
Company registration number 03035403

SINGER & FRIEDLANDER CAPITAL MANAGEMENT LIMITED
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

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SINGER & FRIEDLANDER CAPITAL MANAGEMENT LIMITED

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SINGER & FRIEDLANDER CAPITAL MANAGEMENT LIMITED

Company Information

Director

J N Stewart

Secretary

J J Youngs

Auditors

Haines Watts London LLP
Chartered Accountants &
Statutory Auditor
New Derwent House
69-73 Theobalds Road
London
WC1X 8TA

Registered Office

21 New Street
London
EC2M 4HR

SINGER & FRIEDLANDER CAPITAL MANAGEMENT LIMITED

REPORT OF THE DIRECTOR

The Director presents his report, together with the audited financial statements of the Company for the year ended 30 June 2011

PRINCIPAL ACTIVITIES

The Company is incorporated in England and Wales and conducts its operations from the United Kingdom. The registered office of the Company is 21 New Street, London EC2M 4HR, United Kingdom.

The Company's principal activity was the provision of portfolio management services for private clients.

BUSINESS REVIEW

References to staff in the Report of the Director and the financial statements relate to staff seconded to the Company from a group undertaking, Kaupthing Singer & Friedlander Limited (In Administration) ("KSF").

Synopsis of prior periods

On 8 October 2008, following a period of turbulence affecting the banking sector worldwide, KSF was placed into Administration. The purpose of the Administration was to realise assets in a manner which would enable a more advantageous settlement than would be achieved via a formal liquidation process. The appointed Administrators are Ernst & Young.

The Administrators sought to safeguard the value of the business of the Company by ensuring it continued to trade as a going concern. In order to meet this objective, it was decided that these interests would be best satisfied by disposing of the business of the Company to a third party investment management business. The proposed sale intended to mitigate the risk of losing fund managers, clients and client contracts to rival investment management organisations in order to preserve the value of the business to enable value to be released to the shareholder, KSF. Through extensive negotiations with interested parties, it was decided that the sale of client contracts rather than a sale of the Company would be the preferred option.

On 21 October 2008, an agreement was reached with Williams de Broe Limited, a subsidiary of the Evolution Securities Group Plc, to acquire the business activities of the Company's parent undertaking, Singer & Friedlander Investment Management Limited ("SFIM"). Also on the 21 October 2008 an agreement was entered into with Williams de Broe Limited to provide investment management services to the Company's client contracts. This agreement ceased upon the successful migration of the relevant client contracts to Williams de Broe Limited during April 2011.

On 9 October 2008, the Company's ultimate parent undertaking, Kaupthing Bank hf was placed under the control of the Icelandic Financial Supervisory Authority, who took over the operations of Kaupthing Bank hf in accordance with Icelandic legislation arising from the unusual market circumstances in the Icelandic financial market. As part of this process, a Resolution Committee was appointed which has all the powers of the Board of Directors including the supervision of all assets and business operations. Furthermore, on the 24 November 2008 Kaupthing Bank hf was granted a moratorium status granting it independence from any Icelandic governmental body.

Since 8 October 2008, the Company's dealings are solely with the Administrators of KSF.

The Administration of KSF on 8 October 2008 has affected the value of the Company's cash balances, as KSF provided banking services to the Company. As a consequence, a proportion of the Company's cash balances, as well as all pooled client monies balances were no longer available to the Company and consequently these items are "frozen" for which the Company is treated as an unsecured creditor. Whilst this has affected the Company's cash resources, sufficient cash balances were held outside of the Kaupthing Bank hf Group to enable the Company to continue to trade.

SINGER & FRIEDLANDER CAPITAL MANAGEMENT LIMITED

REPORT OF THE DIRECTOR

BUSINESS REVIEW continued

Current period highlights

The pooled client deposits with KSF, "frozen" by the Administrators, are subject to claims by the individual clients directly with the Financial Services Compensation Scheme ("FSCS") At the date of this report 'frozen' fund's of £83k relating to 82 clients were still to be acknowledged as settled by the FSCS

The Administrators of KSF have indicated in their progress report dated 5 May 2011 that there should be a recovery in the region of 78p to 86p in the £ although the final amount could be higher or lower and is dependant on the extent of recoveries and claims from creditors For the purposes of these Financial Statements, the Director has applied a 78% (2010 78%) recovery rate to the cash deposited with KSF by the Company The 'frozen' cash balance has been presented within Other Financial Assets £277,399 (2010 £277,399), note 9 to the Financial Statements

The event of 8 October 2008 and the subsequent disposal of the business to Williams de Broe Limited has affected the viability of the Company Therefore these financial statements have been prepared on a cessation basis The effect of this is that all current assets Are restated at net realisable values

PERFORMANCE

The loss after taxation for the year is noted in the Statement of Comprehensive Income on page 9, and amounts to £58,261 (2010 profit £373,700)

The level of funds under management has declined from £811k at the start of the year to £131k at the balance sheet date At the date of this Director's Report the remaining funds under management, all cash, amounts to £131k, of which £83k relates to client 'frozen cash' deposits in KSF, £43k in respect of deceased clients held at a third party bank and £5k of client balances that require investigation, allocation and remittance

No interim dividends were paid during the year under review (2010 nil) The Director does not propose a final dividend for the period (2010 nil)

FUTURE OUTLOOK

The Director anticipates that following the settlement of the remaining client cash, resolution of compliance issues, and the collection of all receivables and discharging all liabilities, the Company will be placed into a members' voluntary liquidation

PRINCIPAL RISK AND UNCERTAINTIES

The key risks facing the company arise from the following activities

- 1 Management of the cash balances
- 2 Identifying and ensuring the correct remittance of client funds
- 3 Satisfying FSA regulation to enable the liquidation of the company

In order to carry out these tasks it is important to retain staff that have the skills and knowledge This is a key challenge of the company given the cessation of business and Administration of KSF It is equally important that staff are motivated and overseen to ensure internal controls and quality is not compromised

SINGER & FRIEDLANDER CAPITAL MANAGEMENT LIMITED

REPORT OF THE DIRECTOR

The resolution of an unallocated client balance of £5k could potentially take several months to resolve as the information is old. The individual amounts are very small, but do relate to potentially many clients.

The staff that carry out these tasks are employed by KSF but work solely for the Company and the immediate parent Singer & Friedlander Investment Management ("SFIM"). KSF actively manages the staff seconded to ensure they can be retained to complete the outstanding tasks. In addition, detailed operational procedures are maintained to mitigate the risk of key staff leaving.

Liquidity, Credit and Operational risks are also discussed in note 17.

PARENT AND ULTIMATE PARENT UNDERTAKING

The Company is a wholly-owned subsidiary undertaking of Singer & Friedlander Investment Management Limited whose ultimate parent undertaking, until 8 October 2008, was Kaupthing Bank hf (incorporated in Iceland).

After 8 October 2008, Kaupthing Bank hf's rights were limited to being a shareholder. As noted in page 2 of this report, Kaupthing Bank hf was placed under the control of the Icelandic Financial Supervisory Authority, which has assumed the powers of the shareholders and has appointed a Resolution Committee.

DIRECTOR'S AND OFFICER'S INSURANCE

Kaupthing Bank hf maintained, until 31 March 2009, an insurance policy on behalf of the Directors and officers against any liabilities incurred in the conduct of their duties. After this date, KSF maintained a similar policy for its Director and Officers.

DIRECTOR

The name of the Director of the Company as at the date of this report appears on page 1.

The Articles of Association of the Company do not require the Director to retire.

Mr J J Youngs served throughout the year as secretary of the Company.

DIRECTOR'S INTERESTS

The Director held no beneficial interests in the share capital of the Company throughout the year ended 30 June 2011 (2010: nil).

Under the Companies Disclosure of Directors' Interests (Exceptions) Regulations 1995, the beneficial interests held by the Director in the share capital of Kaupthing Bank hf do not need to be disclosed to UK subsidiary undertakings.

SINGER & FRIEDLANDER CAPITAL MANAGEMENT LIMITED

REPORT OF THE DIRECTOR

REGULATORY AND NON-REGULATORY CAPITAL

It is the Company's policy to maintain a capital base to meet regulatory capital requirements at all times

Shareholder funds are invested in either short-term cash deposits (up to 90 days maturity) or placed on demand with approved banks

The principal forms of capital are included in the following balances on the balance sheet called up share capital and retained earnings The Company has a capital base of £2,631,904 as at 30 June 2011 (2010 £2,690,165)

The Financial Services Authority ("FSA") supervises the Company and, as such, receives information on the capital adequacy of the Company on a quarterly basis The Company has complied with the FSA's capital adequacy requirements during the year to 30 June 2011

The above description of the Company's regulatory and non-regulatory capital policy forms an integral part of the financial statements

STATEMENT OF DISCLOSURE TO THE AUDITORS

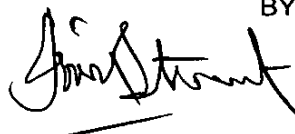
The Director of the company who held office at the date of approval of these Financial Statements as set out above confirms, so far as he is aware, that

- there is no relevant audit information of which the company's auditors are unaware, and
- he has taken all the steps that he ought to have taken as Director in order 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

Registered Office
21 New Street
London
EC2M 4HR



BY ORDER OF THE BOARD

J N Stewart
Director
11 October 2011

SINGER & FRIEDLANDER CAPITAL MANAGEMENT LIMITED

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The Director is responsible for preparing the Report of the Director 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 International Financial Reporting Standards ("IFRS") as adopted by the EU. Under company law the Director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that year.

In preparing these financial statements, the Director is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 to enable them to ensure that the financial statements comply with the Companies Act 2006. He is 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.

SINGER & FRIEDLANDER CAPITAL MANAGEMENT LIMITED

INDEPENDENT AUDIT REPORT TO THE SHAREHOLDERS OF THE COMPANY

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

We have audited the financial statements of Singer & Friedlander Capital Management Limited for the year ended 30 June 2011, which comprise the Statement of Financial Position, the Income Statement, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes. 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 Part 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 auditor's 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 auditor

As explained more fully in the Director's Responsibilities Statement set out on page 6, 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Director, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2011, and of its loss 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 Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

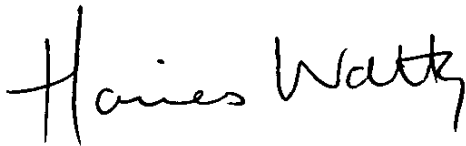
SINGER & FRIEDLANDER CAPITAL MANAGEMENT LIMITED

INDEPENDENT AUDIT REPORT TO THE SHAREHOLDERS OF THE COMPANY

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 Director's 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
Haines Watts London LLP
Chartered Accountants
Statutory Auditor

New Derwent House
69-73 Theobalds Road
London
WC1X 8TA

11 October 2011

SINGER & FRIEDLANDER CAPITAL MANAGEMENT LIMITED

AUDITED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 £	2010 £
Continuing operations			
Revenue	1,2	8,022	799,346
Administrative expenses	1	<u>(82,305)</u>	<u>(248,698)</u>
(Loss)/Profit before taxation	3	(74,283)	550,648
Taxation	6	<u>16,022</u>	<u>(176,948)</u>
(Loss)/Profit for the year		<u>(58,261)</u>	<u>373,700</u>

The company has no items to be recognised in the Statement of Comprehensive Income and consequently this statement has not been presented

SINGER & FRIEDLANDER CAPITAL MANAGEMENT LIMITED

AUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Note	2011 £	2010 £
Current assets			
Trade and other receivables	7	-	80,602
Tax receivable	8	15,459	-
Other financial assets	9	277,399	277,399
Cash and cash equivalents	10	2,362,383	2,591,511
Total assets		<u>2,655,241</u>	<u>2,949,512</u>
Current liabilities			
Trade and other payables	11	23,337	80,381
Tax payable	12	-	178,966
Total liabilities		<u>23,337</u>	<u>259,347</u>
Net assets		<u>2,631,904</u>	<u>2,690,165</u>
Shareholders' equity			
Called up share capital	13	2,160,000	2,160,000
Retained earnings	18	471,904	530,165
Total shareholders' equity		<u>2,631,904</u>	<u>2,690,165</u>

The accounts were approved by the Director on 11 October 2011



J N Stewart
DIRECTOR

The notes on pages 12 to 23 form part of these accounts

SINGER & FRIEDLANDER CAPITAL MANAGEMENT LIMITED

AUDITED STATEMENT OF CASH FLOWS
FOR THE YEAR TO 30 JUNE 2011

	Note	2011 £	2010 £
Cash flow from operating activities			
(Loss)/Profit after taxation		(58,261)	373,700
Adjustments to reconcile (loss)/profit to cash flow from operating activities			
Interest received		(8,022)	(8,005)
Taxation (credit)/charge	6	(16,022)	176,948
Operating (loss)/profit before changes in working capital		(82,305)	542,643
Decrease in trade and other receivables		80,602	207,481
(Increase) in other financial assets	9	-	(22,044)
(Decrease) in trade and other payables		(57,044)	(481,977)
Cash generated from operations		(58,747)	246,103
Taxation paid		(178,403)	(85,290)
Net cash (outflow)/inflow from operating activities		(237,150)	160,813
Investing activities			
Interest received		8,022	8,005
Net cash inflow from investing activities		8,022	8,005
(Decrease)/Increase in cash and cash equivalents		(229,128)	168,818
Cash and cash equivalents at the beginning of the year		2,591,511	2,422,693
Cash and cash equivalents at the end of the year	10	2,362,383	2,591,511

SINGER & FRIEDLANDER CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 June 2011 and the comparative information for the year ended 30 June 2010.

At 30 June 2011, the Company had adopted all IFRS and interpretations that had been issued by the IASB and IFRIC and endorsed by the EU. A number of new standards, amendments to standards and interpretations are not yet effective for the period ended 30 June 2011 and therefore have not been applied in preparing these financial statements.

The Company has prepared a cash flow statement in accordance with IFRS 1.

The audited financial statements have been approved by the Director.

Basis of preparation

The financial statements have been prepared on a cessation basis.

The cessation basis reflects all balance sheet items stated at estimated net realisable values, and also reflects the intention of the Director to enter into a members' voluntary liquidation of the Company in the next nine months.

Items included in these financial statements are measured in the functional currency of UK Pounds Sterling.

The accounting policies set out below have been applied consistently to all periods. They have also been applied in preparing an opening statement of equity and profit and loss at 30 June 2011.

Financial instruments

The Company's financial instruments include financial assets representing cash balances held with credit institutions, trade and other receivables and financial liabilities representing trade and other payables.

The Company's financial assets of cash balances held with credit institutions generate interest income which is accounted for on an accruals basis and is reflected in the income statement. Such financial assets are accounted for on a trade date basis. These cash balances are exposed to credit risk, which the Company mitigates by reviewing the suitability of placing funds with credit institutions. This review process includes assessing the credit worthiness of such financial institutions.

Trade and other receivables primarily generate management fee income from clients. Whilst credit checks are performed at the outset of managing these portfolios, any settlement failure of such fees is unlikely, individually, to have a material impact on the results reported by the Company.

The Company's financial liabilities principally consist of amounts recognised when a financial liability has been incurred as a result of the Company conducting its day to day operations.

SINGER & FRIEDLANDER CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Risk management

Processes are in place to enable the continuous review, assessment, communication and monitoring of risks identified by management

Fair values

All balance sheet items have been stated at estimated net realisable values

Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

Derecognition of financial assets and liabilities

Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or where the Company commits to transfer substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation of the Company specified in the contract is discharged, cancelled or expired.

Other financial assets

Other financial assets represent a reclassification of cash balances "frozen". The amounts have been stated at net realisable values.

Trade and other receivables

Trade and other receivables principally represent the accrual of management fee income from clients which are invoiced periodically. These amounts are calculated by reference to assets under management. The amounts invoiced are primarily collected from cash assets held on behalf of clients.

Trade and other receivables are stated at their nominal value less any impairment losses. Impairment losses are established when there is evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Any impairment losses are recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits and are stated in the balance sheet at nominal value. For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank, with original maturities of three months or less.

Trade and other payables

Trade and other payables are stated at cost and represent costs incurred in the day to day operations of the Company. Costs are incurred on a receipt basis, and therefore any amounts included within trade and other payables represent timing differences for the payment of such liabilities.

SINGER & FRIEDLANDER CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Consolidated accounts

The Company's parent undertaking is SFIM, whose ultimate parent undertaking is a company incorporated in Iceland, and accordingly group financial statements have not been prepared

Revenue

Revenue, as noted in note 2 of these financial statements, represents management fees and commission earned from clients for the provision of portfolio management services for clients. The generation of management fees is typically based on client funds under management at each charging period, which is primarily quarterly. The management fee income levied to clients is in accordance with client agreements stipulated at the outset of establishing a business relationship. All such revenue amounts are recognised on an accruals basis.

Revenue also includes interest earned on Company cash balances.

Administrative expenses

For the current year administrative expenses includes storage, printing & stationery, corporate subscriptions, legal expenses and sundry payments, with all other costs borne by KSF. KSF has elected to waive the recovery of costs from 1st October 2008.

Taxation

Taxation on the profit and or loss for the year comprises current and deferred tax. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary timing differences between the carrying cost of amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner or realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future profits will be available against which the asset can be utilised.

SINGER & FRIEDLANDER CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

New Standards and interpretations effective during the period to 30 June 2011

The Company has complied, where relevant, with all new IFRS standards that became effective during the period to 30 June 2011

There have been no new 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 adopted by the company

New Standards not yet adopted

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 statement

- IFRS 9 Financial Instruments
- IFRS 10 Consolidation Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair value Measurements

2 REVENUE

	2011	2010
	£	£
Management fees	-	764,416
Commissions receivable	-	26,925
Interest income	8,022	8,005
	<u>8,022</u>	<u>799,346</u>

SINGER & FRIEDLANDER CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 OPERATING PROFIT BEFORE TAXATION

	2011 £	2010 £
Profit from operations have been arrived at after charging/(crediting)		
Auditors' remuneration		
Audit of financial statements	9,000	10,450
Other services	1,400	2,900
	<u>10,400</u>	<u>13,350</u>
Profit on disposal of business	-	(195,641)
Provision release in relation to Cash balances "frozen" with KSF	-	(59,297)
	<u>-</u>	<u>(205,041)</u>

In the report to unsecured creditors by the Administrator of KSF dated 5th May 2011, the minimum level of recovery has increased from 65% in 2009 to 78%. The provision against the frozen cash was therefore been adjusted by the total of £59,297 in the year ended 30th June 2010 accounts

The prior year profit on disposal relates to the sale of the final client contracts to Williams de Broe Limited. The gross proceeds were £250,000 and legal expenses borne in relation to the sale were £54,359.

4 STAFF COSTS

On 21 October 2008, all front office staff seconded to the Company transferred to the purchaser of business from SFIM. From 1st January 2008 until the date of transfer there were on average 3 seconded employees (including executive directors).

	2011 £	2010 £
Their aggregate remuneration comprised		
Wages and salaries	-	(34,623)
Social security costs	-	-
Other pension costs	-	-
	<u>-</u>	<u>(34,623)</u>

For the current year the Company has use of three back office staff seconded to it from KSF. The expenses incurred in respect of these staff members were not reimbursed by the Company to KSF. The prior year credit release relates to amounts that were accrued in the prior period that were not reimbursed to KSF.

SINGER & FRIEDLANDER CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5 DIVIDENDS

No dividends (2010 nil) were paid during the period on the ordinary shares in issue

6 TAXATION

	2011 £	2010 £
Current corporation tax (credit)/charge	<u>(16,022)</u>	<u>176,948</u>
Current tax made up as		
Domestic income tax on (loss)/ profit for the year	(15,459)	137,578
Domestic income tax (over)/under provision in respect of prior years	(563)	39,370
Total current tax	<u>(16,022)</u>	<u>176,948</u>
Total corporation tax in the income statement	<u>(16,022)</u>	<u>176,948</u>

The tax (credit)/charge for the year can be reconciled to the profit per the income statement as follows

	2011 £	%	2010 £	%
(Loss)/Profit before taxation	<u>(74,282)</u>		<u>550,648</u>	
Tax at the domestic income tax rate of 21% (2010 28%)	(15,599)	(21.0)	154,181	28.0
Provision disallowed	-	-	(16,603)	(3.0)
Interest allowable	140	0.2	-	-
Domestic tax (over)/under provision for earlier years	(563)	(0.8)	39,370	7.1
Total tax expense and effective tax rate for the year/period	<u>(16,022)</u>	(21.6)	<u>176,948</u>	32.1

SINGER & FRIEDLANDER CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7 TRADE AND OTHER RECEIVABLES

	30 June 2011 £	30 June 2010 £
Trade debtor	<u>-</u>	<u>80,602</u>

8 TAX RECEIVABLE

	30 June 2011 £	30 June 2010 £
Corporation tax receivable respect of current year	<u>15,459</u>	<u>-</u>

9 OTHER FINANCIAL ASSETS

	30 June 2011 £	30 June 2010 £
Amounts due from group undertakings	<u>277,399</u>	<u>277,399</u>

The amount due from group undertakings relates to "frozen" cash balances held with KSF. These cash balances have been reclassified from Cash and Cash Equivalents to Other Financial Assets. The amount represents an estimated recovery rate of 78p for each £ (2010: 78p for each £).

The Administrator of KSF has confirmed that the debt of £277,399 (2010: £277,399) accurately reflects the amount that is due to the Company at a rate of 78p for each £ (2010: 78p for each £).

It is intended the Company will be placed into member's voluntary liquidation. At present there is no requirement for the Company to hold any cash which it would be entitled to in respect of its claim in KSF and it is proposed that no cash will be remitted to the Company via the normal creditor distribution process. Instead, the monies the Company are entitled to in respect of its claim will be continue to be held by KSF either until the Company requires the monies or until they are offset as part of the liquidation process.

SINGER & FRIEDLANDER CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10 CASH AND CASH EQUIVALENTS

	30 June 2011 £	30 June 2010 £
Cash held with credit institutions	<u>2,362,383</u>	<u>2,591,511</u>

11 TRADE AND OTHER PAYABLES

	30 June 2011 £	30 June 2010 £
Other payables	<u>23,337</u>	<u>80,381</u>

12 CURRENT TAX PAYABLE

	30 June 2011 £	30 June 2010 £
Corporation tax payable	<u>-</u>	<u>178,966</u>

SINGER & FRIEDLANDER CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

13 CALLED UP SHARE CAPITAL

	30 June 2011 £	30 June 2010 £
Authorised		
4,300,000 ordinary shares of £1 each	4,300,000	4,300,000
700,000 non-cumulative redeemable preference shares of £1 each	<u>700,000</u>	<u>700,000</u>
	<u>5,000,000</u>	<u>5,000,000</u>
Issued and fully paid		
2,160,000 ordinary shares of £1 each	<u>2,160,000</u>	<u>2,160,000</u>

Ordinary shares have full voting rights as well as allotment pre-emption rights

The non-cumulative redeemable preference shares carry the same rights as the holders of the ordinary shares in issue and rank pari passu with them except

- The holders of the non-cumulative preference shares shall be entitled to a net preferential dividend at an annual fixed rate equivalent at three month Libor from the date of issue
- The non-cumulative preference shares shall rank in priority to the ordinary shares for the return of capital on liquidation or otherwise

14 RELATED PARTIES

The Company has related party relationships with KSF Transactions with the related party during the year, in connection with trading activities as well as non trading activities, can be summarised as follows

	Income/ (expenses) 30 June 2011 £	Assets/ (Liabilities) 30 June 2011 £	Income/ (expenses) 30 June 2010 £	Assets/ (Liabilities) 30 June 2010 £
Transactions with group				
Undertakings				
Frozen cash balances	-	277,399	-	277,399

"Frozen" cash balances, discounted by 22% (2010 22%) are held on deposit with KSF The amount was transacted on an arms length basis

SINGER & FRIEDLANDER CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15 EVENTS AFTER BALANCE SHEET

There were no events after the balance sheet date which necessitated inclusion within these financial statements

16 PARENT AND ULTIMATE PARENT UNDERTAKINGS

The Company's parent undertaking is Singer & Friedlander Investment Management Limited, a company incorporated in England and Wales. The Company's ultimate parent company is Kaupthing Bank Hf, a company resident and incorporated in Iceland. As Kaupthing Bank Hf is currently under a moratorium the results of the Company are no longer consolidated in the financial statements of the Company's parent company.

17 USE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company enters into cash deposits and also has other financial instruments such as trade debtors and trade creditors which arise directly from the Company's operations.

The principal risks affecting the Company's are

- a) **Liquidity and Credit Risk**
Liquidity risk is the risk that the Company will have difficulty in meeting its obligations to its financial liabilities.

The Company has sufficient financial resources, in the form of cash balances, to meet its financial liabilities as and when they fall due. The Company's cash balances in aggregate amount to £2,362,383 (2010: £2,591,511) and are disclosed in note 10 of these financial statements. These cash balances are held with external financial credit institutions.

Credit risk is the risk of the counterparty not returning the funds back to the company in full. The company has credit risk on its Current Assets, with cash deposits held with financial institutions being the largest area of risk.

To address this risk the Company maintains an approved list of six UK Financial Institutions, with the list compiled based upon their short term rating. The list includes limits that aggregate the cash balances of SFIM to ensure the group's concentration risk to any one particular institution is below £4.35m.

SINGER & FRIEDLANDER CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

17 USE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *continued*

b) Interest Rate Risk

The Company's exposure to interest rate risk is mitigated by placing surplus funds for deposit at various levels of maturity. The interest rates obtained are market rates which are typically linked to LIBOR. Typically, cash is held on deposit for no longer 90 days. All cash balances at the year end were held on deposit for up to 30 days.

The table below sets out the effective interest rate earned on the Company's average cash and cash equivalent balances held during the period:

	30 June 2011 £	30 June 2010 £
Average cash and cash equivalent balances	2,362,383	2,502,579
Effective interest rate	0.3%	0.4%

A change of 50 basis points in interest rates at the balance sheet date would have the effect of increasing / (decreasing) equity and profit or loss by £8,690 / (£8,690) (2010: £9,009 / (£9,009)). This calculation assumes that the change would have occurred at the balance sheet date and has been applied to the average cash and cash equivalent balances held during the period and is stated net of income tax assuming the current corporation tax rate of 21% (2010: 28%). With the UK base rates currently at 0.50%, a downward change of 0.50% would result in no interest being earned.

c) Fair Values of Financial Instruments

The Company's assets comprise:

- I The cash balances held by the Company at 30 June 2011, also represent fair values of these assets.
- II The balances in respect of trade and other receivables together with trade and other payables represent the fair values which are the carrying values as stated in the balance sheet.

d) Operational Risk

Operational risk is the risk of direct or indirect loss or damage to the Company's reputation resulting from inadequate or failed internal processes or systems, or from human error or external events that affect the Company's image, operational earnings. Strategic risk, reputation risk, legal risk and compliance risk are considered sub-categories of operational risk. Operational risk is therefore inherent in all activities within the Company.

SINGER & FRIEDLANDER CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

18 STATEMENT OF CHANGE IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Issued share capital	Retained earnings	Total shareholder's equity
	£	£	£
Changes in equity 2010			
Balance as at 1 July 2009	2,160,000	156,465	2,316,465
Profit for the year	-	373,700	373,700
Balance as at 30 June 2010	2,160,000	530,165	2,690,165
Changes in equity during the year			
Loss for the year	-	(58,261)	(58,261)
Balance as at 30 June 2011	2,160,000	471,904	2,631,904

19 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The Company holds the entire share capital of Private Nominees Limited. This subsidiary is dormant and its share capital and the Company's investment is immaterial for inclusion in the financial statements. The subsidiary was held as a nominee company for client investments.