL's have, working in conjunction with Company staff, reviewed the Company's records in respect of balances with KSFUK and have submitted a claim to the Administrators in respect of deposits of £349.6m. We have been advised that the Administrators of KSFUK will apply a statutory right of set-off in respect of the sub-participation amounts when adjudicating the claim.

3.5.2 Interest rate swaps and foreign currency deals

The Company had 41 interest rate swaps and foreign currency deals (spot deals, outright forward deals, and swaps) with KSFUK as at 9 October 2008.

These deals were subject to the terms and conditions contained in the master ISDA agreement with KSFUK, which states that the insolvency of a party gives the other party a right to terminate by notice. Due to said notice being served, the agreement terminated in accordance with its terms. The ISDA further states that at the date of termination, the amount payable or receivable in respect of terminated deals is determined by reference to the mark to market value of those deals on the date of termination.

KSFUK has valued, on a mark to market basis, the terminated deals at c.£2m in favour of the Company. The JL's are currently reviewing this calculation and have reserved their position in respect of this part of the claim that has been submitted to KSFUK.

4. Report on the Provisional Liquidation for the period from 9 October 2008 to 26 May 2009 and any matters arising since the making of the Winding Up Order on 27 May 2009

3.5.3 The Repo Agreement

As indicated above, the Repo Agreement has certain termination provisions under which the agreement automatically terminates on the insolvency of one of the parties. It is the JL's position that the date of termination is 8 October 2008, being the date at which the Administrators were appointed to KSFUK. We understand from correspondence we have received from lawyers representing KSFUK that they have adopted a different position with regard to the date of termination and as to who is the non-defaulting party. This is relevant in that the date of termination determines the date at which the collateral is to be valued (the valuation to be carried out by the non-defaulting party). The mechanism under the Repo Agreement is that the collateral value is then deducted from the Repurchase amount under the Repo Agreement which we believe to be £185m plus interest accrued from 22 September to 8 October, resulting in a net claim against KSFUK. If the valuation date is taken as at 8 October 2008, we calculate the claim against KSF UK to be £47.4m. Equally KSFUK have advised us they consider the claim amount to be £21.0m. We are in discussions with KSFUK with regard to the differences in approach.

We would however point out that if we are successful in pursuing a claim in respect of the shares which were removed from the collateral account on 8 October 2008, this would accordingly reduce the aforementioned claim that the Company would have under the termination mechanism in the Repo Agreement.

3.5.4 Certificates of Deposit

Until such time as the CD monies are released to the Company, it has a contingent claim against KSFUK for this amount although it is the JL's view that this is not an unsecured claim.

3.5.5 Estimated recovery against KSFUK claim

For the purposes of the Estimated Outcome Statement, on a high case basis we have taken the claim amount based upon a termination valuation of the Repo Agreement as at 8 October 2008 and have estimated a 50% dividend is paid by KSFUK. On a low case basis we have taken the claim amount based upon a termination valuation of the Repo Agreement as notified by KSFUK of £21m and have estimated a 25% dividend is paid by KSFUK. These are estimations and until the claim against KSFUK is agreed we are not in a position to comment with any greater clarity as to the amount that might be recovered from this claim. Since drafting this report we note that the Administrators of KSFUK have indicated that they will pay a first interim dividend of 20p in the £.

3.6 Furniture, equipment, and fittings

The Directors' Statement of Affairs states that the Company owns furniture, equipment and fittings, with has a depreciated book value of £0.7m located at the Company's rented premises and where the Company traded from, Samuel Harris House, Douglas, Isle of Man. This primarily relates to computer equipment and office furniture.

A small sum has been realised in relation to the sale of furniture and equipment not required in the liquidation.

4. Report on the Provisional Liquidation for the period from 9 October 2008 to 26 May 2009 and any matters arising since the making of the Winding Up Order on 27 May 2009

3.7 Amounts owed from Kaupthing h.f.

There are balances owed to and from Kaupthing h.f. in the Company's records, arising from loans received from and deposits placed with Kaupthing h.f.

The Directors' Statement of Affairs shows the amount owed to Kaupthing h.f. is £185.4m and the amount owed from Kaupthing h.f. is £185.5m. We have sought legal advice in Iceland and understand that under Icelandic law set off would apply frustrating any attempt to enforce recovery of the amount owed by Kaupthing h.f.

3.8 Parental guarantee

As indicated previously Kaupthing h.f. provided a guarantee to the Company to meet any shortfall in the Company's assets. Kaupthing h.f. is itself understood currently to be insolvent and under a moratorium process under Icelandic law. The Resolution Committee has been appointed to manage its affairs and a Winding Up Committee has been appointed which recently called for claims to be lodged by 30 December 2009. It is understood that the current moratorium period expires on 13 November 2009. Under a new Act passed in Iceland the moratorium can effectively end in one of three ways – i) a winding up process, ii) an insolvent liquidation or iii) a scheme of arrangement. The Resolution Committee have commented that the moratorium process for Kaupthing h.f. will most likely end in an insolvent liquidation or a scheme of arrangement and that they favour the latter to allow restructuring options to be considered.

A provisional claim under the guarantee in the sum of £960m was previously lodged with the Resolution Committee to protect the Company's position. We will be reviewing this in light of the Winding Up Committee's formal call for claims. However we anticipate the quantum of the claim against Kaupthing h.f. under the guarantee will need to be adjusted continuously to reflect the actual shortfall position following realisation of the Company assets.

3.9 Other legal matters

3.10 Shortly before entering administration KSFUK were ordered by virtue of an FSA Supervisory Notice to set up a separate Trust Account at the Bank of England (" the Account") into which qualifying deposits taken in the period 2 to 8 October 2008 should be placed. These deposits would then be classified as trust money and would fall outside KSFUK's estate.

KSFUK issued proceedings in the English High Court in February this year, seeking directions from the Court as to which parties were entitled to be classified as beneficiaries, and have the right to a share of the monies in the Account. Various parties were joined as respondents to the action who would have the task of representing certain potential beneficiaries in the Account. In March, the Company agreed to represent a class of depositors in KSFUK, namely inter group companies, financial institutions and banks who made deposits with KSFUK in the period 2 to 8 October 2008. An indemnity for costs was provided. All billed costs to date are within the indemnity limit.

4. Report on the Provisional Liquidation for the period from 9 October 2008 to 26 May 2009 and any matters arising since the making of the Winding Up Order on 27 May 2009

There was a three day hearing of this matter which was heard between 19 and 21 May. Judgment was handed down on Friday, 10 July. In summary, Mr Justice Smith substantially accepted the Company's legal arguments, and held that the class of depositors it represented (as referred to above) should be classified as qualifying depositors who have an entitlement to share in the £147m held in the Account. It is not known as this stage how much the Company may actually receive from the Account as KSF UK will first need to carry out various accounting and reconciliation tasks to determine each qualifying depositors proportion of the Account. In particular Mr Justice Smith held that KSF UK should first receive from the Account all deposits it repaid in the period 2 to 8 October 2008 to parties who also made qualifying deposits in that same period. Once KSF UK receives this sum then all qualifying depositors will receive an amount on a pari passu basis from the remaining sum in the Account. It is highly likely that a number of parties will be appealing this decision (including the Company in respect of the decision to allow KSF UK to be paid out first in full for all "repaid deposits").

- 3.11 In the Habana proceedings, Habana as the plaintiff seeks an Order declaring that £2.3m, which they instructed the Company to transfer from Habana's account with the Company (which transfer was never completed via the Company's account with Deutsche Bank). The advice from the Leading Counsel advising the Company is that Habana's claim should be unsuccessful on the grounds that no trust has been established.

The Habana Court hearing in the Isle of Man concluded on 30 April 2009 with Deputy Deemster Corlett reserving his judgment and his decision is still awaited. The Court has so far given no indication as to when the judgment may be delivered. Both Habana and the Company have the automatic right to appeal against the decision of Deputy Deemster Corlett if an appeal is considered appropriate. If there was to be an appeal, the appellants party would be required to file its appeal within six weeks of the Court at first instance handing down its judgment.

- 3.12 Following the making of the Winding Up Order on the 27 May 2009, the Financial Supervision Commission informed the JPL's that the liquidators of the Company require a licence in respect of Class 1 (Deposit Taking) of the Regulated Activities Order 2008 made under the Financial Services Act 2008. The JPL's have applied for and been granted such a license with effect from 29 May 2009.

4 **Creditors**

4.1 **Amounts due to preferential creditors**

Under Isle of Man legislation, preferential creditors include amounts due to employees in respect of unpaid wages and holiday pay, the Assessor of Income Tax in respect of unpaid taxes (e.g. Income Tax deductions, NI deductions and Corporate Tax), and amounts due in respect of unpaid pension contributions.

As at 9 October 2008 outstanding wages and accrued holiday pay totalled £58,524. As these amounts would, in due course, fall to be paid in full as preferential claims, the Liquidators Provisionally settled these amounts in the ordinary course of employment of Company staff required to assist the in preserving and realising the assets of the Company. Therefore, the JL's are not aware of any amounts outstanding to employees in relation to wages or holiday pay.

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The estimated amount outstanding in respect of unpaid taxes is estimated at £335,000; however, this is subject to the lodgement of the 08/09 income tax return and EUSD withholding tax. It is likely that a terminal loss relief claim for the period from 1 January 2008 to 9 October 2008 will be submitted. The Assessor of Taxes has agreed that past 9 October 2008, tax will be charged at 0% on any profits.

A EUSD withholding tax charge of £457,000 has been calculated. This figure is potentially subject to adjustment as the interest it relates to was not necessarily received by the recipients in the tax year 08/09. Company records show that outstanding pension contributions as at 9 October 2008 are only £453.

We are in the process of agreeing these preferential claims but do not anticipate that this will delay the process of declaring a dividend to unsecured creditors.

4.2 Amounts owed to unsecured creditors

As indicated above the Directors' Statement of Affairs shows total estimated unsecured creditors of £907.3m, including amounts totalling £863m owed to in excess of 11,000 depositors. The amounts owed include capital and accrued but unpaid interest to 9 October 2008 and includes reversals of transactions which had not been completed by the date of the appointment. In December 2008, in order to provide depositors with details of amounts that they were owed by the Company as at 9 October 2008, the JLP's sent depositors a statement. In order to present the full position in respect of amounts owed, this statement included capital and accrued but unpaid interest to 9 October 2009.

For the purposes of the Estimated Outcome Statement we have assumed that £11m of deposit accounts will be applied in set –off against loan accounts.

As creditors are aware, the JPL's have only recently been in a position to call for Proofs of Debt to be lodged. Therefore, at this stage, the estimated amount owed to depositors is based upon the Directors' Statement of Affairs and the Company's records.

The Treasury under Early Payment Schemes 1 and 2 have compensated eligible depositors, who have applied, up to certain limits and the Treasury has taken an assignment of rights in relation to the amounts paid. The JPL's have recently been provided with details of those payments from the Treasury. The Treasury stands in the shoes of those depositors up to the value of the amount paid, and are paid first in respect of distributions to depositors who have received compensation under EPS 1 and EPS 2.

The Scheme Manager of the Depositors Compensation Scheme ("the DCS") is presently processing applications for compensation from depositors who qualify under the DCS to the value of £50,000 per individual account holder and £20,000 per company account holder. Pursuant to Isle of Man legislation, it is our current understanding that those depositors who claim under the DCS will in the first instance assign the full value of their claim against Company to the DCS. The DCS stands in the shoes of each such depositor until such time as it has been paid in full by dividends out of the Liquidation in respect of the amount it has paid out on that claim.

4. Report on the Provisional Liquidation for the period from 9 October 2008 to 26 May 2009 and any matters arising since the making of the Winding Up Order on 27 May 2009

The JL's have been informed that the DHSS has paid statutory payment in lieu of notice and statutory redundancy pay to staff who have been made redundant as a result of JLP's being appointed to the Company which it is estimated may result in an unsecured claim of c.£200,000. The DHSS "stands in the shoes" of those employees with respect to the amounts paid. The JL's note that any difference between the contractual entitlements and the amounts which the DHSS has paid to employees, ranks as an ordinary unsecured claim against the Company.

5 Costs and operational issues

5.1 Costs of the Joint Liquidators Provisionally

The time costs and disbursements of the Liquidators Provisionally accrued to 26 May 2009 are detailed in Section 5 of this report. The JLP's have not currently been paid any fees or disbursements as at the date of this report. These will be subject to the approval of the Court.

Unless otherwise advised by the Court, the fees of the JPL's and the JL's will be subject to the approval of the duly appointed Committee of Inspection.

5.2 Legal and other professional costs

The details of legal and other professional costs, totalling £1.77m to date are detailed in section 5 of this report.

5.3 Employee costs

At 9 October 2008, the Company employed 64 staff and as at the date of this report 25 staff continued to be employed in assisting the Provisional Liquidators. Immediately following appointment, the JLP's reviewed staffing requirements that were required and redundancies were made at that time. The employees retained have provided and continue to provide assistance in the following areas:-

- Administration and realisation of the Loan Book;
- Assisting in respect of disputes relating to the CD's, the Repo Agreement and the collateral shares;
- Assisting in respect of litigation such as the Bank of England trust a/c;
- Assisting in reconciling position with KSF UK;
- Dealing with creditors queries, including telephone calls, emails and letters;
- Reconciling incomplete transactions and issuing of statements as at 9 October 2008;
- Keeping customers details up to date on the system;
- Logging of Proof of Debts and assisting in adjudication process;
- Logging of Proxies for the Meeting of Creditors;
- Maintenance of IT systems;

4. Report on the Provisional Liquidation for the period from 9 October 2008 to 26 May 2009 and any matters arising since the making of the Winding Up Order on 27 May 2009

- Preparing for the dividend process.

The employees' historical knowledge of the Company and its systems has been essential in a number of areas and as such it has been necessary to incentivise employees to remain with the Company in the short term. Employee costs to date total £0.9 m.

5.4 Premises and other costs

As at 9 October 2008, the Company occupied one and a half floors at Samuel Harris House, 5 -11 St. Georges Street, Douglas in the Isle of Man under leases which ran until 2021. In order to reduce costs we have by arrangement with the landlord and in line with the reduced requirements of the Company agreed to surrender the leases for both floors and will enter into a new lease for a half floor for the period to 30 June 2012 at a reduced rental, which is under negotiation.

Other costs include IT costs including software licenses and maintenance costs of £0.1m, insurance of £0.04m and utilities of £0.1m.

5.5 VAT

VAT has been paid of £0.2m but only part of which should be recoverable as the Company has a 61 % recovery rate being partially exempt for VAT purposes.

5.6 Estimated future costs

For the purposes of calculating the estimated dividend range we have included a figure of £15m for total costs of the liquidation, including liquidators fees, legal costs and operational costs over the life of the liquidation.

We would however stress that this is a very conservative figure which assumes a detailed investigation is carried out and results in litigation being pursued to a full court hearing against one or more parties. In reality if successful in pursuing litigation a defendant would be entitled to a reasonable proportion of their costs being met.

6 Estimated Dividend Range

- 6.1 For indicative purposes only, we have estimated that the dividend range may be between 73p in the £ and 88p in the £. We have also not allowed for any return in respect of the parental guarantee. Clearly any recovery from this source will impact the final dividend to creditors. The estimate also does not allow for any potential recoveries arising out of any investigation into the Company's affairs or in respect of the outcome of the legal action in respect of the account set up by KSFUK with the Bank of England.

4. Report on the Provisional Liquidation for the period from 9 October 2008 to 26 May 2009 and any matters arising since the making of the Winding Up Order on 27 May 2009

7 Overall strategy for the liquidation and other matters

Now that the Company has been placed into liquidation, the JL's intend to concentrate on the following areas :-

- Commencing an investigation of the Company's affairs to ascertain if there are any recoveries that can be made from third parties
- Continuing to oversee the collection of the loan book
- Agreeing the Company's claim with KSFUK, including issues relating to the Repo Agreement and the CD's
- Completing the realisation of the collateral shares (subject to resolution of title disputes)
- Completion of litigation in respect of Bank of England trust claim/ Habana case
- Pursuing claim against Kaupthing h.f. under the parental guarantee
- Commencing adjudication of Proof of Debts
- Declaration and payment of first interim dividend
- Consulting closely and regularly with the Committee of Inspection
- Reporting to creditors

5. Fees of the Joint Liquidators Provisionally

Remuneration of the Joint Liquidators Provisionally for the period 9 October 2008 to 27 May 2009.

The time of the JLP's has been charged on a time costs basis and is subject to approval by the High Court in the Isle of Man. At the date of this report the Joint Liquidators Provisionally have not drawn any fees. We include below a summary of the time incurred to 27 May 2009. A more detailed analysis will be submitted to the Court.

Narrative of work carried out for the period 9 October 2008 to 26 May 2009

The key areas of work and a broad description of the tasks involved are identified below.

- Strategy and planning issues
- Communication with depositors and other creditors
- Team management – team meetings, supervision of team
- Accounting and treasury – keeping of cash books, reconciliations, investment of funds
- Statutory and other compliance – court hearings, regulatory requirements
- Negotiations for a sale of the business and loan book
- Scheme of Arrangement – drafting of scheme documents, holding of meeting, reporting of outcome
- Loan book - day to day monitoring of loan book, collection issues
- KSFUK – liaison with KSFUK administrators regarding reconciliation issues, release of CD's, progress in administration
- Kaupthing h.f. – liaison with Resolution Committee, attending meetings in Iceland
- SFIM – arranging for physical separation of SFIM business from that of the Company
- Repo/ collateral shares – overseeing legal disputes, regulatory requirements, sale of shares
- Recovery of bank accounts – recovery of funds held at various banks
- Litigation - Bank of England, Habana, Newcastle Building Society
- Operational issues/suppliers – premises, IT issues, etc.
- Employee matters – redundancies, employee meetings, payroll agreement
- Other intercompany claims
- Depositor reconciliation and claims process – including reconciliation of accounts as at 9 October 2008
- Depositor queries – written queries by post or by email, telephone calls to JPL's, website announcements
- Distribution planning - setting up of claims and distribution database, meetings with DCS, EPS manager
- Tax – arranging of UK protocol, agreeing of status with UK revenue, submission of returns in Isle of Man
- Travel – to and from Iceland (Kaupthing h.f. meetings), to and from London (meetings with loan customers)

5. Fees of the Joint Liquidators Provisionally

Classification of work function	Hours						Total Hours	Time Cost £	Average hourly rate £
	Partner	Director	Senior manager	Manager	Senior Associate	Assistants & Support Staff			
Strategy and planning	67.0	-	165.7	24.3	11.3	3.0	271.3	109,424	403
Team management	11.3	-	91.3	25.9	92.6	2.0	223.1	71,830	322
Accounting and treasury	14.4	-	44.0	94.4	623.5	214.1	990.4	198,330	200
Statutory and other compliance	154.7	0.9	138.3	50.6	376.6	35.0	756.1	224,586	297
Sale of business process:									
Preparation of information memorandum	8.0	14.0	20.0	73.5	50.0	-	165.5	64,168	388
Data Room Preparation /Due diligence process	44.3	4.0	78.5	5.0	15.0	-	146.8	58,917	401
Sale of whole bank process	56.5	57.0	136.6	19.0	30.0	-	299.1	131,027	438
Sale of the loan book discussions interested parties	61.5	82.0	123.7	24.5	36.0	-	327.7	155,539	475
Sale of business administrative tasks & project management	-	-	13.5	7.5	132.0	-	153.0	49,395	323
Scheme of Arrangement Proposals	170.5	85.0	891.3	136.1	233.9	176.0	1,692.8	621,202	367
Loan book collections	137.3	-	508.7	0.3	20.8	0.8	667.9	253,649	380
KSF UK	30.3	-	59.3	24.4	4.0	-	118.0	50,592	429
Kaupthing hf	34.0	-	10.9	-	-	-	44.9	20,883	465
Sister company (SFIM)	-	-	49.2	17.1	5.4	-	71.7	25,151	351
Repo - Collateral shares	25.7	-	121.6	-	-	-	147.3	64,513	438
Recovery of bank deposits	5.5	-	3.6	135.1	140.0	-	284.2	97,046	341
Litigation	35.0	-	33.9	15.3	-	-	84.2	37,433	445
Ongoing operational issues / Suppliers	4.8	-	105.6	21.4	233.6	14.8	380.2	89,980	237
Employee matters, pensions and creditor employee claims	27.0	-	34.9	84.4	159.4	1.0	306.7	100,539	328
Agreeing intercompany creditor claims	-	-	1.8	-	1.5	-	3.3	943	286
Depositor reconciliation process	-	-	20.1	7.2	-	-	27.3	11,149	408
Depositor enquiries and correspondence	278.3	2.3	335.6	2.2	984.7	200.6	1,803.7	511,500	284
Distributions: Planning	-	-	4.5	78.0	4.0	-	86.5	31,623	366
Tax	15.9	149.9	22.2	70.4	5.4	3.9	267.7	118,193	442
Travel	5.0	-	-	-	-	-	5.0	3,350	670
Total	939.6	395.1	3,014.8	916.6	3,159.7	651.2	9,324.4	3,100,962	333

5. Fees of the Joint Liquidators Provisionally

Time charged to client but to be reimbursed under terms of agreement relating to the EPS -

Classification of work function	Hours						Total Hours	Time Cost £	Average hourly rate £
	Partner	Director	Senior manager	Manager	Senior Associate	Assistants & Support Staff			
Treasury Early Payment Scheme	4.3	-	69.1	-	40.6	15.2	129.2	39,221	304

Details of disbursements

Category	Isle of Man expenses (£)	UK expenses (£)	Total (£)
Air Fares	5,424	38,618	44,042
Accommodation & subsistence	4,811	45,376	50,187
Car parking	41	298	339
Courier charges	1,590	32	1,622
Faxes	851	-	851
Mileage allowance	13	302	315
Mobile phone expenses	-	1,795	1,795
Railway fares	-	1,507	1,507
Sundry expenses	739	-	739
Taxis	-	7,248	7,248
Telephones and conference calls	8,067	-	8,067
Total	21,536	95,176	116,712

Category 2 disbursements for the period 9 October 2008 to 26 May 2009

In accordance with SIP 9 the JLP's have set out their rates for "category 2" disbursements for services provided by their firm. These are set out as follows:-

- Mileage incurred in the Isle of Man: maximum of 40 pence per mile;
- Mileage incurred in the United Kingdom: maximum of 57 pence per mile (up to 2,000cc) or 79 pence per mile (over 2,000cc); and
- Photocopying performed in PricewaterhouseCoopers offices located in the United Kingdom: 3 pence per sheet copied (only charged for circulars to creditors and other bulk copying);
- Faxes sent from the PricewaterhouseCoopers office located on the Isle of Man: 2 pounds per sheet sent.

All other disbursements to be reimbursed at cost.

Note: Whilst we have claimed reimbursement of expenses incurred by overseas staff working on the Liquidation Provisional, we have elected not to seek payment of the time expense of staff travelling to and from the Isle of Man (£215,809 in total).

5. Fees of the Joint Liquidators Provisionally

Summary of legal and other professional firms instructed in the period from 9 October 2008 to 27 May 2009

Firms instructed

Cains	Retained to provide advice relating to Isle of Man legal issues
Logos	Retained to provide advice relating to Icelandic legal issues
Nabarro	Retained to provide advice relating to UK legal issues
Lovells	Retained to provide advice relating to Scheme issues
Dewey & LeBoeuf	Retained to provide advice relating US legal issues
Teitelbaum & Baskin, LLP	Retained to provide advice relating US legal issues

Firm	Gross (£)	Period	Matter
Cains	685,700	From 9 October 2008 to 27 May 2009	General insolvency issues, Habana claim, attendance at court, winding-up petition, Scheme of Arrangement, non disclosure agreements re sale of business.
Dewey & LeBoeuf	2,757	To 30 November 2008	Advice with regard to potential US filing
Logos	7,589	13 October 2008 to 31 May 2009	Advice re Iceland set-off issues, Kaupthing h.f. moratorium & review documents
Lovells	290,176	6 March to 22 May 2009	Advice re Scheme of Arrangement
Nabarro	769,993	November 2008 to 29 May 2009	UK legal advice, re KSFUK, repo shares, CD litigation & FSA correspondence
Teitelbaum & Baskin, LLP	14,548	December 2008 to March 2009	Advice re dispute with depositor
Total:	1,770,763		

In respect of the disposal of the JJB and the Booker shares referred to in paragraph 3.4 of Section 4 above, the following agreed fees were deducted from the sales proceeds before being remitted to the Company:-

Commission paid to JP Morgan Cazenove (base fee and incentive fee)	£1,553,233
Legal fees (paid to Ashursts)	£56,624

6. Appendix 1 – Receipts and Payments account for the period 9 October 2008 to 26 May 2009 inclusive in relevant currencies

	GBP	USD	EUR	JPY	CHF
Cash in hand	74,529,936	59,958,320	60,405	176,363,395	-
Inter bank account transfer	42,250,501	(64,002,927)	-	-	-
Certificates of Deposit	18,263,280	-	-	-	-
Loan capital repaid	7,344,437	3,091,803	1,095,501	-	220,000
Collateral	6,270,670	-	-	-	-
Interest and fees received on loans	4,800,789	985,514	1,575,473	11,832,800	127,175
Interest on cash at bank	585,748	97,127	672	-	-
VAT rebate	112,543	-	-	-	-
Overdrawn balances repaid	50,382	990	-	-	-
Third party funds	4,057	-	-	-	-
Sale of equipment	4,015	-	-	-	-
Receipts	154,216,358	130,827	2,732,051	188,196,195	347,175
Legal and other professional costs	(1,002,333)	(34,263)	-	-	-
Wages and employee deductions (net of recharges)	(971,140)	-	-	-	-
Rent and associated costs	(266,374)	-	-	-	-
VAT Paid	(244,314)	-	-	-	-
IT costs (net of recharges)	(137,994)	-	(5,834)	-	-
Postage, Stationary & Printing	(91,034)	-	-	-	-
Utilities and other sundries (net of recharges)	(48,873)	(718)	(62)	-	(13)
Insurances & related costs (net of recharges)	(43,593)	-	-	-	-
Storage	(15,893)	-	-	-	-
Payments	(2,821,548)	(34,981)	(5,896)	-	(13)
Net balance in individual currency	151,394,810	95,846	2,726,155	188,196,195	347,162
Rate of exchange at 26 May 2009	1.0000	1.5900	1.1356	150.8300	1.7245
Net balance in GBP	151,394,810	60,281	2,400,630	1,247,737	201,312
Total balance of all bank accounts converted into GBP	155,304,770				