

KAUPTHING GROUP UK LIMITED
DIRECTOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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Company Information

Directors

J Johannsson

Registered Office

43-44 New Bond Street, London, W1S 2SA

Auditors

Hames Watts London LLP
Chartered Accountants
Registered Auditor
London

Director's Report

The director presents his annual report, together with the audited Financial Statements of Kaupthing Group UK Limited (the "Company"), for the year ended 31 December 2011

PRINCIPAL ACTIVITY

The Company is an investment holding company

BUSINESS REVIEW

The principal risks and uncertainties affecting an investment holding company are that the value of its investments may be adversely affected by a variety of factors. An event occurred when the Company's principal subsidiary, Kaupthing Singer & Friedlander Limited, was put into administration on 8 October 2008 following a prolonged period of turbulence in the banking sector. Not only has this significantly affected the value of the Company's investments (the effect on the balance sheet is shown in Note 7 to the Financial Statements), but it has also affected the Company's liquidity as most of the Company's cash, as well as the cash of its other subsidiaries, was held in accounts with Kaupthing Singer & Friedlander Limited.

The administrators of Kaupthing Singer & Friedlander Limited have made a public statement dated 20 June 2012 that they estimate that there should be a minimum recovery of 82.5p in the £1 although the final amount could be higher or lower. For the purposes of these Financial Statements, the directors have applied a 82.5% recovery of cash held on deposit with Kaupthing Singer & Friedlander Limited. Given that the directors do not believe that the Company will have significant imminent liabilities, the directors believe that the Company will remain a going concern for the 12 months from the date of this report.

IMMEDIATE AND ULTIMATE PARENT UNDERTAKINGS

The Company's immediate parent undertaking is Kaupthing Holdings UK Limited, a company incorporated and registered in England and Wales. The Company's ultimate parent undertaking is Kaupthing hf, a company incorporated and registered in Iceland.

DIRECTORS

The names of the director of the Company as at the date of this report appear on page 2.

Each of Mr Johannsson and Mr Gudgeirsson have both served as directors throughout the year, however Mr Gudgeirsson resigned on 13 January 2012.

DIRECTORS' AND OFFICERS' INSURANCE

The ultimate parent company maintains an insurance policy for the directors and officers against liabilities incurred in the conduct of their duties.

RESULTS AND DIVIDENDS

The profit after taxation for the year ended 31 December 2011 was £477,000 (2010: £2,605,000), as set out on page 8.

During 2011 no interim dividends were paid (2010: £nil).

The director does not recommend the payment of a final dividend in respect of 2011 (2010: £nil).

FINANCIAL INSTRUMENTS / RISK MANAGEMENT

A risk assessment for the period to 31 December 2011 has been completed. Please see note 12 to the Financial Statements.

POLITICAL AND CHARITABLE DONATIONS

The Company has not made any political or charitable donations or incurred any political expenditure during the year (2010: £nil).

DIRECTOR'S INTERESTS

The director held no beneficial interests in the capital of the Company throughout the year ended 31 December 2011.

The Company made no provision for qualifying third party indemnities during the year.

Director's Report (continued)

STATEMENT OF DISCLOSURE TO THE AUDITORS

The director who held office at the date of approval of this Director's Report confirm that so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware and the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

AUDITORS

Haines Watts London LLP are deemed to be re-appointed under Section 487(2) of the Companies Act 2006

BY ORDER OF THE BOARD


Director

10 July 2012

Registered Office
43-44 New Bond Street
London, W1S 2SA

Statement of Director's Responsibilities

STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE DIRECTOR'S REPORT AND FINANCIAL STATEMENTS

The director is responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations

Company law requires the director to prepare Financial Statements for each financial year. Under that law the director has elected to prepare the Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the director must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the director is required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent and,
- state that the Financial Statements comply with IFRSs as adopted by the European Union

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

We have audited the Financial Statements of Kaupthing Group UK Limited for the year ended 31 December 2011 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Section 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of director and auditors

As explained more fully in the Director's Responsibilities Statement, the director is responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of Financial Statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Qualified opinion arising from non-consolidation of group companies

The Company has not produced consolidated accounts reflecting the results of its main subsidiary Kaupthing Singer & Friedlander Limited and other group companies despite the requirement for large groups to prepare them in accordance with the Companies Act 2006. Kaupthing Singer & Friedlander Limited went into administration on 8 October 2008 and no financial statements are available for that company for the year ended 31 December 2011.

Except for the necessary adjustments that would have been introduced in the Financial Statements to reflect the financial performance and position of the subsidiary companies of Kaupthing Group UK Limited, in our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of the Company's profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

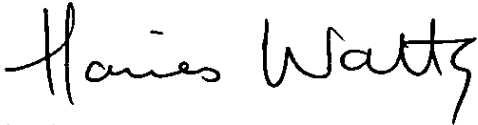
In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the Financial Statements.

Auditor's Report

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Matthew Perry
Senior Statutory Auditor
For and behalf of Haines Watts London LLP
Chartered Accountants & Statutory Auditor
New Derwent House
69 – 73 Theobalds Road
London
WC1X 8TA

CA July 2012

KAUPTHING GROUP UK LIMITED

Statement of Comprehensive Income

Statement of Comprehensive Income for the year ended 31 December 2011

Continuing operations	Notes	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Interest income	3	33	11
Operating income		33	11
Administration expenses	4	(137)	190
Movement in Provisions	5	571	1,573
Profit before taxation		467	1,774
Income tax expense	6	-	-
Profit for the year		467	1,774
Other comprehensive income:			
Revaluation of investments	7	10	831
Other comprehensive income for the year, net of tax		477	831
Total comprehensive income for the year		477	2,605

The notes on pages 12 to 18 form part of these Financial Statements

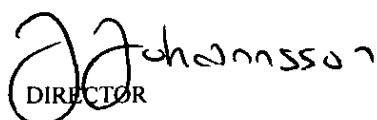
KAUPTHING GROUP UK LIMITED

Statement of Financial Position

Statement of Financial Position as at 31 December 2011

	Notes	As at 31 December 2011 £'000	As at 31 December 2010 £'000
ASSETS			
Non current assets			
Investment in subsidiaries	7	11,375	11,365
Other financial assets	8	2,507	3,413
		<u>13,882</u>	<u>14,778</u>
Current assets			
Cash and cash equivalents	9	7,690	6,425
Current tax assets		38	38
		<u>7,728</u>	<u>6,463</u>
Total assets		<u>21,610</u>	<u>21,241</u>
LIABILITIES			
Current liabilities			
Trade and other payables	10	8,305	8,413
Total liabilities		<u>8,305</u>	<u>8,413</u>
NET ASSETS		<u>13,305</u>	<u>12,828</u>
EQUITY			
Share capital	11	79,390	79,390
Share premium		144,903	144,903
Other reserves		36,201	36,201
Capital redemption reserve		4,240	4,240
Retained earnings		(251,429)	(251,906)
Total equity		<u>13,305</u>	<u>12,828</u>

These Financial Statements were approved by the Board of Directors on 10 July 2012 and were signed on its behalf by


DIRECTOR

The notes on pages 12 to 18 form part of these Financial Statements

KAUPTHING GROUP UK LIMITED

Statement of Changes in Equity

Statement of changes in equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2010	79,390	144,903	36,201	4,240	(254,511)	10,223
Recognised gains and losses – 2010						
Total comprehensive income for the year	–	–	–	–	2,605	2,605
Total recognised gains and losses	–	–	–	–	2,605	2,605
Balance at 1 January 2011	79,390	144,903	36,201	4,240	(251,906)	12,828
Recognised gains and losses – 2011						
Total comprehensive income for the year	–	–	–	–	477	477
Total recognised gains and losses	–	–	–	–	477	477
Balance at 31 December 2011	79,390	144,903	36,201	4,240	(251,429)	13,305

The notes on pages 12 to 18 form part of these Financial Statements

KAUPTHING GROUP UK LIMITED

Statement of Cash Flows

Statement Cash Flows for the year ended 31 December 2011

	Notes	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Total comprehensive income for the year before tax		477	2,605
Adjustments to reconcile total comprehensive income before income tax to cash flow (used in)/from operating activities			
Non cash movements			
- Revaluation of subsidiaries	7	(10)	(831)
Net increase in operating assets			
- Other assets		906	271
- Current tax asset		-	3,436
Net decrease in operating liabilities			
- Other liabilities	10	(108)	(543)
Net cash flow from operating activities		<u>1,265</u>	<u>4,938</u>
Increase in cash and cash equivalents		<u>1,265</u>	<u>4,938</u>
Cash and cash equivalents at the beginning of year		<u>6,425</u>	<u>1,487</u>
Cash and cash equivalents at the end of the year	9	<u>7,690</u>	<u>6,425</u>
Cash flow from operating activities includes			
Interest received	3	33	11
Interest paid		-	-

The notes on pages 12 to 18 form part of these Financial Statements

Notes to Financial Statements

Note 1 Reporting entity

Kaupthing Group UK Limited (the "Company") is a company incorporated and domiciled in England. The address of the Company's registered office is 43-44 New Bond Street, London, W1S 2SA. The principal activity of the Company is to act as an investment holding company.

Note 2 Accounting policies**2.1 Basis of preparation****Statement of compliance**

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the EU. EU endorsed IFRSs may differ temporarily from IFRSs as published by the International Accounting Standards Board (IASB) if new or amended IFRSs have not been endorsed by the EU. At 31 December 2011, there were no unendorsed standards effective for 31 December 2011 affecting these Financial Statements, and there was no difference in application to the Company between IFRSs endorsed by the EU and IFRSs issued by the IASB.

IFRSs comprise accounting standards issued by the IASB and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor body.

The Financial Statements are drawn up in accordance with the Companies Act 2006. The Financial Statements are prepared on a going concern basis. The director does not believe that the Company will have significant imminent liabilities and the Company will remain a going concern for the 12 months from the date of signing these Financial Statements. In this regard, the director believes that a portion of the cash of the Company which was deposited will be recovered in the administration of Kaupthing Singer & Friedlander Limited. The administrators of Kaupthing Singer & Friedlander Limited have made a public statement that the likely amount recoverable in the administration will be at least 82.5% recovery of cash held on deposit with Kaupthing Singer & Friedlander Limited. The director believes that the Company will be in a position to meet such liabilities as fall due given that the Company does not have any significant imminent liabilities.

As a result of the administration of its direct subsidiary Kaupthing Singer & Friedlander Limited the Company has not provided consolidated results.

The Financial Statements were authorised for issue by the Board of Directors of the Company on 10 July 2012.

Basis of measurement

The Financial Statements are prepared on the historical cost basis.

Functional and presentation currency

The Financial Statements are presented in Pounds sterling, rounded to the nearest pound, which is the Company's functional currency.

2.2 Significant accounting judgements and estimates

The preparation of the Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions. These judgements, estimates and assumptions affect the reported amounts of assets and liabilities as well as income and expenses in the financial statements presented. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimation is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

2.3 Change in accounting policies

The accounting policies adopted are consistent with those used in the previous financial year.

Notes to Financial Statements (continued)

Note 2 Accounting policies (continued)**2.4 Summary of significant accounting policies****(1) Income***a) Interest income*

Interest income is recognised in the Statement of Comprehensive Income as it accrues, taking into account the effective yield of the asset or an applicable floating rate

b) Net financial income

Net financial income is comprised of Dividend income. Dividend income is recognised when the right to receive payment is established

(2) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years

Deferred tax

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority

(3) Investment in subsidiaries

The Company's investment in its subsidiaries is stated at the director's valuation. At the balance sheet date an impairment review was undertaken as the recoverable amount was less than its carrying value

(4) Cash and cash equivalents

Cash and cash equivalents in the Statement of Cash Flows consist of cash and demand deposits with other credit institutions

(5) Dividends on shares

Dividends on shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividends for the year that are declared after the reporting date are dealt with in the subsequent events note

Notes to Financial Statements (continued)

Note 2 Accounting policies (continued)**(6) New and revised IFRS**

At the date of authorisation of these Financial Statements, there were a number of standards and interpretations that have not been applied in these Financial Statements, which were in issue but not yet effective. In future periods the following are expected to have an impact on the Financial Statements:

Amendments to IAS 1 — Presentation of items of Other Comprehensive Income (effective for accounting periods beginning on or after 1 July 2012). This amendment has not yet been endorsed for use in the EU.

IFRS 10 — Consolidated Financial Statements (effective for accounting periods beginning on or after 1 January 2013). IFRS 10 has not yet been endorsed for use in the EU. It will supersede the consolidation requirements of IAS 27 Consolidated and separate financial statements, and SIC-12 Consolidation — Special Purpose Entities.

IFRS 9 — Financial Instruments (effective for accounting periods beginning on or after 1 January 2015). IFRS 9 has not yet been endorsed for use in the EU.

IFRS 12 — Disclosure of Interests in Other Entities (effective for accounting periods beginning on or after 1 January 2013). IFRS 12 has not yet been endorsed for use in the EU.

IFRS 13 — Fair Value Measurement (effective for accounting periods beginning on or after 1 January 2013). IFRS 13 has not yet been endorsed for use in the EU.

New Standards and interpretations effective during the period to 31 December 2011

The Company has complied, where relevant, with all new IFRS standards that became effective during the period to 31 December 2011.

The following standards and interpretations, issued by the IASB or the International Financial Reporting Interpretations Committee (IFRIC), are effective for the first time in the current financial year and have been adopted by the Company with no significant impact on its results or financial position:

Revised IAS 24 — Related Party Disclosures (effective for accounting periods beginning on or after 1 January 2011).

Improvements to IFRSs. This annual improvement project clarifies the requirements of IFRSs and eliminates inconsistencies within and between standards. The relevant changes included amendments to IFRS 3 — Business Combinations, IFRS 7 — Financial Instruments: Disclosures, and IAS 1 — Presentation of financial statements.

Note 3 Interest income

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Interest income from		
Cash balances	33	11
Interest income	33	11

Note 4 Administration expenses

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Auditor's remuneration is specified as follows:		
Audit of company financial statements pursuant to legislation	11	11
Other services	2	2
Auditor's remuneration	13	13

Notes to Financial Statements (continued)

Note 5 Movement in Provisions

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Provisions against cash balances with group companies	(571)	(1,573)
Total Provisions	(571)	(1,573)

The extent to which amounts due from Kaupthing Singer & Friedlander Limited are recoverable is uncertain at the date of signing of these Financial Statements and to reflect this uncertainty the Director has applied a recovery rate of 82.5% (2010 78%)

Note 6 Income tax expense

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Income tax credit/(expense) is specified as follows		
Current tax	-	-
Income tax (expense)	-	-
	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Current tax is specified as follows		
Domestic income tax on profits for the period	-	-
Adjustments in respect of previous periods	-	-
Current tax	-	-
Income tax (expense)	-	-
The tax charge for the year can be reconciled to the loss per the Income Statement as follows		
Profit/(loss) before taxation	467	1,774
Tax at the domestic income tax rate of 27% (2010 – 28%)	126	497
Under provided in previous years	-	-
Other permanent differences	(126)	(497)
Income tax credit/(expense)	-	-

Notes to Financial Statements (continued)

Note 7 Investment in subsidiaries

	31 December 2011 £'000	31 December 2010 £'000
At 1 January	342,876	343,231
Impairment against Investment in subsidiaries b/w/d	(331,511)	(332,342)
Revaluation	10	831
Transfer	-	(355)
At 31 December	11,375	11,365

The administration of Kaupthing Singer & Friedlander Limited have made a public statement that the likely amount recoverable in the administration will be at least 82.5% (2010 78%). To reflect the improved rate a partial reversal of the 2008 impairment has been reported in the current year

On 8 October 2008, Kaupthing Singer & Friedlander Limited entered into administration and Maggie Mills, Tom Burton, Alan Bloom and Patrick Brazzill of Ernst & Young, UK, were appointed as administrators. Kaupthing EDGE UK was transferred by the UK Treasury to ING Group and later the same day, the entity was put into administration on the application of the FSA. The impairment (£332m) reflects the Director's estimate of the loss to Kaupthing Group UK Limited as a result of the placing into administration of Kaupthing Singer & Friedlander Limited

Details of the Company's subsidiary undertakings (direct* and indirect) at 31 December 2011 are as follows

Name of subsidiary	Country of incorporation	Proportion of ownership	
		2011	2010
<i>Subsidiary placed into liquidation in 2011</i>			
Wintrust Limited *	Great Britain	100%	100%
<i>Subsidiaries placed into liquidation in 2007</i>			
Ancomass Limited *	Great Britain	100%	100%
Singer & Friedlander Holdings Limited	Great Britain	100%	100%

Note 8 Other financial assets

	31 December 2011 £'000	31 December 2010 £'000
Other financial assets are as follows		
Amounts due from group undertakings	<u>2,507</u>	<u>3,413</u>

The amounts due from group undertakings comprises cash balances which were 'frozen' following the placing of Kaupthing Singer & Friedlander Limited into administration on 8 October 2008. These balances have been reclassified from cash and cash equivalents and certain tax assets. These amounts due represent an estimated recovery rate of 82.5p (2010 78p) for each £.

Note 9 Cash and cash equivalents

	31 December 2011 £'000	31 December 2010 £'000
Cash and cash equivalents are as follows		
Other cash balances	<u>7,690</u>	<u>6,425</u>
Cash and cash equivalents	<u>7,690</u>	<u>6,425</u>

Cash balance with group companies are considered "frozen" and have been restated to "other financial assets" following the placing of Kaupthing Singer & Friedlander Limited into administration on 8 October 2008

Notes to Financial Statements (continued)

Note 10 Trade and other payables

	31 December 2011 £'000	31 December 2010 £'000
Trade and other payables are specified as follows		
Accruals	75	12
Accounts payable	230	383
Amounts due to related parties	8,000	8,018
Trade and other payables	8,305	8,413

Note 11 Share capital

	31 December 2011 £'000	31 December 2010 £'000
Authorised:		
666,666,667 Ordinary shares of 0.135p each	90,000	90,000
Issued and fully paid:		
588,070,389 Ordinary shares of 0.135p each	79,390	79,390

Note 12 Financial risk management**(a) Introduction and overview**

The Company has exposure to the following risks from its use of financial instruments

- Credit risk
- Liquidity risk
- Market risk

Following the placing into administration of Kaupthing Singer & Friedlander Limited the risks faced by the Company are no longer managed within the framework established for the Kaupthing group (the "Group")

As the risks faced by the Company are deemed not to be significant they are not actively managed

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations

The Company's exposure to credit risk is to Arion Bank hf, an indirect subsidiary of Kaupthing hf, in the form of cash balances held by them. The Company's financial assets with Kaupthing Singer & Friedlander Limited have been impaired following the placing into administration of this company

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities

(i) Management of liquidity risk

The Company does not actively manage its liquidity risk

(ii) Exposure to liquidity risk

The table below summarises the remaining contractual undiscounted cash flows of the Company's financial liabilities

Notes to Financial Statements (continued)

Note 12 Financial risk management (continued)

	Carrying amount £'000	Gross nominal inflow/ (outflow) £'000	Up to 1 month £'000	1-3 months £'000	3-12 months £'000	1-5 years £'000	Over 5 years £'000
As at 31 December 2011							
Financial liabilities							
Other financial liabilities	8,305	(8,305)	(8,305)	–	–	–	–
Total financial liabilities	8,305	(8,305)	(8,305)	–	–	–	–
As at 31 December 2010							
Financial liabilities							
Other financial liabilities	8,030	(8,030)	(8,030)	–	–	–	–
Total financial liabilities	8,030	(8,030)	(8,030)	–	–	–	–

(d) Market risk

Market risk is the risk that changes in market prices such as interest rates, equity prices and foreign exchange rates will affect the Company's income or the value of its holdings of financial instruments.

The Company's only exposure to market risk is from foreign exchange movements on its cash balance held with Arion Bank hf, a subsidiary of Kaupthing hf.

(e) Fair values of financial assets and financial liabilities

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, i.e. not during a forced sale or liquidation.

The Company's financial assets and financial liabilities are held on the Statement of Financial Position at their fair values.

(f) Capital management

Capital resources are not managed and monitored at the level of the Company. Rather the Group's capital resources are managed and monitored in accordance with the regulatory capital requirements of the Group's lead regulator, the Financial Services Authority (FSA). The Group must at all times monitor and demonstrate the compliance with the relevant regulatory capital requirements of the FSA.

Note 13 Related parties

(i) The Company has lodged claims with the administrators of Kaupthing Singer & Friedlander Limited, a subsidiary company. At the year end the outstanding claim totals £4,727,682. A provision of £2,220,091 has been made against these balances (17.5% of the original claim). The net balance of £2,507,591 has been included in Other financial assets.

(ii) The Company has intercompany balances outstanding to its subsidiaries amounting to £8,000,000 (2010: £8,017,482).

(iii) The Company has a cash balance of £7,628,429 (2010: £6,421,180) with Arion Banki, a subsidiary of Kaupthing hf.

Note 14 Post balance sheet events

The company settled its outstanding claim brought against them by a former director in the new financial year.

Wintrust Limited, a direct subsidiary of the Company went into liquidation on 27 March 2012.

Further to the final stages of the liquidation process of Ancomass Limited, Ancomass Limited's shareholding in Singer & Friedlander Holdings Limited was transferred to the Company on 2 July 2012 by way of an in specie distribution.

Note 15 Ultimate parent company

The Company's ultimate parent company is Kaupthing hf, a company resident and incorporated in Iceland. Kaupthing hf is currently in winding up proceedings and the results of the Company are no longer consolidated in the financial statements of the Company's ultimate parent company.