

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2005



SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

Directors

C.C. Aujard
K. Hoggard

Secretary

C.C. Aujard

REPORT OF THE DIRECTORS

The directors present their report, together with the audited financial statements of the company for the year ended 31st December 2005.

REVIEW OF THE YEAR AND 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, Bishopsgate, London EC2M 4HR, United Kingdom.

The company's principal activity is to act as a holding company of the asset management division of Singer & Friedlander Group PLC. The principal subsidiary companies are Singer & Friedlander Investment Management Limited, Singer & Friedlander Investment Management International Limited (registered in England) and Singer & Friedlander Investment Management International Limited (registered in the Isle of Man).

The profit for the year is set out in the Income Statement on page 6.

The directors proposed a final dividend of £577,581 on the non-cumulative redeemable preference shares in 2004; this dividend was paid in 2005. The directors do not recommend the payment of a final dividend in respect of the ordinary shares (2004: £nil) and non-cumulative redeemable preference shares (2004: £577,581).

ULTIMATE PARENT UNDERTAKING

The company's ultimate parent was Singer & Friedlander Group PLC, a company incorporated in England and Wales, until its acquisition on 11th July 2005 by Kaupthing Holdings UK Limited. Kaupthing Bank hf. (incorporated and registered in Iceland) is now the ultimate parent company.

The company's results for the year are incorporated in the results of Kaupthing Bank hf.. The consolidated financial statements of Kaupthing Bank hf. are available from the company's registered office.

CALLED UP SHARE CAPITAL

During the year, the company redeemed 6,500,000 non-cumulative redeemable preference shares of £1 each to Singer & Friedlander Group PLC for a consideration of £6,500,000.

DIRECTORS' AND OFFICERS' INSURANCE

The ultimate holding company maintains an insurance policy on behalf of the directors and officers against any liabilities incurred in the conduct of their duties.

DIRECTORS

The names of the directors of the Company, at the date of this report, appear at the head of this report. Messrs R.W. Killingbeck and R.I. Curry served as directors of the Company until their resignation on 7th February 2005; and Mr A.P. Shearer served as a director of the Company until his resignation on 30th November 2005.

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

REPORT OF THE DIRECTORS

(continued)

Mr C.C. Aujard was appointed as a director of the Company on 25th January 2005. Mr W.R. Jones was appointed as a director of the Company on 1st January 2005 until his resignation on 31st January 2006.

The Articles of Association of the Company do not require the directors to retire by rotation.

Mr. S.P. Doherty resigned and Mr C.C. Aujard was appointed as Secretary of the Company on 16th December 2005.

DIRECTORS' INTERESTS

The Company is a wholly owned subsidiary of Singer & Friedlander Group PLC which was acquired by Kaupthing Holdings UK Limited on 11th July 2005. Shares were acquired for a cash consideration of 316p per share and all share option schemes became exercisable. Singer & Friedlander Group PLC was delisted from The London Stock Exchange on 9th August 2005.

Messrs A.P. Shearer and W.R. Jones were directors of Singer & Friedlander Group PLC. Accordingly their interests in the share capital of Singer & Friedlander Group PLC are not required to be recorded in this Company's register of directors' interests.

The following directors had beneficial interests in the share capital of Singer & Friedlander Group PLC at 31st December 2005 and 31st December 2005:

	Options to acquire shares under the terms of the Singer & Friedlander Group PLC Approved Share Option Plan Option Price 305.7p		Options to acquire shares under the terms of the Singer & Friedlander Group PLC Unapproved Share Option Plan Option Price 305.7p		Options to acquire shares under the terms of the Singer & Friedlander Group PLC Unapproved Share Option Plan Option Price 177.6p	
	31.12.05	31.12.04	31.12.05	31.12.04	31.12.05	31.12.04
Mr R.I. Curry	-	9,800	-	50,200	-	50,000
Mr R.W. Killingbeck	-	9,800	-	50,200	-	50,000

	Options to acquire shares under the terms of the Singer & Friedlander Group PLC Approved Share Option Plan Option Price 240.3p		Options to acquire shares under the terms of the Singer & Friedlander Group PLC Unapproved Share Option Plan Option Price 240.30p	
	31.12.05	31.12.04	31.12.05	31.12.04
Mr R.I. Curry	-	-	-	25,000
Mrs K. Hoggard	-	12,480	-	12,520
Mr R.W. Killingbeck	-	-	-	25,000

Mr R.W. Killingbeck and Mrs K. Hoggard exercised all options held under the Singer & Friedlander Group PLC Approved and Unapproved Share Option Plans on 25th July 2005. Mr Curry exercised all options held under the Singer & Friedlander Group PLC Approved and Unapproved Share Option Plans on 8th August 2005.

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

REPORT OF THE DIRECTORS
(continued)

The table below shows the movement in the year of options to acquire shares under the terms of the Singer & Friedlander Group PLC sharesave scheme.

		1999 Scheme		2003 Scheme		2004 Scheme		
	Total as at	122.4p		142.6p		224.5p		Total as at
	31.12.04	Exercised	Lapsed	Exercised	Lapsed	Exercised	Lapsed	31.12.05
Mr R.I. Curry	4,220	-	-	-	-	-	4,220	-
Mrs K. Hoggard	11,115	-	-	3,715	7,400	-	-	-
Mr R.W. Killingbeck	13,786	13,786	-	-	-	-	-	-

No other director had any interest in the share capital of Singer & Friedlander Group PLC at 31st December 2005 or 31st December 2004, except as disclosed above.

The mid market price of an ordinary share of Singer & Friedlander Group PLC at 8th August 2005, immediately prior to delisting, was 318.13p and the range between 1st January 2005 and 8th August 2005 was 265.63 to 327p.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU.

The financial statements are required by law to present fairly the financial position and the performance of the company; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing these financial statements, the directors are required to:


- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and prevent and detect fraud and other irregularities.

AUDITORS

In 2000, the Company passed an elective resolution in accordance with Section 386 of the Companies Act 1985, to dispense with the obligation to appoint Auditors annually.

BY ORDER OF THE BOARD


C. Aujard
Secretary
7th July 2006

Registered Office:
21 New Street
Bishopsgate
London

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

We have audited the financial statements of Singer & Friedlander Investment Management Holdings Limited for the year ended 31st December 2005 which comprise of the income statement, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 directors and auditors

As described in the Statement of Directors' Responsibilities set out on page 4 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 31st December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
7th July 2006

8 Salisbury Square
London
EC4Y 8BB

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2005

	Notes	2005 £	2004 restated £
Continuing operations			
Revenue	2	94,685	620,724
Administrative expenses	1	<u>(4,400)</u>	<u>(3,700)</u>
Profit before taxation	3	90,285	617,024
Taxation	7	(17,484)	(5,107)
Profit for the year		<u><u>72,801</u></u>	<u><u>611,917</u></u>
Attributable to:			
Equity holders of the parent		<u><u>72,801</u></u>	<u><u>611,917</u></u>

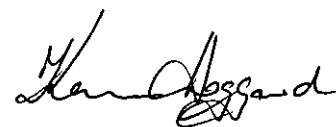
There are no recognised incomes or expenses other than those included in the income statement.

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

BALANCE SHEET AT 31ST DECEMBER 2005

	Notes	2005 £	2004 restated £
Assets			
Non current assets			
Investment in subsidiary undertakings	8	<u>23,845,000</u>	<u>30,345,000</u>
Current assets			
Amounts owed by group undertakings	9	10,994	5,597
Cash and cash equivalents	10	<u>37,760</u>	<u>529,578</u>
		<u>48,754</u>	<u>535,175</u>
Total assets		<u>23,893,754</u>	<u>30,880,175</u>
Current liabilities			
Other payables	11	4,400	3,525
Tax payable	12	<u>22,591</u>	<u>5,107</u>
Total liabilities		<u>26,991</u>	<u>8,632</u>
Net assets		<u>23,866,763</u>	<u>30,871,543</u>
Shareholders' equity			
Called up share capital	13	17,535,000	17,535,000
Retained earnings	19	<u>2,831,763</u>	<u>3,336,543</u>
Total shareholders' equity		<u>20,366,763</u>	<u>20,871,543</u>
Non-equity		3,500,000	10,000,000
		<u>23,866,763</u>	<u>30,871,543</u>

The financial statements were approved by the Board of Directors on 7th July 2006 and signed on its behalf by:



K. Hoggard
DIRECTOR

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2005

	Notes	2005 £	2004 restated £
Cash flow from operating activities			
Profit after taxation		72,801	611,917
Adjustments to reconcile profit to cash flow from operating activities			
Interest received		(6,974)	(20,724)
Taxation	7	<u>17,484</u>	<u>5,107</u>
Operating profit before changes in working capital		83,311	596,300
Increase in amounts owed by group undertakings		(5,397)	(3,132)
Increase/(decrease) in other payables		<u>875</u>	<u>(1,588)</u>
Net cash inflow from operating activities		<u>78,789</u>	<u>591,580</u>
Investing activities			
Increase of investments in subsidiary undertakings		-	(20,500,000)
Interest received		6,974	20,724
Redemption of investments in subsidiary undertakings		<u>6,500,000</u>	<u>-</u>
Net cash inflow/(outflow) from investing activities		<u>6,506,974</u>	<u>(20,479,276)</u>
Financing activities			
Proceeds from issuance of ordinary share capital		-	20,000,000
Redemption of preference shares		(6,500,000)	-
Dividend paid		<u>(577,581)</u>	<u>-</u>
Net cash (outflow)/inflow from financing activities		<u>(7,077,581)</u>	<u>20,000,000</u>
(Decrease)/increase in cash and cash equivalents		<u>(491,818)</u>	<u>112,304</u>
Cash and cash equivalents at the beginning of the period		<u>529,578</u>	<u>417,274</u>
Cash and cash equivalents at the end of the period	10	<u><u>37,760</u></u>	<u><u>529,578</u></u>

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The financial statements have been approved by the board of directors.

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. This is the company's first annual financial statements and IFRS 1 – First-time Adoption of International Financial Reporting Standards. Note 21 contain the adjustments resultant from the adoption of IFRS.

The company has, for the first time, prepared a cash flow statement in accordance with IFRS 1.

The adoption of IFRS has affected the amounts previously reported under UK GAAP for the year ended 31st December 2004. Consequently the income statement for the year 31st December 2004 and the opening balance sheet as at 1st January 2005 have been restated to reflect adjustments requirement on the adoption of IFRS. An explanation of how the transition to IFRS has affected the reported financial position and financial performance of the company is set out in notes 20 and 21 of the financial statements. These notes include presentational changes, and reconciliations of equity and profit or loss for comparative periods under UK GAAP (previously used prior to those reported under IFRS).

Basis of preparation

The financial statements have been prepared under the historical cost basis.

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

The preparation of the financial statements in accordance with IFRS has resulted in changes to the accounting policies previously reported in the company's financial statements under UK GAAP. 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 or loss at 31st December 2004.

Non-current assets are stated at historical cost less and impairment losses.

Reclassification of amounts reported in prior year

In accordance with IAS 1, the financial statements incorporate certain presentational reclassifications to certain amounts reported under UK GAAP in the prior year. Details of these adjustments are set out in note 20 of the financial statements. The adjustments noted therein do not have any affect on the results or changes in equity reported in prior year either under UK GAAP or IFRS. The inclusion of these amounts is designed to facilitate a consistent understanding of the reported results.

Financial instruments

The company's financial instruments include financial assets representing cash balances held with credit institutions and amounts owed by group undertakings; and financial liabilities representing 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. These cash balances are exposed to credit risk, which the company mitigates by reviewing at least annually the suitability of placing funds with credit institutions. This review process includes assessing the credit worthiness of such financial institutions.

Other financial assets of amounts owed by group undertakings primarily consist of prior year corporation tax amounts receivable arising from group relief.

The company's financial liabilities consist of accrued expenses.

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

NOTES TO THE ACCOUNTS **(continued)**

Risk management

The company has an established risk management framework in place, with all areas of the business having defined risk policies and operational procedures in place. Processes are in place to enable the continuous review, assessment, communication and monitoring of risks identified by management. These risks are also subject to independent assessment by the central operational risk function. Furthermore, the risk management and compliance monitoring processes are subject to independent review by the central internal audit function.

Fair values

Transactions undertaken by the company are stated at cost less any impairment adjustments in respect of amounts owed by group undertakings. The use of fair values is not necessary for the company.

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.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less any impairment losses and directors' valuation. The carrying cost of the company's investments in subsidiary undertakings is reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of the investment exceeds its recoverable amount. Any provision made is recognised in the income statement.

Amounts owed by group undertakings

Amounts owed by group undertakings 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 provision made is recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise bank 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.

Other payables

Other payables are stated at cost and represent costs incurred in the day to day operations of the company. The amounts in other payables represent timing differences for the payment of such liabilities.

Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Consolidated accounts

Singer & Friedlander Investment Management Holdings Limited is part of an undertaking which is wholly owned by 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 dividend income on declaration by the directors of subsidiary undertakings. This dividend income is recognised on a paid basis.

Revenue also includes interest earned on company cash balances. This is recognised on an accrual basis.

Administrative expenses

Administrative expenses consist of all administrative functions necessary to enable the company to conduct its business. These costs are incurred on a cost basis by the company and are accounted for on an accruals basis. Administrative expenses are reflected in the income statement.

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

NOTES TO THE ACCOUNTS
(continued)

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, 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.

2. **REVENUE**

	2005	2004
	£	£
Income from shares in subsidiary undertakings	87,711	600,000
Interest income	6,974	20,724
	<u>94,685</u>	<u>620,724</u>

Interest income amount of £6,974 (2004: £20,724) received from Singer & Friedlander Limited, a fellow group company, which provides banking services on an arm's length basis.

3. **OPERATING PROFIT ON CONTINUING OPERATIONS BEFORE TAXATION**

	2005	2004
	£	£
Profit from operations has been arrived at after charging		
Auditors' remuneration		
Audit	<u>4,400</u>	<u>3,525</u>

4. **STAFF COSTS**

No staff were directly employed by the company during the period (2004: nil).

5. **EXECUTIVE EMPLOYMENT EXPENSES**

None of the key executives received any emoluments during the year in respect of their services to the company (2004: £nil).

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED
NOTES TO THE ACCOUNTS
(continued)

6. DIVIDENDS

A final dividend of £577,581 or £5.78p per preference share was proposed for the year ended 31st December 2004. This dividend was paid during the year ended 31st December 2005.

No final dividends are proposed for the year ended 31st December 2005 for ordinary or preference shares.

7. TAXATION

	2005	2004
	£	£
Current corporation tax charge	<u>17,484</u>	<u>5,107</u>
Current tax made up as		
Domestic income tax on profits for the period	<u>17,484</u>	<u>5,107</u>
Total corporation tax expense in the income statement	<u>17,484</u>	<u>5,107</u>

The tax charge for the year can be reconciled to the profit per the income statement as follows:

	2005		2004	
	£	%	£	%
Profit before taxation	<u>90,285</u>		<u>617,024</u>	
Tax at the domestic income tax rate of 30% (2004: 30%)	27,086	30	185,107	30
Non provision of tax on dividends received from overseas subsidiary undertakings	(9,602)	(11)	(180,000)	(29)
Total tax expense and effective tax rate for the year	<u>17,484</u>	<u>19</u>	<u>5,107</u>	<u>1</u>

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

NOTES TO THE ACCOUNTS
(continued)

8. **INVESTMENTS IN SUBSIDIARY UNDERTAKINGS**

	Place of incorporation	Cost 2005 £	Cost 2004 £	Proportion of ownership and voting power held %
Details of the company's subsidiary undertakings are as follows:				
<i>Ordinary shares in subsidiaries at cost</i>				
Singer & Friedlander Investment Management Ltd	England & Wales	18,520,000	18,520,000	100
Singer & Friedlander Investment Management International Ltd	Isle of Man	700,000	700,000	100
Singer & Friedlander Investment Management International Ltd	England & Wales	125,000	125,000	100
<i>Preference shares in subsidiaries at cost</i>				
Singer & Friedlander Investment Management Ltd	England & Wales	4,500,000	10,500,000	100
Singer & Friedlander Investment Management International Ltd	Isle of Man	-	500,000	100
		<u>23,845,000</u>	<u>30,345,000</u>	

During the year, the company reduced its holdings by 6,000,000 non-cumulative redeemable preference shares of £1 each in Singer & Friedlander Investment Management Limited (registered in the England and Wales) following redemption of such shares by the company. During 2004, the company reduced its holding by 500,000 non-cumulative redeemable preference shares of £1 each, following the cancellation of such shares by Singer & Friedlander Investment Management International Limited (registered in the Isle of Man).

9. **AMOUNT OWED BY GROUP UNDERTAKINGS**

	2005 £	2004 £
Amounts owed by group undertakings	<u>10,994</u>	<u>5,597</u>

Amounts owed by group undertakings are short term in nature and the directors consider that the carrying amount of amounts owed by group undertakings approximates their fair value.

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

NOTES TO THE ACCOUNTS
(continued)

10. **CASH AND CASH EQUIVALENTS**

	2005	2004
	£	£
Bank balances held with Singer & Friedlander Ltd	<u>37,760</u>	<u>529,578</u>

Bank balances held with Singer & Friedlander Limited relates to cash held with Singer & Friedlander Limited which provides banking services to group companies. All services are provided on an arms length basis.

£nil (2004: £500,000) held with Singer & Friedlander Limited is in connection with cash balances held on deposit for a term of one week.

11. **OTHER PAYABLES**

	2005	2004
	£	£
Other payables	<u>4,400</u>	<u>3,525</u>

12. **TAX PAYABLE**

	2005	2004
	£	£
Tax payable	<u>22,591</u>	<u>5,107</u>

13. **CALLED UP SHARE CAPITAL**

	2005	2004
	£	£
Authorised		
35,000,000 ordinary shares of £1 each	35,000,000	35,000,000
15,000,000 non-cumulative redeemable preference shares of £1 each	<u>15,000,000</u>	<u>15,000,000</u>
Issued and fully paid		
17,535,000 ordinary shares of £1 each	17,535,000	17,535,000
3,500,000 non-cumulative redeemable preference shares of £1 each	<u>3,500,000</u>	<u>10,000,000</u>

During the year, the Company redeemed 6,500,000 non-cumulative redeemable preference shares of £1 each.

Ordinary shares have full voting rights and pre-emption rights.

The non-cumulative redeemable preference shares carry the same rights as the holders of the ordinary shares in issue and rank pasri 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 one month Libor plus 3% 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.

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

NOTES TO THE ACCOUNTS
(continued)

14. **RELATED PARTIES**

The company has a related party relationship with its immediate and ultimate parent company, Singer & Friedlander Group PLC (incorporated in England and Wales) until its acquisition by Kaupthing Bank hf. (incorporated and registered in Iceland). Subsidiary companies such as Singer & Friedlander Investment Management Limited (registered in England); Singer & Friedlander Investment Management International Limited (registered in England) and Singer & Friedlander Investment Management International Limited (registered in the Isle of Man); and a fellow group company, Singer & Friedlander Limited (incorporated in England and Wales) have a related party relationship with the company.

Transactions with related parties during the year can be summarised as follows:

	Notes	Income 2005 £	Assets 2005 £	Income 2004 £	Assets 2004 £
Transactions with subsidiary undertakings					
Investments	a	-	23,845,000	-	30,345,000
Dividend income	b	87,711	125,000	600,000	125,000
		Income/	Assets/	Income/	Assets/
		(expenses)	(liabilities)	(expenses)	(liabilities)
	Notes	2005 £	2005 £	2004 £	2004 £
Transactions with group undertakings					
Amounts owed by group undertakings	c	-	10,994	-	5,597
Preference share dividend	d	(577,581)	-	-	-
Interest income	e	6,974	-	20,724	-

Notes:

- This represents the cost of investments in subsidiary undertakings as set out in note 8 of the financial statements.
- Dividend income represents dividends receivable from the surplus retained earnings of Singer & Friedlander Investment Management International Limited (registered in England).
- Amounts owed by group undertakings is in connection with corporation tax amounts receivable arising from a group relief arrangement with Singer & Friedlander Limited.
- Preference share dividend represents the distribution of the company's surplus retained earnings paid to Singer & Friedlander Group PLC.
- Interest income represents amounts earned on bank balances held with Singer & Friedlander Limited.

The company has no related party relationships with staff as no staff were directly employed by the company during the year (2004: nil).

Transactions with related parties have been conducted on an arm's length basis.

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

(continued)

15. **EVENTS AFTER BALANCE SHEET**

There have been no post balance sheet events which would require disclosure or adjustment to the 31 December 2005 financial statements.

16. **ULTIMATE PARENT UNDERTAKINGS**

The company's ultimate parent was Singer & Friedlander Group PLC, a company incorporated in England and Wales, until its acquisition by Kaupthing Holdings UK Limited. Kaupthing Bank hf. (incorporated and registered in Iceland). The company's results are included in the consolidated financial statements of Kaupthing Bank hf., a company incorporated in Iceland. Copies of the group financial statements of Kaupthing Bank hf. can be obtained from this company's registered office at 21 New Street, London, EC2M 4HR.

17. **USE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The company primarily enters into financial instrument contracts involving cash deposits with financial institutions. The company's other financial instruments such as trade and other receivables and trade and other payables arise directly from the company's operations.

Risk exposures arising from the company's financial instruments are interest rate risk and market risk.

a. **Interest rate risk**

The company's exposure to interest rate risk is mitigated by placing surplus funds on fixed deposit for various levels of maturity. The interest rates obtained are market rates which are typically linked to LIBOR.

b. **Market risk**

The company mitigates its market risk exposure by placing cash deposits with various financial institutions for various terms of maturity.

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

NOTES TO THE ACCOUNTS
(continued)

18. **STATEMENT OF CHANGE IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2005**

	Issued share capital		Retained earnings	Total shareholders' equity
	Equity	Non-equity		
	£	£	£	£
Changes in equity in 2004 (restated)				
Balance as at 1 January 2004	7,535,000	-	2,724,626	10,259,626
Profit for the year	-	-	611,917	611,917
Issue of ordinary shares	10,000,000	-	-	10,000,000
Issue of preference shares	-	10,000,000	-	10,000,000
Balance as at 31 December 2004	<u>17,535,000</u>	<u>10,000,000</u>	<u>3,336,543</u>	<u>30,871,543</u>
Changes in equity in 2005				
Profit for the year	-	-	72,801	72,801
Redemption of preference shares	-	(6,500,000)	-	(6,500,000)
Final dividend paid (proposed in 2004)	-	-	(577,581)	(577,581)
Balance as at 31 December 2005	<u>17,535,000</u>	<u>3,500,000</u>	<u>2,831,763</u>	<u>23,866,763</u>

19. **FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS**

This is the company's first financial statements under IFRSs. The accounting policies set out in note 1 have been applied in preparing the consolidated financial statements for the year ended 31st December 2005, the comparative information for the year ended 31st December 2004 and the opening balance as at 1st January 2004.

As explained in note 1, the company has adjusted amounts reported previously under UK GAAP to IFRS, and IFRS 1 has been applied. Certain presentational adjustments have been made in connection with the amounts previously reported under UK GAAP in the profit and loss account for the year ended 31st December 2004. An explanation of how the transition from UK GAAP to IFRS has affected the company's financial position and profit together with changes in presentation are set out in the following tables and the accompanying notes.

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

(continued)

20. **RECONCILIATION FROM UK GAAP TO IFRS**

Reconciliation for the year ended 31st December 2004 under UK GAAP to IFRS:

	Notes	UK GAAP £	Change in presentation £	Effect of transition of IFRS £	IFRS £
Continuing operations					
Revenue	a	600,000	20,724		620,724
Administrative expenses		(3,700)	-	-	(3,700)
Other operating income	a	20,724	(20,724)		-
Profit before taxation		617,024	-	-	617,024
Taxation		(5,107)	-	-	(5,107)
Profit after taxation		611,917	-	-	611,917
Dividends	b	(577,581)	-	577,581	-
Profit for the year		34,336	-	577,581	611,917
Attributable to:					
Equity holders of the parent		34,336	-	577,581	611,917

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

NOTES TO THE ACCOUNTS
(continued)

Reconciliation of equity as at 1st January 2004 and 31st December 2004 from UK GAAP to IFRS:

	Notes	UK GAAP £	Effect of transition of IFRS £	IFRS £
Assets				
Non current assets				
Investment in subsidiary undertakings		30,345,000	-	30,345,000
Current assets				
Amounts owed by group undertakings		5,597	-	5,597
Cash and cash equivalents		529,578	-	529,578
		535,175	-	535,175
Total assets		30,880,175	-	30,880,175
Current liabilities				
Other payables	b	581,106	(577,581)	3,525
Current tax payable		5,107	-	5,107
Total liabilities		586,213	(577,581)	8,632
Net assets		30,293,962	577,581	30,871,543
Shareholders' equity				
Called up share capital		17,535,000	-	17,535,000
Retained earnings	b	2,758,962	577,581	3,336,543
Total shareholders' equity		20,293,962	577,581	20,871,543
Non-equity				
		10,000,000	-	10,000,000
		30,293,962	577,581	30,871,543

Notes to reconciliation of profit and equity at 31 December 2004:

- Other interest receivable and similar income at 31 December 2004 consists of interest income. This has now been restated so that interest income now forms part of revenue.
- Amounts owed to group undertakings at 31 December 2004 consist of accrued expenses. This has now been restated so that an accrued expense now forms part of other payables. Dividends are no longer recognised on an accrual basis but on a cash basis.

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

NOTES TO THE ACCOUNTS
(continued)

21. **IFRS ADJUSTMENTS AFFECTING SHAREHOLDERS' EQUITY AND NON-EQUITY**

The effect of the above adjustment on retained earnings of the company is as follows:

	Issued share capital		Retained earnings	Total shareholders' equity
	Equity	Non-equity		
	£	£	£	£
Balance at 1 January 2004 under UK GAAP	7,535,000	-	2,724,626	10,259,626
Balance at 1 January 2004 on adoption of IFRS	7,535,000	-	2,724,626	10,259,626

	Issued share capital		Retained earnings	Total shareholders' equity
	Equity	Non-equity		
	£	£	£	£
Balance at 31 December 2004 under UK GAAP	17,535,000	10,000,000	2,758,962	30,293,962
Balance sheet adjustments in 2004 IAS 10 Dividends	-	-	577,581	577,581
Balance as at 31 December 2004 under IFRS	17,535,000	10,000,000	3,336,543	30,871,543

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

INCOME STATEMENT (UNAUDITED)

FOR THE YEAR ENDED 31ST DECEMBER 2005

	2005	2004
	£	restated £
Revenue		
Income from shares in subsidiary undertakings	87,711	600,000
Interest income	<u>6,974</u>	<u>20,724</u>
	<u>94,685</u>	<u>620,724</u>
Less Expenses		
Audit fees	<u>(4,400)</u>	<u>(3,700)</u>
Profit on ordinary activities before taxation	<u>90,285</u>	<u>617,024</u>

This page does not form part of the audited financial statements.