



**WorldSpreads Limited
(in special administration)**

Joint Special Administrators' Progress Report
for the six month period
18 March 2012 to 17 September 2012

KPMG LLP
15 October 2012
This report contains 27 pages

SB/JM/HM/RT

Notice: About this Report

- This Report has been prepared by Samantha Bewick and Jane Moriarty, the Special Administrators of WorldSpreads Limited (in special administration), solely to comply with their statutory duty under Rule 122 of the Investment Bank Special Administration (England and Wales) Rules 2011 to provide creditors and clients with an update on the progress of the special administration and for no other purpose. This report is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.
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- To the fullest extent permitted by law, the Special Administrators do not assume any responsibility and will not accept any liability in respect of this Report to any such person.
- Samantha Bewick is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in England and Wales. Jane Moriarty is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in Ireland.
- The Special Administrators act as agents for the Company and contract without personal liability. The appointments of the Special Administrators are personal to them and, to the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability to any person in respect of this Report or the conduct of the administration of WorldSpreads Limited (in special administration).

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Glossary

Act	The Insolvency Act 1986 (as amended)
Authorities	The FSA, the Treasury and the Bank of England
Brokers	Third party brokers (including affiliates)
CFD	Contracts for Difference
Company/WorldSpreads	WorldSpreads Limited
Directors	Directors of the Company as at 18 March 2012: included Dominic Bacon, Michael Foley, Roger Hynes, Geoffrey Langham, Lindsay McNeile and Polly Williams
FSA	The Financial Services Authority
FSCS	The Financial Services Compensation Scheme
MiFID	Markets and Financial Instruments Directive
Proposals	Statement of Special Administrators' proposals under Rule 59 of the Rules
ReedSmith	Reed Smith LLP
Regulations	The Investment Bank Special Administration Regulations 2011
Rules	The Investment Bank Special Administration (England and Wales) Rules 2011
Secured Creditor	Royal Bank of Scotland Plc
Special Administrators	Samantha Bewick and Jane Moriarty of KPMG LLP
Special Administration Order	The Special Administration Order granted by the High Court of Justice, Chancery Division, Companies Court No. 2505 of 2012
WorldSpreads Pty	WorldSpreads SA (Proprietary) Limited

The references in this Report to sections, paragraphs or rules are to Schedule B1 of the Insolvency Act 1986, the Investment Bank Special Administration (England and Wales) Rules 2011 and The Investment Bank Special Administration Regulations 2011 respectively.

1 **Executive summary**

Samantha Bewick and Jane Moriarty of KPMG LLP were appointed as Special Administrators of WorldSpreads Limited by the High Court on Sunday 18 March 2012.

This Report has been prepared in accordance with Rule 122 and covers the period from 18 March 2012 to 17 September 2012. Form 2.24B is enclosed giving formal notice to this effect.

The Special Administrators' Proposals were approved without modification at a meeting of creditors and clients held pursuant to Rule 61 on 23 May 2012. The resolutions passed are detailed in section 2.

The Special Administrators have focused on all three statutory objectives set out in the Regulations. A full explanation is set out in section 3.

Based on the expected level of realisations, funds are likely to be available for clients and all classes of creditors except subordinated debt. We anticipate the return of certain assets and monies to clients and the secured creditor earlier than a dividend payment to unsecured creditors. Further information is provided in section 5.

A copy of this report is available on the Company's website: www.kpmg.co.uk/worldspreads. This website is updated as necessary to provide key information about the special administration.

Statutory information is attached at Appendix 1, together with an abstract of the Special Administrators' receipts and payments account for the period to 17 September 2012 attached at Appendix 2. The figures are shown net of VAT, which is irrecoverable due to the Company not being registered for VAT purposes.



Samantha Bewick
Special Administrator

2 **Special Administrators' Proposals**

On 4 May 2012 notification of the availability of the Proposals was sent to clients by email, where available, and by letter to all known creditors and members of the Company. Due to the large number of clients, in accordance with Rule 297, the Proposals were made available electronically on the WorldSpreads website, www.kpmg.go.uk/worldspreads.

A meeting of creditors and clients was held pursuant to Rule 61 on 23 May 2012. The Special Administrators' Proposals were approved at this meeting, without modification, and the meeting resolved to form a creditors' committee, with a ballot held in respect of the nominees who wished to be on the committee. More information is provided in section 6.2.

3 **Special administration objectives and strategy**

Regulation 10 sets out the statutory objectives of the special administration:

- a) Objective 1 is to ensure the return of client assets as soon as is reasonably practicable;
- b) Objective 2 is to ensure timely engagement with market infrastructure bodies and the Authorities pursuant to Regulation 13; and
- c) Objective 3 is either to rescue the investment bank as a going concern or to wind it up in the best interests of the creditors.

The Special Administrators are entitled to deal with and return client assets in whatever order they think best achieves Objective 1.

The Regulations state that the order in which the objectives are listed is not significant, however the Special Administrators are required to commence work on each objective immediately after appointment, prioritising the order of work on each objective as they think fit in order to achieve the best result overall for clients and creditors.

With regard to Objective 3, there was no reasonable prospect of rescuing the Company as a going concern, so the Special Administrators are pursuing Objective 3(ii) to wind up the Company in the best interests of the creditors.

The Special Administrators continue to pursue all three objectives equally.

A number of matters remain outstanding, as detailed in this report, and it is difficult to determine the precise exit route from special administration at this time. The most likely scenario is that the Special Administrators will apply to Court seeking an order for the winding-up of the Company. Exit via dissolution is also a possibility. The decision will be based on which is the most appropriate and cost effective route in the circumstances at the relevant time.

4 Progress of the special administration

4.1 Asset realisations

As explained in our Proposals dated 4 May 2012, on appointment the business was not in a position to continue to trade. Accordingly the Special Administrators' strategy is to realise the assets to obtain the best outcome for the Company's clients and creditors.

As previously reported all clients with open positions were closed out on 18 March 2012 using the bid/offer prices on that day. In practice these were the prevailing prices at the close of markets on Friday 16 March 2012.

4.1.1 Client money

The Company operated more than 70 bank accounts with 18 different banks and brokers in the UK and overseas. All banks were contacted immediately following the appointment of Special Administrators with a request to place the accounts on stop with immediate effect.

Since then we have been working to establish the status of the accounts to determine which funds were held in designated client money or trust accounts in accordance with the FSA client money rules. Where possible the trust status of certain of these accounts has been identified by way of trust notification letters provided by the Banks or third party Brokers and / or cash accounts which were separately identifiable as relating to "client".

Our work in this respect remains ongoing and includes a tracing exercise of funds in accounts designated as house accounts, to ascertain whether any funds in these accounts are identifiable as client money and accordingly whether they should be treated as such. Given the number of accounts operated by the Company with numerous financial institutions, this is a complex and time consuming task. It is important to note that funds which have been received from an overdrawn house account cannot be traced. At present we are seeking to obtain all the requisite bank records so that we can ascertain the flow of funds in the designated house accounts.

In view of the above, the figures that follow in relation to funds realised to date, likewise those stated in section 4.1.6, are based on information currently available and are subject to change once we have completed our determination of the status of certain accounts and once we have conducted any tracing exercises.

In the period covered by this report we have realised total funds (ie house and client money) of the sterling equivalent of £10.9m, of which the sterling equivalent of £0.3m has been placed in trust accounts set up within the special administration. These realisations include a dividend received from a third party broker which is in special administration.

A further £1.6m has been confirmed as trust funds and we have issued instructions for these funds to be remitted to the Company's estate. Funds of some £2.78m remain under query and remain held by the third party broker.

As advised in our Proposals, the operation of the FSA client money rules means that client monies are subject to pooling on insolvency. The Special Administrators are therefore required to establish the quantum of client monies and relevant costs before the entirety of

the client money pool can be distributed, pro-rata, to clients with claims against the Company. This does not prevent an interim distribution to those clients with a claim against the Company. More information on this is set out in section 5.1.

4.1.2 Client assets

As advised in our previous report, securities were held by the Company on behalf of 11 clients with a value in the region of £300,000. We understand that these were held on behalf of clients in the course of carrying out its CFD business.

We continue to liaise with the Broker who holds these securities and our lawyers to establish the nature of the securities received, and the client equity balance secured by these securities.

4.1.3 IT equipment, software, office furniture

Edward Symonds LLP, a firm of independent agents and valuers, was instructed by the Special Administrators to dispose of the Company's IT and office equipment. We have previously advised that an offer of £25,000 had been accepted. However, some of the equipment could not be sold as this is required by the Special Administrators in order to preserve certain Company data. An adjustment was made to the offer, following which the sale completed, realising £23,250.

4.1.4 Debtors

The Statement of Affairs indicated that the Company had debtors of £2.5m, mainly comprising monies due from clients and betting duty. A number of clients dispute the balances shown in the Company's records. To date £0.2m has been recovered by the Special Administrators.

The majority of the remaining debt is under dispute and has been referred to our lawyers for further review. At this stage future realisations are uncertain.

4.1.5 Pre-appointment tax refunds

The Special Administrators' in-house tax specialists finalised the Company's pre-appointment corporation tax affairs which resulted in a terminal loss relief claim in respect of the two years ended 31 March 2010. This claim has been accepted by HM Revenue and Customs ("HMRC") resulting in a refund of circa £343,000 due to the Company.

To date £244,400 has been received from HMRC in respect of this refund. The balance was initially withheld by HMRC whilst they ascertained the pre-appointment PAYE and NIC liability which HMRC has the right to offset from the refund owed to the Company. The Special Administrators filed the outstanding PAYE returns for the final pre-administration period and HMRC has now agreed the pre-appointment PAYE liability to be £93,400. We are advised that the remaining balance of £6,600 will be refunded shortly.

4.1.6 Cash at bank – house

Subject to the ongoing work referred to in section 4.1.1 to establish the correct designation of funds, we have currently identified and realised house monies of £10.57m. The final awaited funds from one overseas bank (less than £10,000) were received after the period covered by this report.

4.1.7 WorldSpreads Pty

The Company held 100 ordinary shares in the issued share capital of WorldSpreads Pty, a subsidiary based in South Africa.

Following a review of the Company's affairs it became apparent that a loan of ZAR 5,500,500 had been made to WorldSpreads Pty. Following a formal request in relation to repayment of this loan, the Special Administrators entered into a settlement agreement with WorldSpreads Pty on 31 May 2012 under which WorldSpreads Pty agreed to pay ZAR 2,500,000 in full and final settlement of the loan. This exceeded the amount which would have been available if WorldSpreads Pty had been wound up.

Additionally, the Special Administrators entered into a Share Purchase Agreement with Matthew Twomey, the Director of WorldSpreads Pty, to sell the share capital to him for a total consideration of ZAR100.

The amounts due have been paid and are presently held in an estate account that has been opened in the special administration in South Africa. We are working with our lawyers, Reed Smith, to seek to have the Special Administration Order issued by the High Court of Justice recognised by the South African jurisdiction and to ensure we meet all exchange control regulations such that the funds can be repatriated to the main special administration bank account in the UK.

4.1.8 Leasehold property

The Company's main trading premises at 3 Minster Court, Mincing Lane, London and its disaster recovery site in Southwark have been handed back to their respective landlords. There was no realisable value in either lease.

4.1.9 Other assets

Other assets include bank interest accrued in respect of the balance held in the special administration estate accounts and the repayment of season ticket loans provided by the Company to its former employees. A combined total of £21,100 has been realised in this respect.

4.2 Regulatory matters

4.2.1 The Financial Services Authority

We continue to liaise closely with the FSA in relation to a number of matters which include our work relating to client money and assets, money laundering, reporting requirements, compliance with FSA rules and Know Your Client regulations.

As we have previously advised, we will continue to co-operate with the FSA in all matters where it is necessary or desirable for the purposes of the special administration.

4.2.2 The Financial Services Compensation Scheme

As advised in our previous report, the FSCS is a statutory compensation scheme which may, among other things, compensate eligible parties who have lost money as a result of the insolvency of the regulated entity. Compensation depends on a number of factors and is limited to a maximum of £50,000 per person.

Since our appointment, we have been in regular communication with clients in order to agree their final balances with us. Final balances are required to be agreed by the Special Administrators and the clients prior to any payments by the FSCS.

By 11 July 2012, the FSCS had sent application forms to WorldSpreads clients that had been identified as having a likely claim for compensation. Shortly thereafter the FSCS began making payments to those eligible clients who had returned their forms and agreed their balances with the Special Administrators. As at 17 September 2012 we are advised that the FSCS has paid almost 3,000 clients with agreed balances and are awaiting forms to be returned from a further 1,200 clients. The FSCS is contactable on +44 (0) 20 7741 4100 should clients have any queries in this respect.

4.2.3 Overseas regulators

Whilst WorldSpreads' main administrative headquarters were situated in London, the Company also had branches overseas. These branches were regulated under the passporting provisions implemented pursuant to Markets in Financial Instruments Directive.

We contacted all known regulators after our appointment and worked with the FSA to co-ordinate the provision of information to them. All branches ceased to operate on appointment and we have been able to remove the permissions the Company had in relation to overseas branches.

We will continue to co-operate with the overseas regulators in all matters where it is necessary or desirable for the purposes of the special administration.

4.3 Costs of realisations

The payments made in the period of the Report are set out in the receipts and payments account attached as Appendix 2. The figures on this account are shown net of VAT.

The schedule of expenses attached at Appendix 4 details the costs incurred, whether paid or unpaid, in the reporting period. The figures in this schedule are also shown net of VAT.

Creditors and clients are advised that, within 21 days of receipt of this report, a creditor or a client may request additional information about the Special Administrators' remuneration and expenses as set out in this report. A request must be made in writing, and may be made either by a secured creditor or by an unsecured creditor with the concurrence of at least 5% in value of unsecured creditors (including himself), or by a client with the concurrence of at least 5% in value of the client assets (including himself) or the permission of the Court, in accordance with Rule 201.

In addition, under Rule 202, any secured creditor, any unsecured creditor or any client with either the concurrence of at least 10% in value of creditors or clients respectively, or with the permission of the Court, may apply to the Court to challenge the quantum of remuneration charged, the basis of remuneration or the expenses incurred by the Special Administrators. Any such application must be made no later than eight weeks after receipt of the first report which reports the charging of the remuneration or incurring of expenses in question.

The full text of Rules 201 and 202 can be provided on request by writing to the Special Administrators at KPMG LLP, 8 Salisbury Square, London EC4Y 8BB.

4.3.1 Special Administrators' remuneration

The statutory provisions relating to remuneration are set out in Rule 196. Further information is given in the Association of Business Recovery Professionals' publication *A Creditors' Guide to Administrators' Fees*, a copy of which can be obtained at: http://www.r3.org.uk/media/documents/technical_library/SIPS/SIP_9_EW_Nov_2011.pdf. However, if you are unable to access this guide and would like a copy please contact Ria Townson on +44 (0) 20 7311 8433.

Attached as Appendix 3 is a detailed analysis of the Special Administrators' time spent, together with charge out rates, for each grade of staff for the various areas of work carried out to 17 September 2012, as required by the Association of Business Recovery Professional's Statement of Insolvency Practice No. 9.

In the period to 17 September 2012, the Special Administrators and their staff have incurred time costs of £3,204,144 representing 8,080 hours at an average hourly rate of £397. This includes work undertaken in respect of tax, VAT, forensic, health and safety and pension from KPMG LLP in-house specialists.

It is for the creditors' committee to determine the basis on which the Special Administrators' remuneration is to be fixed. At the first creditors' committee meeting, held on 28 June 2012, the committee passed a resolution fixing the basis of the Special Administrators' remuneration, in accordance with Rule 196, by reference to time properly given by them and their staff in attending to matters arising in the special administration at KPMG LLP charge out rates that reflect the complexity of the assignment. These will include the costs of KPMG LLP in respect of tax, VAT, forensic, health and safety and pension advice provided to the Special Administrators.

The creditors' committee authorised the Special Administrators to draw remuneration on account up to a total of £1,984,161.50 plus VAT and disbursements, which covers time costs incurred up to 15 June 2012.

The creditors' committee members and the Special Administrators will discuss the ongoing basis of remuneration and approval of future costs of the special administration at the next creditors' committee meeting.

4.3.2 Pre-appointment costs

Pre-appointment costs incurred by the Special Administrators and their staff prior to the appointment at 5.30pm on 18 March 2012 amounted to £46,265 plus VAT. In addition the representatives from the law firm Reed Smith, who attended the Company from 16 March through to 18 March 2012, incurred costs of £51,849 plus VAT and disbursements of £32,500 relating to Counsel's fees.

It is for the creditors' committee to approve these costs. The Special Administrators obtained the required approval from the committee on 28 June 2012 and have since drawn these costs and paid Reed Smith's invoices.

4.3.3 Legal fees

Legal costs for the period total £426,000 of which £402,000 has been paid in the period and the balance accrued. These costs relate to assistance provided by Reed Smith in relation to establishing the status of certain bank accounts where the position is not clear, recovery of client funds, advice provided in relation to the repayment of a loan provided to WorldSpreads Pty, employee matters and investigation of pre-appointment transactions.

4.3.4 Wages and salaries

Wages totalling £0.13m were paid to employees who were retained by the Special Administrators to assist them with their duties following the commencement of the special administration. £0.06m has been paid to HMRC in relation to PAYE and NIC. All employees have now been made redundant.

4.3.5 Other costs

Other costs incurred in the period include call centre fees, room hire, agents' fees, payroll costs, telephone, telex, fax, rent, statutory advertising and bank charges as detailed in the receipts and payments account attached as Appendix 2. The figures are shown net of VAT. It should be noted that the Company is not registered for VAT purposes and therefore the VAT incurred of £0.5m is not recoverable.

5 Estimated outcome for client and creditors

5.1 Clients

We advised in our previous report that based on the application for a Special Administration Order presented to the High Court on 18 March, the amount owed to clients was £29.7 million. Following further investigations it appears that a total of £27.8 million is owed to clients, although this amount is subject to further change as client balances are agreed. Based on our current understanding of the client money position we estimate clients will receive a dividend of approximately 10-15p in the £. As explained in section 4.1.1, our work to accurately determine the designation of funds held in the Company's bank accounts on appointment remains ongoing. The outcome of this work will impact the dividend available to clients.

We require the permission of the Court to make a distribution to clients and accordingly we are presently preparing the documentation required to submit an application for an order allowing an interim distribution. We will submit this application as soon as possible so that we are in a position to distribute once we consider we have sufficient funds designated as client monies to allow a meaningful interim distribution.

Clients should note that if they have received compensation from the FSCS, all rights to their claim in the special administration are legally transferred to FSCS. FSCS will claim in the administration for the whole of the clients' loss (even if that is over £50,000).

As advised previously, a deficit in client monies will rank as an unsecured claim against the non-client money and assets, and therefore clients will also receive a dividend from this source. Further information on the outcome for unsecured creditors is set out in section 5.4

5.2 Secured creditor

The Royal Bank of Scotland Plc holds a fixed and floating charge over the Company's assets created on 20 June 2005. The Special Administrators' solicitors, Reed Smith, have confirmed that the Bank's security is valid.

As noted on the Directors' Statement of Affairs, the Company's total indebtedness to the Bank as at the date of the Special Administrators' appointment was £1.6m. The Special Administrators anticipate that the Bank will be paid in full.

5.3 Preferential creditors

Claims in respect of certain arrears of wages and holiday pay rank preferentially. Preferential creditors at the date of our appointment were made up of employee arrears of wages and holiday pay claims, amounting to approximately £83,500.

These claims will be paid in full from the special administration estate.

5.4 Unsecured creditors

The Directors' Statement of Affairs shows that the Company has the following unsecured liabilities:

Unsecured creditors	Total outstanding balance
	£000
Client accounts	29,038
Bank loans	2,800
Suppliers	387
PAYE and NIC	93
Total	32,318

Source: Directors' Statement of Affairs

Based on current estimates, there will be a distribution to the unsecured creditors of this Company, which will include the maximum prescribed part distribution, where the Administrators are required to reserve a fund (up to a maximum of £600,000) from floating charge assets for unsecured creditors.

Based on our current understanding of the client money position, we envisage the return to creditors, including clients with unsecured claims in relation to the client money deficit, to be in the region of 15 to 18p in the £. However, the return to creditors is dependent on determining the correct allocation of funds available on appointment between client and house monies.

6 Other matters

6.1 Investigations

The Special Administrators have a duty to investigate the conduct of the Directors and to submit a return to the Department for Business, Innovation and Skills on the conduct of those directors or shadow directors who were in office in the three years prior to the administration. The Special Administrators have complied with their obligations described above. The contents of this report are strictly confidential.

The Special Administrators' work to consider whether there are any causes of action which may result in realisations for the special administration estate remains ongoing. This is a sensitive area and this aspect of our work remains confidential. As set out in section 6.2 below, we are liaising with the creditors' committee in this regard.

6.2 Creditors' committee

As resolved at the meeting of clients and creditors on 23 May 2012, a committee has been formed, comprising three client and two creditor representatives. The certificate of constitution of the committee has been filed at Companies House.

As well as fixing the basis of the Special Administrators' remuneration, all committee members have signed a non-disclosure agreement. This allows us to discuss our investigation into the Company's pre-appointment affairs in more detail with the committee members. We discussed the main focus of our investigations during our first committee meeting and we will continue to consult with them as our investigations progress.

6.3 Communication

The website we established shortly after our appointment continues to be updated with information and circulars to clients and creditors. These can be found at: www.kpmg.co.uk/worldspreads.

The dedicated e-mail address for any enquiries is worldspreads-enquiries@kpmg.co.uk.

7 Future strategy

7.1 Ongoing matters

It is proposed that the Special Administrators will continue to manage the affairs, business and property of the Company in order to achieve the objectives of the special administration. This will include the following:

- Determining the correct allocation of funds between client and house monies;
- Dealing with client assets;
- Realising the remaining assets, to include debtors and the repatriation of funds held in South Africa;
- Investigation into pre-appointment matters;
- Co-operating with the FSA and other regulatory bodies;
- Agreeing client and creditor claims and supplying information on agreed client claims to the FSCS;
- Dealing with ongoing statutory and compliance obligations as well as responding to queries raised.

7.2 Future reporting

In accordance with Rule 122, the Special Administrators will provide a further progress report within one month of the anniversary of the special administration on 18 March 2013.

Appendix 1

Statutory information

Company name	WorldSpreads Limited		
Company number	04898762		
FSA registration number	230730		
Administration Order	The Special Administration Order granted in the High Court of Justice, Court No 2505 of 2012		
Date of appointment	18 March 2012		
Special Administrators' details	Samantha Bewick is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in England and Wales		
	Jane Moriarty is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in Ireland		
Para 100(2) statement	In accordance with Rule 8(3)(e), any acts required or authorised under all enactment to be done by either or all the Special Administrators may be done by any one or all of the persons for the time being holding that office		
EC regulations	The EC Regulation on insolvency proceedings does not apply		
Company Directors		<i>From:</i>	<i>To:</i>
	Dominic C. Bacon	08/02/10	Present
	Michael J. Foley	24/05/10	Present
	Conor M. Foley	15/09/03	13/03/2012
	Roger N. A. Hynes	08/02/10	Present
	Geoffrey J. Langham	08/02/10	Present
	Lindsay J. McNeile	15/09/03	Present
	Niall S. O'Kelly	01/06/08	21/02/12
	Michael I. O'Loan	24/04/10	30/09/11
	Polly A. Williams	07/01/11	Present
Company Secretary	Dominic Bacon	08/02/10	Present
	Quaysecco Limited	24/05/11	Present
Date of incorporation	15 September 2003		

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Previous registered office	3 Minster Court, Mincing Lane, London EC3R 7DD
Present registered office	KPMG LLP, 8 Salisbury Square, London EC4Y 8BB
Trading address	3 Minster Court, Mincing Lane, London EC3R 7DD
Trading styles/White label agreements	Agincourt Spreads, Alecto Spreads, Alexander David Spread Betting, Alpesh Patel Spreads, Alpha Markets, Aurora Global Markets, BetVictor Financials, Financialspreadbetting.co.uk, Fitzdares Financial Spreads, Guardian Trades, JN Spreads, Ladbrokes Financial Spreads, Oakleaf Markets, Spreads.gr, Squaremile, Star Financials, Sterling Markets, Tam Spreads, TM Fleming Spreads, Tower Spreads, TrendWatch Asset Management (TAM), TwoWaySpreads, Victor Chandler Financials, WorldSpreads Private Client Services

Details of the Company's trading results are shown below:

	<i>Year ended 31/03/2011 (audited) £'000</i>	<i>Year ended 31/03/2010 (audited) £'000</i>	<i>Year ended 31/03/2009 (audited) £'000</i>
Turnover	13,665	11,420	5,809
Gross profit	9,668	8,141	3,366
Operating profit/(loss)	(504)	2,425	376
Profit/(Loss) after tax, before dividends	(416)	1,726	268

Source: Company's annual accounts as filed at Companies House

Details of the Company's share capital and holdings

Authorised share capital	8,061,898 ordinary shares of £1 each
Issued share capital	8,061,898
Shareholders	WorldSpreads Group Plc – 8,061,898 ordinary shares

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Appendix 2

Special Administrators' receipts and payments account (All items are stated net of VAT)

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WorldSpreads Limited (in special administration)
Abstract of receipts and payments for the period from 18 March 2012 to 17 September 2012

Statement of Affairs	Client funds GBP (£)	Client funds EUR (£ equiv.)	Client funds USD (£ equiv.)	Client funds DKK (£ equiv.)	Client funds HUF (£ equiv.)	Total assets (£)	Total estate (£)
Asset Realisations							
125.00 Office Equipment						0.00	
786.00 Furniture & Fittings						0.00	
1,469,949.00 Client Debtors						213,739.37	
14,086.00 Computer Equipment						23,250.00	
Uncertain Prepayments and other Debtors						4,891.62	
Tax refunds (pre-app'ent)						244,425.23	
15,072,894.00 Cash at Bank - house						<u>10,570,885.07</u>	11,057,191.29
Other Realisations							
Bank interest, gross	0.07	5.11				18,012.82	
Season Ticket Loan Repayment						3,099.90	
Trust Money - TBC	17,524.15			13,501.05		31,025.20	
Trust Money	1,474.98	61,748.14	119,919.65		50,880.73	<u>234,023.50</u>	286,161.42
Costs of Realisations							
Call Centre Fees						(48,047.30)	
Room Hire						(21,723.20)	
Funds Received In Error						(160.76)	
Legal Pre-Administration Fees						(84,340.09)	
Administrators Pre-Administration Fees						(46,265.00)	
Administrators' fees						(1,984,161.50)	
Administrators' Expenses - Category 1						(8,272.98)	
Administrators Expenses - Category 2						(27,380.41)	
Administrators' expenses-Category2-KPMG						(1,968.75)	
Irrecoverable VAT						(536,228.06)	
Sundry Expenses						(2,443.06)	
Agents'/Valuers' fees						(10,236.56)	
Professional Fees						(21,974.00)	
Legal fees						(389,606.00)	
Legal Disbursements						(12,111.39)	
Payroll Costs						(1,999.60)	
IT Consumables						(376.32)	
Telephone/Telex/Fax						(15,853.88)	
Heat & light						(13,259.42)	
Storage costs						(2,071.80)	
Re-direction of mail						(81.72)	
Statutory advertising						(775.80)	
Rent						(25,829.64)	
Rates						(5,163.35)	
Wages & salaries						(127,107.60)	
PAYE & NIC						(58,246.32)	
Bank charges	(7.00)	(14.40)	(7.05)		(7.44)	<u>(738.89)</u>	(3,446,423.40)
Preferential Creditors							
(93,190.00) Other						<u>0.00</u>	0.00
Floating Charge Creditors							
(1,600,000.00) Floating charge						<u>0.00</u>	0.00
Unsecured Creditors							
(32,318,192.00) Trade & expense						0.00	
(351,682.00) Banks/Institutions						<u>0.00</u>	0.00
Distribution							
(8,061,898.00) Ordinary shareholders						<u>0.00</u>	0.00
<u>(25,867,122.00)</u>							<u>7,896,929.31</u>
Client Money Trust GBP	18,992.20					18,992.20	
Floating charge current						336,428.02	
Floating charge - 30 day notice						7,295,483.30	
DKK - Client Money Trust				13,501.05		13,501.05	
USD - Client Money Trust			119,912.60			119,912.60	
EUR - Client Money Trust		61,738.84				61,738.84	
HUF - Client Money Trust					50,873.30	50,873.30	
							<u>7,896,929.31</u>

Notes:

Foreign exchange currency rate used as at 17 September 2012. Euro 1.2398, USD 1.6236, DKK 9.2427 and HUF 349.380.
Client funds are held in the original foreign currencies whilst we determine the appropriate designation of the funds, as set out in the Report (section 4.1).
Figures shown are net of VAT. The Company was not VAT registered and accordingly VAT incurred is irrecoverable.

Appendix 3

Analysis of Special Administrators' time costs and schedule of charge-out rates

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WorldSpreads Limited (in special administration)
Special Administrators' time and costs analysis from 18 March 2012 to 17 September 2012

	Partner / Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
Administration & planning							
Cashiering							
Fund management			0.40		0.40	£122.00	£305.00
General (Cashiering)		24.40	21.90	5.60	51.90	£17,307.00	£333.47
Reconciliations (& IPS accounting reviews)	0.90	0.40	21.60		22.90	£5,911.50	£258.14
					75.20	£23,340.50	£310.38
General							
Books and records (Note 1)	64.90	490.05	266.05		821.00	£315,994.00	£384.89
Fees and WIP	0.30	10.80	16.00	0.75	27.85	£9,470.00	£340.04
Other office holders	2.70		0.50		3.20	£1,867.00	£635.00
					852.05	£327,331.00	£384.17
Statutory and compliance							
Appointment and related formalities	5.00	37.80	63.80		106.60	£38,140.25	£357.79
Bonding and bordereau			3.65	0.30	3.95	£1,149.25	£290.95
Checklist & reviews	0.60	6.50	13.00		20.10	£7,758.50	£386.00
Pre-appointment checks		1.80	22.25	2.25	26.30	£7,431.25	£282.56
Reports to debenture holders	3.00	1.20	0.40		4.60	£2,927.00	£636.30
Statutory advertising		0.40	0.70		1.10	£423.50	£385.00
Strategy documents	65.70	21.00	10.90	0.80	98.40	£58,176.50	£591.22
					261.05	£116,006.25	£444.38
Tax							
Initial reviews - CT and VAT	0.50	4.30	8.60		13.40	£4,496.00	£335.52
Post appointment corporation tax		34.20	58.20		92.40	£30,102.75	£325.79
Post appointment PAYE		1.80			1.80	£756.00	£420.00
Post appointment VAT		15.90			15.90	£8,095.50	£509.15
					123.50	£43,450.25	£351.82
Creditors							
Committees							
Formation	1.00	5.20	1.70		7.90	£3,883.50	£491.58
Meetings	13.50	2.50	2.30		18.30	£11,233.00	£613.83
Reports	10.20	30.50	12.15		52.85	£24,000.75	£454.13
					79.05	£39,117.25	£494.84
Creditors and claims							
Agreement of preferential claims			1.75		1.75	£402.50	£230.00
Agreement of unsecured claims		0.40	8.30		8.70	£2,741.50	£315.11
General correspondence	27.80	98.50	88.65		214.95	£92,096.50	£428.46
Legal claims				0.20	0.20	£24.00	£120.00
Notification of appointment			8.60		8.60	£2,623.00	£305.00
Payment of dividends	0.20				0.20	£127.00	£635.00
Pre-appointment VAT / PAYE / CT		0.70	0.75		1.45	£466.50	£321.72
Secured creditors		1.90	2.40		4.30	£1,729.50	£402.21
Statutory reports	48.90	82.80	66.75	3.00	201.45	£92,553.75	£459.44
Initial meeting of creditors and clients	39.60	95.60	158.80	2.50	296.50	£117,479.00	£396.22
					738.10	£310,243.25	£420.33
Employees							
Agreeing employee claims		0.40			0.40	£168.00	£420.00
Correspondence	0.90	86.50	137.20		224.60	£79,671.50	£354.73
DTI redundancy payments service		1.70	5.80		7.50	£2,483.00	£331.07
Pension funds			0.40		0.40	£122.00	£305.00
Pensions reviews		0.30	1.50		1.80	£471.00	£261.67
					234.70	£82,915.50	£353.28
Clients and claims							
Clients - professional - agreement of account		0.40			0.40	£210.00	£525.00
Clients - professional - general correspondence		1.60	0.30		1.90	£931.50	£490.26
Clients - professional - payment of dividend		0.70			0.70	£367.50	£525.00
Clients - retail - agreement of account	4.00	4.50			8.50	£4,430.00	£521.18
Clients - retail - general correspondence (Note 2)	62.60	778.00	1,508.75	0.40	2,349.75	£803,200.25	£341.82
Clients - retail - payment of dividend	2.40	0.70			3.10	£1,891.50	£610.16
					2,364.35	£811,030.75	£343.02
Statutory and compliance							
FSA - CAS	0.60				0.60	£381.00	£635.00
Regulatory investigation (Note 3)	48.50	129.45	108.00		285.95	£114,756.50	£401.32
FSA - regulatory	82.00	185.95	259.85	3.00	530.80	£213,324.75	£401.89
Other regulators	3.40	5.00	1.50		9.90	£4,925.00	£497.47
					827.25	£333,387.25	£403.01
Investigation							
Directors (Note 4)							
Correspondence with directors	1.00	8.60	11.15		20.75	£8,145.75	£392.57
Directors Conduct	3.00	25.30	74.50		102.80	£27,425.00	£266.78
D form drafting and submission	12.90	18.10	9.20		40.20	£20,807.50	£517.60
Directors' questionnaire / checklist		3.20	16.05		19.25	£6,485.25	£336.90
Statement of affairs	3.80	13.30	1.30		18.40	£9,214.50	£500.79
					201.40	£72,078.00	£357.88
Investigations							
Claims against 3rd party advisors	11.00				11.00	£7,975.00	£725.00
Correspondence re investigations	7.40	4.90	4.00		16.30	£8,590.50	£527.02
Mail redirection			4.40		4.40	£1,297.00	£294.77
Review of pre-appt transactions	126.10	182.20	73.70		382.00	£181,930.50	£476.26
Financial analysis (Note 5)	9.50	14.60	70.00		94.10	£27,717.50	£294.55
Auditor interaction (Note 5)	1.00	112.60	46.30		159.90	£72,404.00	£452.81
E-Review (Note 5)	5.50	127.80	330.55		463.85	£163,375.50	£352.22
Reporting (Note 5)	160.00	105.60	128.75		394.35	£221,112.50	£560.70
					1,525.90	£684,402.50	£448.52
Realisation of assets							

Asset Realisation

Cash and investments	39.60	50.80	9.30		99.70	£50,317.50	£504.69
Cash and investments - client monies	12.90	56.20	45.80		114.90	£51,364.00	£447.03
Cash and investments - company monies	16.30	45.10	5.50		66.90	£35,750.50	£534.39
Overseas branches - assets	23.40	69.60	1.80		94.80	£49,890.00	£526.27
Reconciliations - client monies	12.30	0.40	0.40		13.10	£8,142.50	£621.56
Reconciliations - company monies		0.40			0.40	£210.00	£525.00
Client debtors		63.30	145.20		208.50	£61,027.50	£292.70
Debtors	6.50	22.30	7.50	0.60	36.90	£17,981.50	£487.30
Health & safety		0.40			0.40	£168.00	£420.00
Leasehold property		20.00	1.70		21.70	£11,018.50	£507.76
Office equipment, fixtures & fittings	17.00	7.00	9.00		33.00	£18,370.00	£556.67
Open cover insurance		6.10	1.45		7.55	£3,644.75	£482.75
Other assets	3.20	56.00	2.70		61.90	£32,345.50	£522.54
Plant and machinery		4.00			4.00	£2,100.00	£525.00
Pre-appointment tax & VAT refunds	1.40	0.50	0.30		2.20	£1,243.00	£565.00
Sale of business	2.90	6.50			9.40	£5,149.00	£547.77
Stock and WIP	15.30				15.30	£9,715.50	£635.00
Cash & profit projections & strategy			3.60		3.60	£1,098.00	£305.00
Purchases and trading costs	1.30	0.20	1.50		3.00	£1,305.50	£435.17
					797.25	£360,841.25	£452.61
Total in period					8,079.80	£3,204,143.75	£396.56

Notes:

- 1) Books and Records includes time spent securing the Company's records including all electronic records and data as well as copying, hosting and protecting them to assist the Special Administrators' investigation
- 2) This also includes time spent in relation to obtaining e-mail agreements, agreeing/logging agreed client balances as well as responding to queries raised by clients as well as liaison with FSCS.
- 3) Liaison with supervisors, the FSA and other UK regulatory bodies
- 4) The Special Administrators are required by The Insolvent Companies (Reports on Conduct of Directors) Rules 1996 to submit a report or a return to the Department of Business Innovation and Skills on the conduct of any person who has been a director or shadow director of the Company at any time in the three years immediately preceding their appointment.
- 5) The work includes interviews with the directors, offices and staff of WorldSpreads Limited.
- 6) All staff who have worked on this assignment, including cashiers and secretarial staff, have charged time directly to the assignment and are included in the analysis of time spent.
- 7) The cost of staff employed in central administration functions is not charged directly to the assignment but is reflected in the level of charge out rates.
- 8) Consolidated time spent by grade

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WorldSpreads Limited (in special administration)

Summary of charge out rates

£/hour	From 18 March 2012 to 17 September 2012
Restructuring, Tax, Corporate Finance and Forensic	
Partner	725
Director	635
Senior Manager	525
Manager	420
Assistant Manager/ Senior administrator	305
Administrator	230
Support staff	120

All staff who have worked on this assignment, including cashiers and secretarial staff, have charged time directly to the assignment and are included in the analysis of time spent.

The cost of staff employed in central administration functions is not charged directly to the assignment but is reflected in the level of charge out rates.

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WorldSpreads Limited (in special administration)
Reporting period: 18 March 2012 to 17 September 2012

Summary of Disbursements **£**

Category 1

Professional & other contractor costs	49,992.18
Publication & stationary costs	88.98
Telephone, fax, courier & delivery costs	110.99
Travel	3,769.93
Subsistence	533.05
Accommodation	289.00
Sundry expenses	24.97
IT costs	274.02
Bordereau	1,280.00
	<hr/>
	56,363.12

Category 2

Mileage tax-free	116.40
Software maintenance	27,215.02
	<hr/>
	27,331.42

Total **83,694.54**

Note:

Disbursements of £35,653 were paid to date.

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Appendix 3 continued

KPMG Restructuring policy for the recovery of disbursements

Where funds permit the officeholder will look to recover both category 1 and category 2 disbursements from the estate. For the avoidance of doubt, such expenses are defined within SIP 9 as follows:

Category 1 disbursements: These are costs where there is specific expenditure directly referable both to the appointment in question and a payment to an independent third party. These may include, for example, advertising, room hire, storage, postage, telephone charges, travel expenses, and equivalent costs reimbursed to the officeholder or his or her staff.

Category 2 disbursements: These are costs that are directly referable to the appointment in question but not a payment to an independent third party. They may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis, for example, business mileage.

Any disbursements paid from the estate are disclosed within the attached summary of disbursements.

The Category 2 disbursements that KPMG Restructuring currently charges is mileage and software licence fees, which are calculated as follow:

1) Mileage:

- Use of privately-owned vehicle or car cash alternative – 40p per mile;
- Use of company car – 60p per mile;
- Use of partner's car – 60p per mile.

For all of the above car types, when carrying passengers an additional 5p per mile per passenger will also be charged where appropriate.

2) Clearwell e-review system:

The software licence fees relate to the usage of commercially available systems used by KPMG LLP to enable the Joint Special Administrators to efficiently search and review WorldSpreads data, whilst maintaining an audit trail of review activity. The costs are based upon the quantum of data processed but also include associated charges to cover secure web based hosting and secure access to the review system.

Appendix 4

Schedule of expenses

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WorldSpreads Limited (in special administration)
Expenses schedule from 18 March 2012 to 17 September 2012

	Paid (£)	Accrued (£)	Total for period (£)
Costs of realisation			
Legal fees inc disbursements	401,717	23,958	425,675
Administrators' fees	1,984,162	1,219,982	3,204,144
Administrators' expenses	35,653	48,041	83,695
Pre-admin costs	130,605	0	130,605
Wages, salaries & Payroll	187,354	0	187,354
Telephone, telex & call centre	63,901	0	63,901
Rent & other property expenses	44,252	0	44,252
Other realisation costs	62,551	1,000	63,551
Irrecoverable VAT	536,201	0	536,201
	3,446,396	1,292,981	4,739,378

Notes

Special Administrators' remuneration and expenses

The Special Administrators' remuneration has been agreed with the creditors' committee, in accordance with Rule 196, by reference to time properly given by the Administrators and their staff in dealing with matters arising in the special administration of the Company, at KPMG charge out rates that reflect the complexity of the assignment. Details of the Special Administrators' time costs incurred in this period are set out in the attached report, supported by an analysis of time costs and expenses included at Appendix 3.

The creditors' committee members and the Special Administrators will discuss the ongoing basis of remuneration and approval of future costs of the special administration at the next creditors' committee meeting.

Creditors' request for further information

Any additional information regarding other expenses charged for the period is available from the Special Administrators upon request by any Secured Creditor, any unsecured creditor(s) and any client(s) with at least 5% in value of the unsecured debt in accordance with Rule 201. This request must be made within 21 days of receipt of the report. In addition creditors and clients are reminded that the quantum can be challenged by any Secured Creditor, any unsecured creditor(s) or any client(s) with at least 10% in value (including that creditor's claim/client's assets) of the unsecured debt by making an application to Court in accordance with Rule 202 of the Rules within 8 weeks of receipt of this report. The full text of these rules can be provided upon request.