



**WorldSpreads Limited
(in special administration)**

Joint Special Administrators' Progress Report
for the six month period
18 March 2013 to 17 September 2013

KPMG LLP
16 October 2013

SB/JM/HM/HS/JRR

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.
- This Report has not been prepared in contemplation of it being used, and is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in WorldSpreads Limited (in special administration).
- Any estimated outcomes for creditors and clients included in this Report are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors, clients or other stakeholders.
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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 special administration of WorldSpreads Limited (in special administration).

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Glossary

Act	The Insolvency Act 1986 (as amended)
Authorities	The FCA, the Treasury and the Bank of England
Bank / Secured creditor	Royal Bank of Scotland Plc
Brokers	Third party brokers (including affiliates)
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
FCA	The Financial Conduct Authority
FSCS	The Financial Services Compensation Scheme
Hayes	Hayes Solicitors
KPMG	KPMG LLP
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
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
Wragge	Wragge & Co LLP

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**

This Report has been prepared in accordance with Rule 122 and covers the period from 18 March 2013 to 17 September 2013. Form 2.24B is enclosed giving formal notice to this effect.

We have progressed two key significant matters, both of which have an impact on the outcome for clients and creditors.

Firstly, we have progressed the legal action we commenced earlier in the year against Ernst & Young (Ireland), being the Company's auditors, and have been successful in seeking early discovery of certain of their audit working papers.

Secondly, our work in relation to the tracing of funds in accounts designated as house accounts, with a view to establishing whether any of these funds are identifiable and should be treated as client money, continues. We have identified funds which may be verifiable as client money, however, this is a complex matter and we are awaiting legal advice.

Realisations in the house estate in the period include the repatriation of funds held in South Africa. Additionally, we have been notified of a second interim distribution from a third party broker. On receipt these funds will form part of the Company's segregated assets.

Distributions totalling 8p in the £ have been made to clients to date. The timing and quantum of any further dividends to clients or creditors cannot presently be determined. As explained in this Report, the outcome of the special administration for clients and all classes of creditors, except subordinated debt (where no funds will be available), is uncertain and dependent on any recoveries from causes of action relating to the Company's pre-appointment affairs, which include the above mentioned legal action, and the quantification of any funds in the Company's house accounts identifiable as client monies.

The creditors' committee, now consisting of three members, is being kept advised of key ongoing matters in this special administration.

A copy of this report, as well as previous reports, is available on the website: www.kpmg.co.uk/worldspreads.

Statutory information is attached at Appendix 1, together with an abstract of the Special Administrators' receipts and payments account for the period 18 March 2013 to 17 September 2013 attached at Appendix 2 and details of costs incurred in the period but not yet paid shown in Appendix 4. The figures are shown net of VAT, which is irrecoverable as the Company is not registered for VAT purposes.



Samantha Bewick
Special Administrator

2 **Special Administrators' Proposals**

The Special Administrators' Proposals were approved, without modification, at a meeting of creditors and clients held on 23 May 2012. A creditors' committee was formed.

A copy of the Proposals is available at www.kpmg.co.uk/worldspreads.

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 continue to pursue all three objectives equally.

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

Once the objectives have been achieved, the Special Administrators will determine the most appropriate and cost effective exit route from special administration. The most likely scenarios are an application to Court seeking an order for the winding-up of the Company or exit via dissolution.

4 **Progress of the special administration**

4.1 **Asset realisations**

4.1.1 **Client money**

We have been notified that a second interim dividend of 44 cents in the United States dollar has been declared to all segregated clients with agreed claims in the special administration of MF Global UK Limited. This dividend (of some £200,000) has not yet been received and is therefore not shown in the attached receipts and payments account.

As set out in the segregated assets section of the receipts and payments account, client money realisations to date total £4.3 million. All client money is held in a trust account set up within the special administration. Other than receipt of the above mentioned dividend and any subsequent dividends from this third party broker, the final determination of the quantum of client money is dependent upon whether client monies can be identified within

funds held in accounts designated as house accounts. This tracing exercise is complex and our work in this regard remains ongoing.

Funds are traceable from the Company's various pre-administration house accounts if client money was paid into and out of them whilst the accounts were in credit and where the account did not go into overdraft whilst the client money was in the house account. Accordingly our review is focusing on those dates when the relevant accounts operated by the Company were in credit.

In the period we have obtained further information from relevant financial institutions to aid our analysis, consulted with ReedSmith and instructed Counsel to advise in relation to funds paid into one specific broker.

Whilst progress has been made in the period and we have established that there are funds which may be traceable, we await receipt of advice from Counsel and ReedSmith prior to being in a position to either determine the extent of any further work required or accurately quantify any potential traceable funds, details of which will be included in our next report.

4.1.2 Client assets

The Special Administrators have returned/transferred eight clients' securities. There are three clients whose securities are still held by the Special Administrators. These clients have been contacted; however, to date they have not supplied any instructions to enable the return/transfer of their securities.

4.1.3 IT equipment, software, office furniture

The Special Administrators retained certain items of IT equipment as these are required to preserve certain Company data, access to which is needed at the present time. These items will be valued, and if appropriate, sold, once they are no longer required.

4.1.4 Debtors

The directors' Statement of Affairs indicated that the Company had debtors of £2.5 million, mainly comprising monies due from clients and betting duty. As previously advised, a number of clients dispute the balances shown in the Company's records. To date £231,000 has been recovered by the Special Administrators.

The majority of the remaining debt is under dispute, accordingly at present future realisations are uncertain. The Special Administrators have initiated recovery proceedings against a large debtor and these are ongoing.

4.1.5 Cash at bank – house money

All house monies have been received as previously advised. At present, as set out in the receipts and payments account under non-segregated assets, house money realisations are shown as totalling £10.6 million. As explained in section 4.1.1 this will reduce by the value of funds determined as traceable and accordingly identified as client money.

4.1.6 WorldSpreads Pty

We have been successful in repatriating funds previously held in an account, opened in the special administration, in South Africa. These funds, totalling £158,000, relate to the settlement agreement entered into with WorldSpreads Pty and the Share Purchase Agreement entered into with a Director of WorldSpreads Pty.

4.1.7 Other realisations

These include bank interest received in respect of the balances held in the special administration estate accounts and sundry refunds as detailed in the attached receipts and payments account.

4.2 Investigations

As all clients and creditors are aware, a significant aspect of our work in this special administration relates to investigations into pre-appointment transactions. Such investigation work is undertaken with a view to establishing whether there are any causes of action which may result in realisations for the special administration estate. Our work in this regard remains underway and as previously advised the majority of this work is confidential, although the creditors' committee is advised of developments.

We can report that our proceedings against Ernst & Young (Ireland) continue. In the reporting period the Special Administrators submitted their statement of claim against Ernst & Young (Ireland) (the Defendant). We have subsequently responded to a Notice for Particulars served on the Special Administrators by the Defendant, setting out our reply to their queries on the statement of claim.

Since then we are pleased to have recently been successful in obtaining an Order for the early discovery of documents. As a result of this Order, both parties to the litigation are required to provide access to certain working papers and company records, including electronic databases. The number of documents covered by this Order is vast. As such this process needs to be carefully managed and on receipt the documents made available to us by the Defendants will need to be reviewed and considered.

As explained in our previous Report, a necessary consequence of commencing litigation is that the Special Administrators need to reserve funds both for our own costs of pursuing litigation, part of which would be recoverable from the Defendants should we win, but also against the risk of adverse costs, which we would be required to pay to the Defendant if we were to lose. As a result, irrespective of the outcome, there is an impact on both the timing and quantum of funds available for creditors, explained further in section 5.

4.3 Regulatory matters

4.3.1 The Financial Conduct Authority

We continue to liaise closely with the FCA (previously the Financial Services Authority) in relation to a number of matters which include our work relating to client money and assets, compliance with FSA rules and Know Your Client regulations.

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

4.3.2 The Financial Services Compensation Scheme

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 a regulated entity.

The Special Administrators continue to be in regular communication with clients in order to agree their final balances. As previously advised, once final balances are agreed between us and the clients the Special Administrators pass details of the agreed balance to the FSCS. The FSCS has sent out application forms to clients of WorldSpreads who had been identified as having a likely claim for compensation.

The FSCS is contactable on +44 (0) 20 7741 4100 should clients have any queries in this respect.

4.4 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.

4.4.1 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 James Rivers on +44 (0) 20 7311 8091.

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 for the period 18 March 2013 to 17 September 2013, as required by the Association of Business Recovery Professionals' Statement of Insolvency Practice No. 9.

In the period 18 March 2013 to 17 September 2013, the Special Administrators and their staff have incurred time costs, at rates agreed by the creditors' committee, of £932,541 representing 2,452 hours at an average hourly rate of £380. This includes work undertaken in respect of tax, VAT, forensic, health and safety and pension from KPMG in-house specialists.

It is for the creditors' committee to determine the basis on which the Special Administrators' remuneration is to be fixed. As reported, the creditors' 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 charge out rates that reflect the complexity of the assignment. These include the costs of KPMG in respect of tax, VAT, forensic, health and safety and pension advice provided to the Special Administrators.

In view of the nature of our ongoing work in this special administration, we subsequently reached a revised agreement with the creditors' committee in relation to remuneration. Full details were set out in our Report dated 22 March 2013, with a summary included in Appendix 3 of this Report.

In accordance with approval from the creditors' committee, since the end of the reporting period, the Special Administrators have drawn remuneration on account of £1,285,752 plus disbursements, as agreed with the creditors' committee, for costs incurred to 30 June 2013.

4.4.2 Legal fees

Legal costs including disbursements paid in the period total £275,000. These include liabilities incurred in the previous period and relates to advice received from ReedSmith, Hayes and Wragges in connection with ongoing matters as described in this Report.

4.4.3 Other costs

Other costs incurred in the period are detailed on the receipts and payments account attached and are self explanatory. 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 in the period of £58,000 is not recoverable.

5 Estimated outcome for clients and creditors

5.1 Clients

Further balances have been agreed with clients in the reporting period bringing the amount owed to clients to £28.5 million. Clients with balances totalling £28.1 million have agreed their final balance with the Special Administrators. As at 9 October, of those clients that have an agreed final balance, clients with claims totalling £26 million have assigned their claim to the FSCS.

To date the Special Administrators have declared two interim dividends totalling 8p in the £. We presently continue to forecast that clients will receive a total client dividend of approximately 9p in the £. However, this is dependent on the timing and quantum of any remaining distribution from MF Global (UK) Limited (in Special Administration). Additionally, the outcome for clients will be determined by the outcome of our tracing work to establish whether any funds in the house accounts are identifiable as client monies (see section 4.1.1).

As previously advised, 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 the FSCS. The FSCS will claim in the special administration for the whole of the clients' loss (even if that is over £50,000). When the Special Administrators paid the dividends referred to above, the dividends due on clients' balances who had assigned their claim to the FSCS were paid directly to the FSCS. For those clients who assigned a balance of more than £50,000 the FSCS will pay the dividend on to these clients, up to the client's account balance.

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 any dividend available from this source. Further information on the outcome for unsecured creditors is set out in section 5.2.3.

5.2 Creditors

The estimated outcome for creditors is presently uncertain due to the unknown outcome of two material ongoing areas of our work. These are the determination of funds in the house account which may be identifiable as client monies (see section 4.1.1) and investigation work, in particular the litigation commenced against Ernst & Young (Ireland) with a view to recovering funds for the estate (see section 4.2). For as long as this legal action remains ongoing, we will need to ensure we reserve sufficient funds to meet any associated costs.

In view of this, the Special Administrators are presently unable to confirm either the timing or quantum of any distributions to creditors. We are liaising with the creditors' committee and will update creditors further in our next report.

5.2.1 Secured creditor

The Bank holds a valid fixed and floating charge over the Company's assets created on 20 June 2005. The Company's total indebtedness to the Bank as at the date of appointment was £1.6 million.

Subject to our comments in section 5.2 above, in view of the identification of potentially verifiable client money in the house estate, based on funds realised (ie excluding any potential recoveries from our investigation work), the Special Administrators currently estimate that the Bank may only receive a modest return on its lending with the timing and amount of any distribution uncertain at present.

5.2.2 Preferential creditors

Preferential creditors at the date of appointment were made up of employee arrears of wages and holiday pay claims, amounting to approximately £83,500. The Special Administrators continue to estimate that these claims will be paid in full, subject to the comments in section 5.2, however, for the reasons set out above the timing of any distribution remains uncertain.

5.2.3 Unsecured creditors

The Directors' Statement of Affairs shows that the Company has unsecured liabilities of some £32 million. This includes monies owed to the Company's clients. A more detailed breakdown has been provided in earlier Reports.

As explained, the outcome for unsecured creditors remains dependent on both the outcome of the tracing exercise and the recently commenced litigation, with the litigation potentially likely to be a lengthy process. In view of the likely determination that funds in the house estate are identifiable as client money the outcome for unsecured creditors is uncertain and lower than previously forecast.

Based on current information there may be a modest prescribed part distribution, being a fund we are required to reserve for unsecured creditors (up to a maximum of £600,000) from net floating charge realisations, available for distribution to unsecured creditors. The timing of any distribution to creditors is uncertain.

6 Other matters

6.1 Creditors' committee

The creditors' committee remains active in this special administration with three remaining members (including the FSCS), following the resignation of two members in the period.

As the committee members have signed a non-disclosure agreement we are able to discuss the detail of our investigation into the Company's pre-appointment affairs in more detail with them.

Additionally, as set out in section 4.3.1 the committee has fixed the basis of the Special Administrators' remuneration and agreed the quantum.

6.2 Communication

The website, www.kpmg.co.uk/worldspreads, continues to be updated with information as well as circulars to clients and creditors.

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:

- progressing the litigation against Ernst & Young (Ireland);
- concluding the tracing exercise to determine the quantum of funds in designated house accounts which should be treated as client funds;
- dealing with the return/transfer of the remaining three client assets, namely securities, subject to receipt of instructions from these clients;
- realising the remaining assets, predominantly debtors;
- investigation into pre-appointment matters;
- co-operating with the FCA and other regulatory bodies;
- agreeing client and creditor claims and supplying information on agreed client claims to the FSCS;
- finalisation of the tax affairs of the Company including completion of corporation tax and settlement of any liabilities;
- distributions to the secured, preferential, client and unsecured creditors (all if and when appropriate);
- payment of administration expenses, including the Special Administrators' remuneration; and
- dealing with ongoing statutory and compliance obligations, including liaising with the creditors' committee 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 18 March 2014.

Appendix 1

Statutory information

Company name	WorldSpreads Limited		
Company number	04898762		
FSA registration number	230730		
Special Administration Order	High Court of Justice, Chancery Division, Companies Court, Court case number 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

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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 2013 to 17 September 2013

Non segregated assets

Statement of Affairs	18 March 2013 to 17 September 2013 (£)	18 March 2012 to 17 September 2013 (£)
Asset Realisations		
125.00 Office Equipment	0.00	0.00
786.00 Furniture & Fittings	0.00	0.00
1,469,949.00 Client Debtors	0.00	0.00
14,086.00 Computer Equipment	0.00	23,250.00
Uncertain Prepayments and other Debtors	3,192.45	231,538.51
Tax refunds (pre-app'ent)	0.00	244,425.23
15,072,894.00 Cash at Bank - house	0.00	10,631,636.14
Rent deposit refund	16,556.97	16,556.97
	<u>19,749.42</u>	<u>11,147,406.85</u>
Other Realisations		
Bank interest, gross	13,923.52	60,206.95
Sundry refunds	0.00	326.18
Rates refund	13,719.38	13,719.38
Funds received from South Africa	157,626.44	157,626.44
Season Ticket Loan Repayment	0.00	3,099.90
	<u>185,269.34</u>	<u>234,978.85</u>
Costs of Realisations		
Call Centre Fees	(335.73)	(49,095.86)
Room Hire	0.00	(21,723.20)
Funds Received In Error	(977.28)	(1,138.04)
Confirmed client money	0.00	(288,914.11)
Legal Pre-Administration Fees	0.00	(84,340.09)
Administrators' expenses-Category2-KPMG	0.00	(1,968.75)
Administrators' Pre-Administration Fees	0.00	(46,265.00)
Administrators' fees	0.00	(2,428,171.93)
Administrators' Expenses - Category 1	0.00	(13,120.55)
Administrators Expenses - Category 2	0.00	(71,036.16)
Irrecoverable VAT	(24,261.25)	(711,183.73)
Sundry Expenses	0.00	(2,443.06)
Agents'/Valuers' fees	0.00	(10,236.56)
Professional Fees	(2,258.10)	(30,566.90)
Legal fees	1,064.50	(615,588.00)
Legal Disbursements	8,405.56	(32,100.81)
Legal fees - litigation	(67,887.75)	(45,317.60)
Legal disbursements - litigation	(23,786.82)	(23,749.82)
Payroll Costs	0.00	(1,999.60)
IT Consumables	0.00	(2,836.32)
Telephone/Telex/Fax	0.00	(17,313.15)
Stationary, postage & photocopying	0.00	(1,571.50)
Heat & light	0.00	(13,259.42)
Storage costs	(302.28)	(3,145.18)
Re-direction of mail	0.00	(81.72)
Statutory advertising	(576.00)	(1,351.80)
Rent	0.00	(25,829.64)
Rates	0.00	(5,163.35)
Professional Fees - Investigation	(26,810.00)	(44,333.00)
Insurance of assets	0.00	(952.45)
Wages & salaries	0.00	(127,107.60)
PAYE & NIC	0.00	(58,246.32)
Bank charges	(308.00)	(1,359.41)
	<u>(138,033.15)</u>	<u>(4,781,510.63)</u>
Preferential Creditors		
(93,190.00) Other	0.00	0.00
	<u>0.00</u>	<u>0.00</u>
Floating Charge Creditors		
(1,600,000.00) Floating charge	0.00	0.00
	<u>0.00</u>	<u>0.00</u>
Unsecured Creditors		
(32,318,192.00) Trade & expense	0.00	0.00
(351,682.00) Banks/Institutions	0.00	0.00
	<u>0.00</u>	<u>0.00</u>
Distribution		
(8,061,898.00) Ordinary shareholders	0.00	0.00
	<u>0.00</u>	<u>0.00</u>
(25,867,122.00)	<u>66,985.61</u>	<u>6,600,875.07</u>
REPRESENTED BY		
Floating charge current		3,155,988.18
Floating charge - 30 day notice		3,444,886.89
		<u>6,600,875.07</u>

Notes:

Figures shown are net of VAT. The Company was not VAT registered and accordingly VAT incurred is irrecoverable.

WorldSpreads Limited (in special administration)

Abstract of receipts and payments for the period from 18 March 2013 to 17 September 2013

Non-segregated assets - funds in South Africa

Statement of Affairs	ZAR	18 March 2013 to 17 September 2013, £	18 March 2012 to 17 September 2013, £
Asset Realisations			
Loan repayment and share purchase agreement	2,500,000.00	0.00	160,606.45
Bank interest (assumed)	83,851.52	5,386.84	5,386.84
	<u>2,583,851.52</u>	<u>5,386.84</u>	<u>165,993.29</u>
Costs of Realisations			
Professional fees	(81,851.52)	(5,258.35)	(5,258.35)
Bank charges (assumed)	(48,386.91)	(3,108.50)	(3,108.50)
Repatriation to UK	-2,453,613.09	(157,626.44)	(157,626.44)
Total	<u>(2,583,851.52)</u>	<u>(160,606.45)</u>	<u>(165,993.29)</u>
REPRESENTED BY			
Account held in South Africa	<u>ZAR nil</u>		<u>£nil</u>

NOTE:

We have yet to receive a closing bank statement for this account, accordingly bank charges and interest shown are estimates. This will be amended on receipt of the information.

Segregated assets

Statement of Affairs	18 March 2013 to 17 September 2013, £	18 March 2012 to 17 September 2013, £
Other Realisations		
Bank interest, gross	1,467.44	3,634.33
Trust Money	1,872.49	4,346,235.46
	<u>3,339.93</u>	<u>4,349,869.79</u>
Costs of Realisations		
Funds Received In Error	(3,609.79)	(3,609.79)
Administrators' fees	0.00	(1,092,156.57)
Irrecoverable VAT	(33,935.54)	(252,366.86)
Legal fees	(155,757.70)	(155,757.70)
Legal disbursements	(36,495.00)	(36,495.00)
Bank charges	(140.00)	(320.00)
	<u>(229,938.03)</u>	<u>(1,540,705.92)</u>
Distributions		
Client Money Distributions	(94,041.69)	(2,148,342.66)
	<u>(94,041.69)</u>	<u>(2,148,342.66)</u>
	<u>(320,639.79)</u>	<u>660,821.21</u>
REPRESENTED BY		
Client Money Trust GBP 2		<u>660,821.21</u>
		<u>660,821.21</u>

Notes:

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, overview of fee agreement and schedule of charge-out rates

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WorldSpreads Limited (in special administration)
Special Administrators' time and costs analysis from 18 March 2013 to 17 September 2013

Insolvency related work

	Partner / Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
Cashiering							
General (Cashiering)		4.40	9.10	1.30	14.80	£3,699.00	£249.93
Reconciliations (& IPS accounting reviews)			6.50		6.50	£1,345.50	£207.00
Reconciliations - company monies		0.40			0.40	£180.00	£450.00
					21.70	£5,224.50	£240.76
General							
Books and records (Note 1)		10.50	11.35		21.85	£7,076.25	£323.86
Fees and WIP	0.20	19.10	22.10		41.40	£13,178.50	£318.32
Other office holders	0.20	3.80			4.00	£1,807.00	£451.75
					67.25	£22,061.75	£328.06
Statutory and compliance							
Checklist & reviews		0.60	2.90		3.50	£986.50	£281.86
Pre-appointment checks			1.25	0.75	2.00	£317.50	£158.75
Reports to debenture holders					3.50	£1,575.00	£450.00
Statutory receipts and payments accounts					1.70	£765.00	£450.00
Strategy documents	4.90	4.60			9.50	£4,686.50	£493.32
					20.20	£8,330.50	£412.40
Tax							
Post appointment corporation tax		6.20	2.20		8.40	£2,683.00	£319.40
Post appointment PAYE		2.25			2.25	£1,012.50	£450.00
					10.65	£3,695.50	£347.00
Committees							
Formation		0.30	0.80		1.10	£335.00	£304.55
Meetings	9.10	3.10	2.70		14.90	£6,764.50	£453.99
Reports	3.70	18.80	3.00		25.50	£9,597.50	£376.37
					41.50	£16,697.00	£402.34
Creditors and claims							
Agreement of preferential claims		12.00	16.40		28.40	£8,480.00	£298.59
Agreement of unsecured claims		1.00	0.50		1.50	£507.00	£338.00
Pre-appointment VAT / PAYE / CT		0.10			0.10	£36.50	£365.00
Secured creditors	1.00	0.60	0.10		1.70	£860.00	£505.88
Statutory reports	0.90	12.10	9.80		22.80	£8,017.00	£351.62
					54.50	£17,900.50	£328.45
Employees							
Correspondence		10.70	1.70		12.40	£4,330.50	£349.23
DTI redundancy payments service		0.10	1.10		1.20	£311.50	£259.58
					13.60	£4,642.00	£341.32
Asset realisation							
Cash and investments - client monies	13.50	16.60	31.25		61.35	£19,798.75	£322.72
Cash and investments - company monies	0.70	6.10			6.80	£3,084.50	£453.60
					68.15	£22,883.25	£335.78
Creditors and claims							
Clients - professional - general correspondence	2.00	114.60	12.20		128.80	£46,102.50	£357.94
Clients - retail - general correspondence (Note 2)	3.40		176.50		179.90	£34,334.00	£190.85
					308.70	£80,436.50	£260.57
Statutory and compliance (Note 3)							
FSA - investigation	6.10	14.50	8.75		29.35	£10,839.25	£369.31
FSA - regulatory	17.65	3.50	8.50		29.65	£11,707.75	£394.87
					59.00	£22,547.00	£382.15
Directors (Note 4)							
D form drafting and submission		7.20			7.20	£3,240.00	£450.00
Disqual affidavits and proceedings	0.50				0.50	£242.50	£485.00
					7.70	£3,482.50	£452.27
Asset Realisation							
Cash and investments	1.70	35.10	18.40		55.20	£18,619.50	£337.31
Debtors	7.90	17.10	18.80		43.80	£13,822.00	£315.57
Leasehold property		0.20			0.20	£90.00	£450.00
Office equipment, fixtures & fittings		0.80			0.80	£360.00	£450.00
Open cover insurance		0.50			0.50	£225.00	£450.00
Other assets		40.60	67.05		107.65	£27,782.75	£258.08
Purchases and trading costs	0.90				0.90	£436.50	£485.00
					209.05	£61,335.75	£293.40
Total in period					882.00	£269,236.75	£305.26

Investigations/Litigation (Note 7)

	Partner / Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
Financial analysis	0.50				0.50	£317.50	£635.00
Auditor interaction	109.75	761.45	531.50		1,402.70	£572,871.00	£408.41
E-Review		19.60	4.00		23.60	£9,152.00	£387.80
Reporting		0.90			0.90	£378.00	£420.00
Claims against 3rd party advisors	42.00	4.60			46.60	£32,445.00	£696.24
Correspondence re investigations	3.10				3.10	£2,058.50	£664.03
Review of pre-appt transactions	31.90	46.95	13.70		92.55	£46,082.25	£497.92
Total in period					1,569.95	£663,304.25	£422.50

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
- 5) 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.
- 6) 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.
- 7) The hourly rates for the costs incurred in dealing with investigations and litigation have been set by the creditors' committee.

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WorldSpreads Limited (in special administration)
Summary of charge out rates - Normal insolvency related work

£/hour	From 18 March 2012 to 30 September 2012	From 1 October 2012 to 17 September 2013
Restructuring, Tax, Corporate Finance and Forensic		
Partner	535	565
Director	460	485
Senior Manager	425	450
Manager	345	365
Assistant Manager/ Senior administrator	240	250
Administrator	175	185
Support staff	110	115

Summary of charge out rates - Investigation / Litigation costs

£/hour	From 18 March 2012 to 17 September 2013
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 2013 to 17 September 2013

Summary of Disbursements	£
Category 1	
Other print services	30.15
Travel	1,968.18
Sundry expenses	68.91
Subsistence	426.58
	2,493.82
Category 2	
Software maintenance	19,819.31
	<u>19,819.31</u>
Total	<u><u>22,313.13</u></u>

Note:

Disbursements of £84,157 have been paid to date.

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Appendix 3 continued

Overview of fee agreement reached with the creditors' committee

At the first creditors' committee meeting a resolution was passed fixing the basis of the Special Administrators' remuneration by reference to time properly given by them and their staff in attending to matters arising in the special administration.

In view of the nature of the Special Administrators' ongoing work, we subsequently reached a revised agreement with the creditors' committee in relation to remuneration. Our work has been split into two categories: normal insolvency related work and investigation/litigation costs. A change in the Insolvency Rules, with effect from April 2010, has allowed us to adopt this more flexible fee based structure, which, at the committees' request, in relation to our investigation/litigation costs, has resulted in an approach that ensures clients and creditors will share in any recoveries at an earlier stage than would be the case if the Special Administrators were paid on the basis purely of time costs at the agreed rates.

Further information on the agreement reached in relation to each of these two categories is set out below.

More information, together with an illustrative example of the agreement reached in relation to investigation/litigation costs was set out in our Report dated 22 March 2013.

Normal insolvency related work

We have agreed discounted rates to be applied to normal insolvency work from 1 September 2012 onwards. We have the creditors' committee's approval to draw our actual costs, at the discounted rate to November 2012 and the lower of actual and budgeted costs, monthly in arrears, for the period from December 2012 to December 2013.

To date we have drawn costs to 30 June 2013.

Normal insolvency related work includes the following work streams:

- agreement and payment of client and creditor claims;
- reporting and liaison with the FCA and Insolvency Service, including any investigations undertaken by them;
- realisation of remaining (non-investigation) assets;
- identification and recovery of client money;
- tax returns;
- control and maintenance of books and records;
- statutory obligations and reporting.

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Investigation / Litigation costs

The committee requested that the proposal for our remuneration for this aspect of our work be structured such that the Special Administrators are incentivised to obtain the maximum recovery from litigation with the minimum of hours spent. The agreement reached is as follows:

- payment of 50% of the investigation time spent (see definition below);
- further payments in respect of time properly given to be a percentage of the value of recoveries from litigation ('uplift payment');

This approach means that clients and creditors will share in the recoveries at a much earlier stage than would be the case if the Special Administrators were paid on the basis purely of time costs at the agreed rates.

These costs will include time incurred in relation to:

- forensic work not related to 3rd party regulators;
- restructuring time relating to investigations;
- the uplift payment is calculated as follows:

Special Administrators' fees	Recovery bands	
On amounts recovered	Clients'/Creditors' share of recovery	Special Administrators' share of recovery
if no recovery	0%	0%
up to time costs	80%	20%
up to next 1 million	82.5%	17.5%
up to next 2 million	85%	15%
up to next 2 million	87.5%	12.5%
up to next 5 million	90%	10%
above time costs plus £10 million	92.5%	7.5%

To date we have drawn 50% of investigation/litigation costs to 30 June 2013.

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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 to enable the 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 2013 to 17 September 2013

	Paid (£)	Accrued (£)	Total for period (£)
Costs of realisation			
Legal fees inc disbursements	132,492	71,592	204,084
Professional fees	29,068	11,898	40,966
Administrators' fees	0	933,288	933,288
Administrators' expenses	0	22,313	22,313
Confirmed client money	0	0	0
Telephone, telex & call centre	336	0	336
Rent & other property expenses	0	0	0
Other realisation costs	5,913	0	5,913
Irrecoverable VAT	58,197	207,818	266,015
	226,006	1,246,909	1,472,915

Notes

The figures included in the "paid" column above relate to costs incurred and paid in the period. Accordingly, these figures do not include payments made in the period that relate to accruals notified in our previous reports.

Special Administrators' remuneration and expenses

The Special Administrators' remuneration has been agreed with the creditors' committee, in accordance with Rule 196, as detailed in Appendix 3. 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 also included at Appendix 3.

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.

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