



cutting through complexity

WorldSpreads Limited (in special administration)

Meeting of creditors and clients

23 May 2012

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Chairman's introduction

Key actions since appointment

Key continuing workstreams

Summary proposals

Creditors' committee

Nominations received for committee

Q&A in relation to proposals and conduct

Voting

Chairman's introduction

- Jane Moriarty – Joint Special Administrator
- Samantha Bewick – Joint Special Administrator
- Charlotte Møller – Lawyer, ReedSmith LLP

Objectives of the SAR

- The Special Administration Regime has three objectives, with no order of priority
 - The return of client assets
 - Timely engagement with market infrastructure bodies and the authorities
 - To wind the Company up in the best interests of the creditors

Purpose of the meeting

- Discuss the Special Administrators' Proposals
- Consider the establishment of a creditors' committee

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Key actions since appointment

- Client accounts closed
- Statements issued to clients
- Company data and investigations
- Bank accounts
- Debtors
- Assessment of potential asset sales
- Employees
- Liaison with the FSA and FSCS

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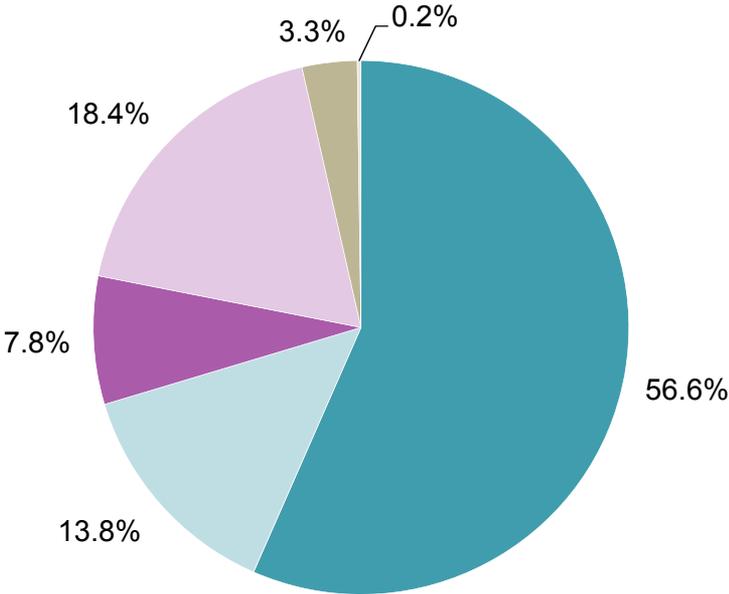
Voting

Key continuing workstreams

- **Claims agreement**
- Liaison with FSCS
- Return of funds from bank accounts
- Investigations

Progress of claim agreement

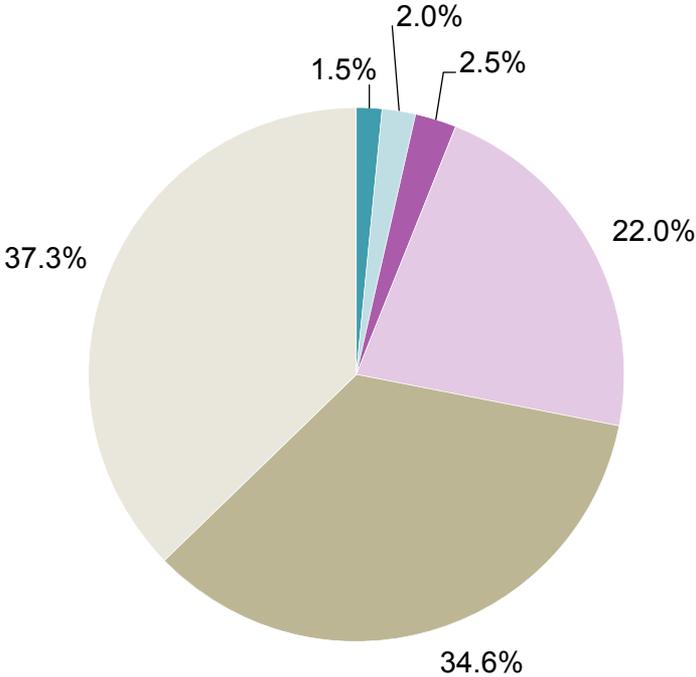
Client claims by value



■ Over £50k
 ■ Over £20k
 ■ Over £10k
■ Over £1k
 ■ Over £100
 ■ Under £100

Source: WorldSpreads Limited data and KPMG analysis

Client claims by volume



■ Over £50k
 ■ Over £20k
 ■ Over £10k
■ Over £1k
 ■ Over £100
 ■ Under £100

Source: WorldSpreads Limited data and KPMG analysis

Key continuing workstreams

- Claims agreement
- **Liaison with FSCS**
- Return of funds from bank accounts
- Investigations

Claiming from the FSCS?

- If you choose to accept FSCS compensation, all of your rights to claim in the administration are legally transferred to FSCS
- FSCS will claim in the administration for the whole of the clients loss (even over £50,000)
- When the FSCS receive dividends it will pay back the client any amounts that they would otherwise have received if the client had accepted dividends before claiming from the FSCS
- The FSCS rules require that a client is no worse off whether you claim from the FSCS first or whether from the administrator first.

Examples of FSCS payout

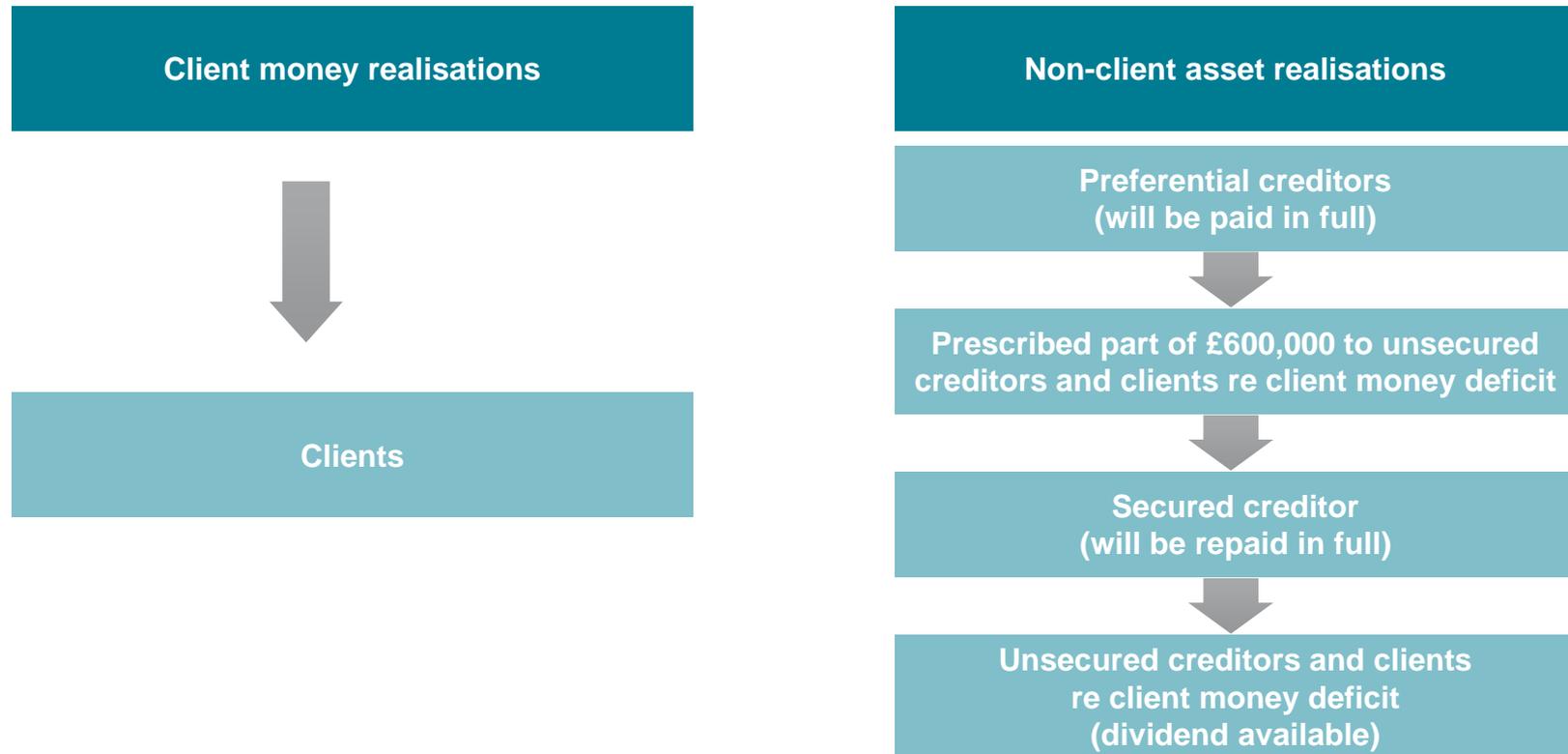
- Example 1:
 - Client account balance = £65,000
 - FSCS initial compensation = £50,000
 - Dividend of 30p/£ received from the Special Administrators by FSCS = £19,500
 - FSCS pays further compensation of £15,000 to claimant so he is fully compensated (total £65,000), and retains £4,500 recovery for itself
 - **TOTAL RETURN TO CLIENT = £65,000**

Examples of FSCS payout

- Example 2:
 - Client account balance = £100,000
 - FSCS initial compensation = £50,000
 - Dividend of 30p/£ received from the Special Administrators by FSCS = £30,000
 - FSCS pays further compensation of £30,000 to claimant (total £80,000), and retains nothing for itself
 - **TOTAL RETURN TO CLIENT = £80,000**

Where do I rank?

The assets realised fall into two categories: Client money and non-client assets. The funds realised, after costs, will be distributed to clients and creditors, as set out below



- Once client monies are exhausted, clients will rank equally with the unsecured creditors against the non-client asset realisations

Key continuing workstreams (cont'd)

- Claims agreement
- Liaison with FSCS
- **Return of funds from bank accounts**
- Investigations

Key continuing workstreams (cont'd)

- Claims agreement
- Liaison with FSCS
- Return of funds from bank accounts
- **Investigations**

Investigation Team

- Team of specialist investigators from our Forensic practice helped us understand the facts and events leading up to the special administration
- Recent in-depth experience of investigations in administration situations, including successful claims leading to value for creditors
- Efficient and effective electronic document review and phonetic searching on audio files
- Expertise in the interrogation of data for anomalous patterns
- The investigation will be tightly focused and efficiently undertaken

Investigation work to date and next steps

Work undertaken to date

- Hard copy and electronic records have been secured and are being prepared for review
- Approximately 24 Terabytes (“TB”) of data from
 - PCs; email server data, file server data; back-up tapes
 - Trading Systems, Finance System; and Phone recording data
- The phone recording system contains over 1 million phone call recordings
- Selected data has been loaded for review and analysis
- Initial fact-finding interviews have already been held to develop a tightly focused work plan

The forensic review process

Initial information gathering

- Data collection
- Focused data review
- Initial interviews

Prioritise key work streams

- Agree with CC
- Commence focused work streams
- Further interviews
- Data interrogation

Building the case

- Identification of potential claims
- Litigation assessments (if appropriate)

Commence litigation

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Summary proposals

- Proposals were provided on arrival
- Please indicate if you require a copy

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Creditors' committee

- Clients and creditors may establish a creditors' committee
- Between three and five persons may be elected
- The balance of the committee between clients and creditors is set to ensure that it reflects all interested parties
- Composition is
 - Up to three clients
 - Up to two unsecured creditors
- If more persons than indicated wish to serve in each category members will be determined by vote
- If fewer than three persons step forward there will be no committee
- All members will be required to sign a confidentiality agreement

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Clients

Gareth Zarpellon

Alexander Ong

Alistair Lennard

Nic de Boinville

Creditor

Nick Hadjinikos as a representative of Kallinos Communications

Jenna Lee as a representative of the FSCS

Q&A in relation to proposals and conduct

Please state your name and who you are representing

Voting

- Votes are calculated on the amount of a creditor's debt
- There are two classes
 - Clients with claims (to monies and/or assets)
 - Creditors
- Each class votes separately
- Each resolution is only approved if both classes approve it
- Wholly secured creditors may attend but not vote
- Partly secured creditors must deduct the value of their security and may vote for the unsecured balance
- A resolution is passed if a majority in value, of those present and voting (in person or by proxy) vote in favour
- A resolution is invalid if more than half of the creditors by value, who are not connected to the Company, vote against



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Thank you

Presentation by Jane Moriarty



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