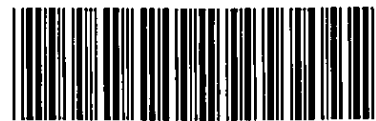


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Company registration number 4116297

**SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

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SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

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SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

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Directors

C C Aujard  
A Thorvaldsson

Secretary

C C Aujard

Auditors

KPMG Audit Plc  
8 Salisbury Square, London EC4Y 8BB

# SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

## REPORT OF THE DIRECTORS

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The Directors present their report, together with the audited financial statements of the Company for the year ended 31 December 2006

### 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 One Hanover Street, London W1S 1AX, United Kingdom.

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

### BUSINESS REVIEW

During the year, the company increased its capital base by the issue of 2,000,000 ordinary shares of £1 each to the company's parent company, Singer & Friedlander Investment Management Ltd, which were allotted and fully paid.

### PERFORMANCE

The profit after taxation for the year is noted in the Income Statement on page 7, and amounted to £2,785 (2005 £72,801).

The company continued to act as a holding company for the investment management division of Kaupthing Singer & Friedlander Ltd.

The Directors do not recommend the payment of a final dividend in respect of the ordinary shares (2005 £nil) and non-cumulative redeemable preference shares (2005 £nil).

### FUTURE OUTLOOK

The focus for 2007 is to build on the platform established in 2006, following the personnel changes that occurred during 2006. No significant change in the company's activities is anticipated during the coming year.

The outlook for investment management, for the company's subsidiary companies, during the coming year is that markets are likely to consolidate on the gains made during 2006.

No significant change in the company's activities is anticipated during the coming year.

### PRINCIPAL RISK AND UNCERTAINTIES

The identification, measurement and containment of risk is integral to the management of company's business. Risk policies and procedures are regularly updated to meet changing business requirements and to comply with best practice.

The key business risks affecting the company are

### STRATEGIC RISKS

Strategic risks affecting the company would include both external and internal risks. The company is exposed to the external risk of a sustained fall in markets. Internal risks would include sustained poor long term investment performance as well as the risk of a loss of key fund managers and or teams of fund managers.

# SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

## REPORT OF THE DIRECTORS

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The company seeks to manage market risk by adapting our products and services to meet the changing needs of both clients and markets as well as efficiently controlling costs. The risk of poor investment performance is managed by the regular review of investment performance and to encourage a culture of open debate on investment strategy which ultimately affects the level of performance delivered to clients. The risk of losing certain fund managers is addressed by having remuneration packages, including long term incentive plans, commensurate to the investment management industry.

### OPERATIONAL RISKS

The principal operational risks are dealing and administration. The administrative functions are performed by a group undertaking, Kaupthing Singer & Friedlander Ltd, who along with the company has controls in place to ensure that these risks are minimised and consistent with providing a high level of service to clients. The company has professional indemnity insurance to cover a loss arising from errors. Key controls and control procedures are set out in full in the FRAG21 Report on Internal Controls, which is produced and audited by the company's auditors on an annual basis. The systems and controls adopted are subject to regular reviews by the company's intermediate parent company's centralised Compliance, Group Risk and Internal Audit functions, to capture any changes or identify new operational risks.

### ULTIMATE PARENT UNDERTAKING

The Company's ultimate parent company is Kaupthing Bank hf. Kaupthing Bank hf is incorporated and registered in Iceland.

The Company's results for the year are incorporated into the results of the ultimate parent undertaking 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 ended 31 December 2005, 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, and at the date of this report.

### DIRECTORS

The names of the Directors of the Company, at the date of this report, appear at the head of this report. Mrs Hoggard served as a Director of the Company until her resignation on 31 July 2006.

Mr A. Thorvaldsson was appointed as a Director of the Company on 25 September 2006.

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

### DIRECTORS' INTERESTS

The Company is a wholly-owned subsidiary undertaking of Kaupthing Singer & Friedlander Group PLC (formerly Singer & Friedlander Group PLC) whose ultimate parent holding is Kaupthing Bank hf. All share option plans of Kaupthing Singer & Friedlander Group plc were closed in 2005 and all options in the Company Share Option Plans were exercised. The Directors held no beneficial interests in the share capital of Kaupthing Singer & Friedlander Group PLC in 2006 (2005 as at 31 December 2005 - nil).

# SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

## STATEMENT OF DIRECTORS RESPONSIBILITIES

---

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 and applicable law.

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 detect fraud and other irregularities.

In accordance with section 234ZA of the Companies Act 2006 the Directors hereby confirm that

- so far as they are aware, there is no relevant audit information of which the Auditors are unaware, and
- each 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 Auditors are aware of that information.

### AUDITORS

The Company has previously 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 C Aujard  
SECRETARY  
26 March 2007

Registered Office  
One Hanover Street  
London  
W1S 1AX

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

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We have audited the financial statements of Singer & Friedlander Investment Management Holdings Limited for the year ended 31 December 2006 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement and the Statement of Recognised Income and Expense 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 4.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 31 December 2006 and of its result for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
26 March 2007

8 Salisbury Square  
London  
EC4Y 8BB

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 £	2005 £
<b>Continuing operations</b>			
Revenue	2	3,468	94,685
Administrative expenses	1	<u>(522)</u>	<u>(4,400)</u>
Profit before taxation	3	2,946	90,285
Taxation	7	(161)	(17,484)
<b>Profit for the year</b>		<u><u>2,785</u></u>	<u><u>72,801</u></u>
<b>Attributable to:</b>			
Equity holders of the parent		<u><u>2,785</u></u>	<u><u>72,801</u></u>

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



## SINGER &amp; FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2006

	Note	2006 £	2005 £
<b>Assets</b>			
<b>Non current assets</b>			
Investment in subsidiary undertakings	8	<u>23,845,000</u>	<u>23,845,000</u>
<b>Current assets</b>			
Cash and cash equivalents	9	25,854	37,760
Tax recoverable	10	<u>154</u>	<u>10,994</u>
		<u>26,008</u>	<u>48,754</u>
<b>Total assets</b>		<u>23,871,008</u>	<u>23,893,754</u>
<b>Current liabilities</b>			
Other payables	11	1,460	4,400
Tax payable	12	-	22,591
<b>Total liabilities</b>		<u>1,460</u>	<u>26,991</u>
<b>Net assets</b>		<u>23,869,548</u>	<u>23,866,763</u>
<b>Shareholders' equity</b>			
Called up share capital	13	17,535,000	17,535,000
Retained earnings	18	<u>2,834,548</u>	<u>2,831,763</u>
<b>Total shareholders' equity</b>		<u>20,369,548</u>	<u>20,366,763</u>
<b>Non-equity</b>		3,500,000	3,500,000
		<u>23,869,548</u>	<u>23,866,763</u>

The accounts were approved by the Board of Directors on 26 March 2007 and signed on its behalf by

  
A Thorvaldsson  
DIRECTOR

The notes on pages 9 to 16 form part of these accounts

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 £	2005 £
<b>Cash flow from operating activities</b>			
Profit after taxation		2,785	72,801
<b>Adjustments to reconcile profit to cash flow from operating activities</b>			
Interest received		(6)	(6,974)
Taxation	7	161	17,484
<b>Operating profit before changes in working capital</b>		2,940	83,311
(Decrease)/increase in other payables		(2,940)	875
<b>Cash generated from operations</b>		-	84,186
Decrease/(increase) in tax recoverable		10,840	(5,397)
Taxation paid		(22,752)	-
<b>Net cash (outflow)/inflow from operating activities</b>		(11,912)	78,789
<b>Investing activities</b>			
Interest received		6	6,974
Redemption of investments in subsidiary undertakings		-	6,500,000
<b>Net cash inflow from investing activities</b>		6	6,506,974
<b>Financing activities</b>			
Redemption of preference shares		-	(6,500,000)
Dividend paid		-	(577,581)
<b>Net cash outflow from financing activities</b>		-	(7,077,581)
<b>Decrease in cash and cash equivalents</b>		(11,906)	(491,818)
Cash and cash equivalents at the beginning of the period		37,760	529,578
<b>Cash and cash equivalents at the end of the period</b>	9	25,854	37,760

NOTES TO THE ACCOUNTS

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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. These are the company's second annual financial statements prepared under IFRS 1.

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

The accounting policies set out in note 1 have been applied in preparing the consolidated financial statements for the year ended 31 December 2006 and the comparative information for the year ended 31 December 2005.

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 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 31 December 2005.

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

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.

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.

NOTES TO THE ACCOUNTS

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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.

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.

## NOTES TO THE ACCOUNTS

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.

Adopted IFRS issued but not yet effective

The following adopted IFRS was available for early application but has not been applied in these financial statements:

Financial instruments disclosure – IFRS 7, requires the company to disclose information about the significance of the financial instruments for the company's financial position and performance, as well as the nature and extent of the risks arising from the financial instruments. This IFRS became effective for financial year's starting on or after 1 January 2007.

The application of IFRS 7 for the current financial year ended 31 December 2006 would not have affected the balance sheet or income statement as the standard is concerned with disclosure only. The company plans to adopt it in the next financial year.

2 REVENUE

	2006	2005
	£	£
Income from shares in subsidiary undertakings	3,462	87,711
Interest income	6	6,974
	<u>3,468</u>	<u>94,685</u>

Interest income of £6 (2005: £6,974) was received from Kaupthing Singer & Friedlander Limited (formerly Singer & Friedlander Limited), a fellow group company, which provides banking services on an arm's length basis.

3 PROFIT BEFORE TAXATION

	2006	2005
	£	£
Profit from operations has been arrived at after charging		
Auditors' remuneration		
Audit	<u>522</u>	<u>4,400</u>

4 STAFF COSTS

There were no staff directly employed by the Company during the year (2005: nil).

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

5 EXECUTIVE EMPLOYMENT EXPENSES

None of the key executives received any emoluments during the year in respect of their services to the Company (2005 £nil)

6 DIVIDENDS

No final dividends are proposed for the year ended 31 December 2006 (2005 nil) for ordinary or preference shares

7 TAXATION

	2006 £	2005 £
Current corporation tax charge	161	17,484
Current tax made up as		
Domestic income tax on profits for the period	161	17,484
Total corporation tax expense in the income statement	161	17,484

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

	2006 £	%	2005 £	%
Profit before taxation	2,946		90,285	
Tax at the domestic income tax rate of 30% (2005 30%)	884	30	27,086	30
Adjustment in respect of previous periods	316	11	-	-
Non provision of tax on dividends received from subsidiary undertakings	(1,039)	(35)	(9,602)	(11)
Total tax expense and effective tax rate for the year	161	(5)	17,484	19

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

8 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	Place of incorporation	Cost 2006 £	Cost 2005 £	Proportion of ownership and voting power held %
<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 (in liquidation)	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	4,500,000	100
		<u>23,845,000</u>	<u>23,845,000</u>	

During the year ended 31 December 2005, 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

9 CASH AND CASH EQUIVALENTS

	2006 £	2005 £
Bank balances held with Kaupthing Singer & Friedlander Ltd	<u>25,854</u>	<u>37,760</u>

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

10 TAX RECOVERABLE

	2006 £	2005 £
Tax recoverable	<u>154</u>	<u>10,994</u>

# SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS

### 11 OTHER PAYABLES

	2006 £	2005 £
Other payables	<u>1,460</u>	<u>4,400</u>

### 12 CURRENT TAX PAYABLE

	2006 £	2005 £
Tax payable	<u>-</u>	<u>22,591</u>

### 13 CALLED UP SHARE CAPITAL

	2006 £	2005 £
<b>Authorised</b>		
35,000,000 ordinary shares of £1 each	<u>35,000,000</u>	<u>35,000,000</u>
15,000,000 non-cumulative redeemable preference shares of £1 each	<u>15,000,000</u>	<u>15,000,000</u>
<b>Issued and fully paid</b>		
17,535,000 ordinary shares of £1 each	<u>17,535,000</u>	<u>17,535,000</u>
3,500,000 non-cumulative redeemable preference shares of £1 each	<u>3,500,000</u>	<u>3,500,000</u>

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 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 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

### 14 RELATED PARTIES

The Company has a related party relationship with its immediate parent company, Kaupthing Singer & Friedlander Group PLC (formerly Singer & Friedlander Group Plc), incorporated in England and Wales and its ultimate parent company 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) (in liquidation) and Singer & Friedlander Investment Management International Limited, registered in the Isle of Man, and a fellow group company, Kaupthing Singer & Friedlander Limited, incorporated in England and Wales, previously had a related party relationship with the Company.



## NOTES TO THE ACCOUNTS

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

	Note	Income/ (expenses) 2006 £	Assets/ (liabilities) 2006 £	Income/ (expenses) 2005 £	Assets/ (liabilities) 2005 £
<b>Transactions with subsidiary undertakings</b>					
Investments	a	-	23,845,000	-	23,845,000
Dividend income	b	3,462	125,000	87,711	125,000
<b>Transactions with group undertakings</b>					
Tax recoverable	c	-	154	-	10,994
Preference share dividend	d	-	-	(577,581)	-
Interest income	e	6	-	6,974	-

**Notes**

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

The company has no related party relationships with staff as no staff were directly employed by the company during the year (2005 nil)

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

**15 EVENTS AFTER BALANCE SHEET**

There have been no post Balance Sheet events which would require disclosure or adjustment to the 31 December 2006 financial statements

**16 ULTIMATE PARENT UNDERTAKINGS**

The company's ultimate parent is 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 One Hanover Street, London W1S 1AX

**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, market risk and foreign currency risk

## NOTES TO THE ACCOUNTS

- 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.

18 STATEMENT OF CHANGE IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006

	Issued share capital		Retained	Total
	Equity	Non-equity	earnings	shareholders'
	£	£	£	equity
<b>Changes in equity in 2005</b>				
Balance as at 1 January 2005	17,535,000	10,000,000	3,336,543	30,871,543
Profit for the year	-	-	72,801	72,801
Redemption of preference shares	-	(6,500,000)	-	(6,500,000)
Dividend paid (proposed in 2004)	-	-	(577,581)	(577,581)
Balance as at 31 December 2005	17,535,000	3,500,000	2,831,763	23,866,763
<b>Changes in equity in 2006</b>				
Profit for the year	-	-	2,785	2,785
Balance as at 31 December 2006	17,535,000	3,500,000	2,834,548	23,869,548

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

DETAILED INCOME STATEMENT (UNAUDITED)  
FOR THE YEAR ENDED 31 DECEMBER 2006

	2006 £	2005 £
Revenue		
Income from shares in subsidiary undertakings	3,462	87,711
Interest income	6	6,974
	<u>3,468</u>	<u>94,685</u>
Less Expenses		
Audit fees	<u>522</u>	<u>4,400</u>
Profit on ordinary activities before taxation	<u>2,946</u>	<u>90,285</u>

This page does not form part of the audited financial statements