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Alpari (UK) Limited - in Special Administration

Joint Special Administrators'
progress report for the period 19
January 2015 to 18 July 2015

14 August 2015

Notice to creditors

This progress report provides an update on the special administration of the Company.

We have included (Appendix 2) an account of all amounts received and payments made since the date of our appointment.

We have also explained our future strategy for the special administration and how likely it is that we will be able to pay each class of creditor.

You will find other important information in this progress report such as the costs which we have incurred to date.

A glossary of the abbreviations used throughout this document is attached (Appendix 5).

Finally, we have provided answers to frequently asked questions and a glossary of insolvency terms on the following website, <http://www.kpmg.com/uk/alpari>. We hope this is helpful to you.

Please also note that an important legal notice about this progress report is attached (Appendix 6).





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1 Executive summary

- Upon an application by the directors of the Company, Richard Heis, Samantha Bewick and Mark Firmin were appointed Joint Special Administrators of the Company by order of the High Court dated 19 January 2015; pursuant to the Investment Bank Special Administration Regulations 2011.
- This progress report covers the period from the date of our appointment to 18 July 2015.
- We circulated our statement of proposals ('proposals') to all known clients and creditors on 24 February 2015. A meeting of clients and creditors was held on 12 March 2015 at which our proposals were approved by the clients and creditors without modification.
- We have focused on all three statutory objectives set out in the Regulations. (Section 2 – Progress to date)
- We have realised client money totalling USD 99.2 million. (Section 2 – Progress to date)
- We had a number of unique challenges, not least because there are over 100,000 clients, 82% of which are not based in the UK.
- To allow clients to agree their balances we developed a Claims Portal which used the Company's MyAlpari login. The Claims Portal enables clients to agree their balances and claims online, assign their claim to FSCS and direct where dividends or compensation payments should be paid. This development has made the client experience as easy as possible. To date, 89.6% of clients by value have agreed their claims. (Section 3 – Dividend prospects)
- We have entered into an innovative agreement with FSCS which has enabled them to make payment by bank transfer and in non-sterling. To date FSCS have taken assignment of 9,693 client claims and have paid compensation amounting to USD 36.6 million in respect of 8,660 clients. (Section 2.4- Regulatory Matters)
- As required by the CASS rules, costs incurred in dealing with the client money pool ("CMP") are to be charged to the CMP. (Section 2.5- Costs)
- At present client liabilities total USD 97.3 million. (Section 3 – Dividend prospects)
- We have made a first interim distribution to clients of 55 cents in the CMP. We presently estimate the overall return for clients will be in the range of 71.6 to 87.7 cents in the CMP (see our client money pool illustrative financial outcome as at 8 April 2015, available at <http://www.kpmg.com/uk/alpari>). (Section 3 – Dividend prospects).
- House money totalling £7.8 million has been realised. Realisations have also been made from the sale of the intellectual property (£3.8 million), Alpari Japan K.K. (£1.7 million) and the initial receipt from the sale of the client data to ETX Capital Limited (£0.2 million). (Section 2.2- Asset Realisations).
- Preferential creditors will be paid in full. (Section 3 - Dividend prospects).
- There will be a dividend distribution to unsecured creditors. (Section 3 - Dividend prospects).
- Enclosed with the notice of this report is a letter detailing how to prove your claim.

- Please note: you should read this progress report in conjunction with our proposals which were issued to the Company's clients and creditors and can be found at <http://www.kpmg.com/uk/alpari>. This website is updated to provide key information about the special administration. Unless stated otherwise, all amounts in this progress report and appendices are stated net of VAT.



Samantha Bewick
Joint Special Administrator

2 Progress to date

This section updates you on our strategy for the special administration and on our progress to date. It follows the information provided in our proposals.

2.1 Objectives and strategy of the special administration

Objectives and strategy of the special administration

The Regulations set out the statutory objectives of the special administration, being:

1. to ensure the return of client assets (being monies for these purposes) as soon as is reasonably practicable;
2. to ensure timely engagement with market infrastructure bodies and the Authorities; and
3. either to rescue the Company as a going concern or to wind it up in the best interests of the creditors.

There is no priority to the order of the objectives and we continue to pursue all three objectives simultaneously. We prioritise the order of work on each objective as we think fit to achieve the best result overall for clients and creditors.

All funds held in segregated accounts, together with the Company's client money held in omnibus accounts designated as client monies at banks or exchange/clearing house, are automatically pooled on insolvency. Any client entitled to client money protection is entitled to a share in the pool on a pro-rata basis.

We established that there was no reasonable prospect of rescuing the Company as a going concern after the first two weeks following our appointment. Accordingly in relation to objective 3 we are pursuing the objective to wind up the Company in the best interests of the creditors.

2.2 Asset realisations

As explained in our proposals, on appointment the business was not in a position to continue to trade. Shortly thereafter it became evident that a sale of the business and assets as a going concern was not feasible. We have therefore pursued a strategy based on realising the assets to obtain the best outcome for the Company's clients and creditors.

Realisations during the period are set out in the attached receipts and payments account (Appendix 2).

Summaries of the most significant realisations during the period are provided below.

Client Money

We have realised USD 99.2 million of client money. All these funds are under our control and held in trust accounts.

On appointment the Company held eWallets totalling USD 1.5 million. Whilst investigations were performed to establish the designation of the eWallets we prudently classified them as client money until the investigations had been completed.

Prior to appointment, the Company had a policy of prudently segregating its own money (house money) to cover certain types of inbound payment from retail clients (including eWallets) in order to ensure sufficient funds were protected whilst 'in-flight' on their way in to the Company's segregated bank accounts. Upon special administration, we had to establish what had been segregated in the



days leading up to the insolvency in order to ascertain whether any of the actual in-flight money had to be added to the client money pool to cover any shortfall in funding. Our investigations have now concluded that the firm had indeed covered these transactions and as a result we are now able to move this money from the segregated pool into the general estate.

The difference between the balance on appointment and funds realised is due to exchange rate differences and interest received from the date of appointment until the date of receipt of funds in the special administration estate.

As required by law, the client money pool is held in a single currency. We considered USD to be the most appropriate currency and accordingly, other than a balance held in Sterling and Euros to cover costs, all non-USD client money has been converted into USD.

General estate realisations

Sale of client data to ETX Capital (ETX)

Following an extensive sale process, in which some 60 parties initially expressed interest in some or all of the assets and business of the Company, agreement was reached for the sale of the Company's client data to ETX on 17 March 2015.

An initial consideration of £231,811 was received and an additional amount will be received as deferred consideration later this year as a substantial number of clients have chosen to deposit funds and retain them with ETX. Initial indications regarding the number of clients who have deposited funds are very positive and we expect a significant additional payment once the necessary calculations and reconciliations have been performed.

Sale of Intellectual Property (IP) Assets

As previously reported, the Company held trademarks, domain names and licences as part of its IP. A sale of the domain names and trademarks took place on 2 February for USD 6 million (£3,842,951).

Subsidiaries

1) Alpari Japan K.K.

Following our appointment we sought a buyer for the entire issued share capital of this wholly owned subsidiary. A sale was completed on 5 August for £1.675 million plus the release of an intercompany debt of approximately £320,000 due to Alpari Japan.

2) Alpari Investment Consulting (Shenzhen) Limited

The wind down of this Chinese subsidiary of the Company is progressing, with tax clearance and de-registration expected to be completed in the next few months.

We understand Alpari Shenzhen has sufficient assets to meet its own wind down costs and that it is unlikely that there will be any realisations for the Company after these costs have been met. See section 5 for further details of the costs incurred.

Cash at bank

House balances were held with Banks and Prime Brokers on our appointment. We have now repatriated all house balances to the special administration estate, totalling £7.8 million.

All house balances are held in sterling, with any non-sterling balances received being converted shortly after receipt other than small balances held in USD and Euros to cover costs.



As explained above, our investigations regarding the designation of funds held in eWallets have concluded and USD 1.5 million that was prudently held in a trust account will be transferred to the house account.

Client debtors

There are two main categories of Company debtors as follows:

- 1) Historic debtors – Clients with negative cash balances as at 9.30am GMT, Thursday 15 January 2015 with no open or subsequent trades:
- 2) Current debtors – Clients with negative balances after trades had been closed out on their accounts during 15 and 16 January 2015.

We have now confirmed the balances due from each of these categories according to the Company's books and records, as set out below:

Category	Total due (GBP)	Number of countries of account holders
Historic debtors	£1,231,043	102
Current debtors	£21,382,115	76
Total	£22,613,158	N/A

We have appointed CCI Legal Services Limited ("CCI Legal"), a UK based agency with significant experience of collecting international consumer debts.

We performed material work to ensure that balances arising from the significant disruption caused by the SNB's unpegging of the Swiss franc/Euro rate had been properly treated. The results of our review and the valuation methodology were posted on our website on 15 April 2015 as described in section 2.3 below. We will take all appropriate steps, including the use of tracing agents and litigation in the UK or abroad, to maximise debtor recoveries.

IT equipment and office furniture

We appointed Edward Symmons, a firm of independent agents and valuers, to prepare an inventory and valuation of IT and office equipment owned by the Company. Following the completion of this inventory, Edward Symmons held an online auction to facilitate the sale of all the IT and office equipment prior to the Company vacating the leasehold premises, with the exception of those items still being used by the remaining staff. To date, recoveries from IT and office equipment total c.£113,000, which is in excess of the valuation provided by Edward Symmons.

As previously advised, the Company's principal trading platforms were operated under licence from third party suppliers and maintained by associated companies within the Group. Accordingly, there is no realisable value for the Company in relation to these platforms.

Services to FSCS

An agreement was entered into with the FSCS on 14 May 2015 to assist them in making compensation payments to eligible clients. This agreement includes a fixed fee paid by the FSCS to the Company for development of the Claims Portal, together with an ongoing charge to the FSCS for each personal KYC and bank detail KYC check performed. Given the geographical spread of Alpari clients and the number of relatively small balances, cheques drawn on UK bank accounts would not be helpful to them. Therefore we and FSCS worked together to enable electronic payments to be made in other major currencies.

2.3 Progress to date

Investigations

We have complied with the relevant statutory requirements to provide information on the conduct of the Company's directors and any shadow directors to the Department for Business, Innovation and Skills. The contents of our submission are confidential.

Communications

We continue to update our website with information and circulars to clients and creditors. These can be found at: <http://www.kpmg.com/uk/alpari>.

The dedicated email address for any enquiries is alpariukclaims@kpmg.co.uk.

The call centre can be contacted on 0333 202 1397.

Close out of open positions

Following the SNB announcement on 15 January 2015, a number of clients had their open trading positions closed out due to lack of margin. On 16 January, the Company closed out all remaining open positions. These close outs preceded our appointment on 19 January 2015. We have completed a detailed analysis of the close out of client positions performed by the Company on 15 and 16 January 2015.

The conclusions drawn were presented in a paper published on the Company special administration website by the special administrators on 15 April 2015 ("Valuation of Swiss currency pair trades"). We concluded that the pricing methodology applied to client positions was accurate, and that many clients had been protected from the worst of the price volatility by the Company's filters. In a very small number of cases a correction was made for reasons outlined in the paper, which can be found at <http://www.kpmg.com/uk/alpari>.

Employees

At the date of the proposals, there were 40 employees who continued to be employed. Since then 14 have resigned and 19 made redundant. The remaining seven employees who have been retained are eligible for a bonus if certain conditions are met.

The remaining employees are continuing to support us in a number of areas including assisting in answering client disputes, performing KYC checks and IT support.

Leasehold Property

At the time of our appointment the Company traded from leasehold premises at 201 Bishopsgate, London. Due to the significant ongoing costs that would have been incurred by the Company remaining in the premises, we formally vacated the premises and returned them to the landlord prior to the end of the first rent quarter of 2015.

The remaining Company staff were relocated to serviced office accommodation provided by Regus at an adjacent building in Broadgate Tower.

At the date of our appointment, the Landlord held rent deposits totalling some £1.4 million. Following vacation of the property, the landlord has sought to use the rent deposit to cover the quarterly rent which is continuing to accrue at the premises. Since vacating the premises, we have continued discussions with the landlord to seek to quantify their unsecured claim in the special administration.



We formally disclaimed the leases on 8 July 2015 to reduce the Company's ongoing liability.

We hope to be in a position to finalise the landlord's claim shortly.

There is no realisable value in the leases.

IT infrastructure and information

The Company was heavily dependent on its IT infrastructure. Working with the Company, we have ensured continuity of provision of such IT services and related data required to fulfil our objectives and to develop a Claims Portal.

We identified key data sources that we need to preserve and the mechanisms by which we can communicate with clients and suppliers. We have ensured ongoing access to the data from the Company's dynamic trading systems as well as to the Company's client data and relevant records of past communications.

We have continued to decommission or downsize non-essential systems in order to reduce ongoing maintenance costs and, where possible, to realise some income from the sale of equipment and licences. At present the Company continues to utilise servers and equipment in just one external data centre. The equipment in the other data centre is being prepared for decommissioning and will be sold in due course. However, we do not expect there to be any further material recoveries from these assets.

Tax

During the period, we responded to HMRC's enquiries into the tax return submitted by the Company for the accounting period ended 31 December 2012. Having considered our responses and the Company's insolvent position, HMRC have concluded their enquiry with no adjustments required to the tax return.

To date HMRC have not raised any enquiries on the tax return submitted by the Company for the accounting period ended 31 December 2013.

The Company's tax return for the year ended 31 December 2014 was also prepared and submitted to HMRC in the period. We expect to submit the tax returns for the final pre appointment accounting period and the first post appointment accounting period in the next reporting period.

2.4 Regulatory Matters

The Financial Conduct Authority and the Bank of England

The FCA did not object to our appointment as Special Administrators and consent was obtained from the Bank of England.

We continue to liaise closely with the FCA in relation to a number of matters and keep them informed of our progress. In addition we have provided the FCA with all information it has requested in relation to the Company and its clients, a process we expect to continue for the duration of the special administration.

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.



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 financial services firms regulated in the United Kingdom. Compensation depends on a number of factors and is limited to a maximum of £50,000 per person.

Since our appointment we have liaised closely with the FSCS and regularly provided them with claim agreement details. As previously advised, the FSCS determined that all of the products offered by the Company are eligible for compensation. Separately, in order to be paid compensation a claimant must also meet the FSCS's eligibility criteria.

We had extensive discussions with the FSCS regarding the claims agreement process and to streamline the process have incorporated an FSCS assignment page in the Claims Portal that allows eligible claimants to assign their claim to the FSCS within the Claims Portal. This means that the majority of clients do not need to complete a written application form in order to receive a compensation payment from the FSCS.

There are a number of clients who cannot assign their claim to the FSCS within the Claims Portal because the FSCS requires further information from the client in order to determine eligibility. All these clients will have been informed, via the Claims Portal, that further information is required in order to assign their claim to the FSCS. These clients' details have been passed to the FSCS to enable the FSCS to send an application form to obtain the necessary information. Clients who fall into this category and have agreed their claim in the Claims Portal but not yet received an application form should contact the FSCS directly by emailing enquiries@fscs.org.uk.

The FSCS determined that they would make compensation payments in USD and where possible would pay compensation by electronic payment. To date the FSCS have paid compensation to 8,660 clients totalling USD 36.6 million.

2.5 Costs

Payments made in this period are set out in the attached receipts and payments accounts (Appendix 2).

Summaries of the most significant payments made during the period are provided below.

Cost allocation

CASS rule 7.17.2 states that:

"in respect of a trustee firm, a firm receives and holds client money as trustee on the following terms:

...(4) for the payment of the costs properly attributable to the distribution of the client money....if such distribution takes place following the failure of the firm"

In addition, Rule 135 of the Rules addresses the order of priority of expenses to be paid out of client assets. We are therefore required by both CASS rules and the Rules to pay from the client estate the costs that have been incurred to enable distributions to be made from the CMP.

To establish the costs to be allocated to the client estate, we are required to consult with the creditors' committee regarding the split of costs between the client and house estate. Extensive discussions have taken place with the creditors' committee and a number of options were presented to them. The committee contains three representatives primarily interested in client money and two representatives primarily interested in the general estate.



Agreement has now been reached with the creditors' committee that costs should be allocated based on average assets and liabilities (average of high and low illustrative financial outcome) including the asset provision in the house estate and excluding the client money pool deficit in the client estate. To calculate average assets, assets realised to date and expected future asset realisations (including asset provision) are taken into account. On current estimations this gives a cost allocation split of approximately 72% client estate and 28% house estate.

Solicitors

As previously advised, we have instructed Ashurst as our legal advisors in the special administration owing to their experience in the industry as well as dealing with formal insolvencies. We have a formal engagement letter with Ashurst which details the responsibilities of each party and the basis of their remuneration. To date, we have settled legal fees totalling c.£1,386,000, of which c.£147,175 related to costs incurred in the pre-appointment period. We continue to review their work and fees on a monthly basis.

Ashurst continue to assist on all key matters set out in this report, including, *inter alia*:

- Negotiations on, and documentation of, asset sales and realisations (as described in section 2.2 above);
- advice on the close out of open positions and clients with negative balances;
- advice in relation to the vacation of the leasehold property and subsequent disclaimer of the leases;
- general advice on various regulatory and post-appointment matters relating to both the client money and house estates.

Agents' fees

To date we have paid agents' fees totalling c.£34,600. These fees represent the costs incurred to date by Edward Symmons in facilitating the sale of the IT equipment and office furniture, clearing the leasehold premises prior to their return to the landlord and wiping all computer equipment prior to its sale.

In addition, we have paid commission to CCI Legal in respect of the client debtor recoveries made to date.

Wages, Salaries, PAYE and NIC

We have paid gross wages totalling £1.8 million to those employees who were retained by the Company to assist during the special administration. In addition we have paid employers' NIC and pension contributions of some £322,000.

Call Centre

A call centre was set up immediately on appointment to assist clients and creditors with any queries arising. The number of agents at the call centre has been kept under constant review and amended in accordance with call volumes. In the period we have paid c.£104,000 to Confero Limited for this service.

Rent and rent deposit

As mentioned above, the Company is occupying Regus serviced offices. This has cost £131,000 from mid-March to 31 July 2015, compared to a cost of c.£310,000 per quarter for remaining in the Company's offices. Ongoing costs are reducing as our requirement for space falls.

We vacated one of the Regus offices on 30 June 2015 and have committed to occupy the remaining office until 30 September 2015. We will consider our requirements to extend or renew the service agreement prior to that date.

At the outset of the service agreements, we paid rent deposits totalling c.£54,000 which we expect to be returned in full upon vacating the remaining office space.

IT Suppliers

As previously advised, the Company is heavily dependent on its IT infrastructure and we have sought to ensure continuity of the provision of such IT services and related data to fulfil our ongoing objectives in the special administration. Since our proposals we have decommissioned or downsized a number of non-essential systems and identified more cost-effective long-term solutions to maintain the IT services and related data.

We continue to utilise the services of the Company's principal IT suppliers and will continue to require the continuity of these services for the foreseeable future. In addition, we have recently sought to replace the Company's IT support staff with third party support providers to ensure the ongoing integrity of the Claims Portal and underlying client data. Details of the costs incurred to date in this regard are set out in the receipts and payments accounts (Appendix 2).

Irrecoverable VAT

Owing to the nature of its business, the Company cannot fully recover VAT incurred. We have applied a partial exemption recovery rate of 59.9%, being the rate applied to the last VAT return submitted to HMRC prior to our appointment.

Additionally, some invoices in the period are subject to reverse charge in the UK as a result of services provided by overseas entities. This is a cost for the Company as it can only partially recover VAT incurred.

2.6 Schedule of expenses

We have detailed the costs incurred during the period, whether paid or unpaid, in the schedule of expenses attached (Appendix 3).

3 Dividend prospects

3.1 Clients

We have developed and deployed a Claims Portal which enables clients to agree the value of their claims online. Additionally, the Claims Portal allows clients to assign their claim to FSCS if they wish to seek compensation from the FSCS, and to choose whether to have distributions or compensation payments made to ETX. It has also been used to capture details of any changes to client postal addresses, email addresses and/or bank details.

To date, 94,342 clients have access to the Claims Portal representing 99.8% by value of clients.

Any clients who do not have access to the Claims Portal should email alpariukclaims@kpmg.co.uk stating their name and account numbers.

To date, 10,859 clients have agreed their claim representing 89.6% by value of clients with a claim into the client money pool. There are 111 clients who have disputed their claim with a value of USD 2.2 million.



CASS requires costs to be allocated between the CMP and general estate: see Section 2.5.

We currently estimate claims into the CMP to total USD 97.3 million. However, as 10.4% by value have not yet agreed their claim in the Claims Portal, this figure may fluctuate.

On 30 April 2015 a first client money distribution was declared, with a date for proving set at 31 May 2015. Following the final date for proving, a first client money distribution of 55 cents per USD was paid to clients on 24 June 2015. We are continuing to pay catch up dividends to clients who agreed their claims after 31 May 2015 or to those clients for whom we held insufficient details in order to make the payment, for example incomplete bank details.

As detailed in our client money pool illustrative financial outcome as at 8 April 2015 (available at <http://www.kpmg.com/uk/alpari>) client money realisations are USD 99.2 million (Section 2.2) against estimated total client claims of USD 97.3 million; and at present, we estimate that the overall return to clients will be in the range of 71.6 cents to 87.7 cents in USD.

With regard to the segregation of client money, the Joint Special Administrators have no reason to believe that internal processes were not followed and no reason to believe that segregation did not occur in line with CASS. As further noted in section 2.5, above, CASS rules and the Rules require that the costs properly attributable to the distribution of client money are borne by the client estate and therefore clients will not receive a full return. We envisage that a second client money distribution will be declared and paid by the end of the year. Clients will receive written notification of this and an update will be provided on our website (www.kpmg.com.uk/alpari).

Clients should note that if they have received compensation from the FSCS, all rights to their claim in the special administration have been assigned to the FSCS. The FSCS will claim in the special administration for the whole of the client's loss (even if that is over £50,000). In accordance with FSCS rules, the FSCS will pass on to the client any money it recovers until the client's total claim is satisfied. Thereafter, the FSCS will recover additional amounts to offset the cost of the compensation it has paid the client.

Where a deficit in total client monies against total client money claims results in clients not being paid the full amount of their client money claim, the extent of any shortfall to a client will rank as an unsecured claim against the house estate. Clients may therefore also receive a dividend from the house estate in addition to their client money distribution. Information on the outcome for unsecured creditors is set out below.

3.2 Secured creditors

The only security granted by the Company was a rent deposit deed to the landlord as referred to in Section 2.

3.3 Preferential creditors

We estimate the amount of preferential claims to be between £100,000 to 300,000.

Preferential creditors will receive a dividend of 100p in the £. These claims are currently being agreed with a view to paying them in full as soon as practicable.

3.4 Unsecured creditors

A notice of proposed distribution to unsecured creditors is included alongside notice of this progress report. This means that an interim dividend will be paid to unsecured creditors before the end of the year, providing that they submit their claim before 30 October and the JSAs agree the claim value. At



the time of writing, the interim dividend amount as well as the overall final dividend is uncertain due to a number of key variables which are outlined below.

The key variables which will impact on the dividend range are asset realisations and the overall value of creditor claims. As detailed in section 2, the main outstanding asset realisations are the further amounts of deferred consideration payable by ETX, and collections from debtors. The timing and value of these realisations will materially affect the level of the interim dividend. There are also a number of potentially high value unsecured claims outstanding that still need to be finalised and agreed; which could materially affect the value of total unsecured claims against the house estate. Further, as previously mentioned, clients will also have an unsecured claim for any shortfall in the amount of client money returned to them, which cannot be determined until the client money pool is closed.

Creditors that do not prove their debts by 30 October 2015 will still be able to participate in the interim distribution but we estimate that payment will not be made to those late-proving creditors until 2016. The exact timing is dependent on the volume of these 'catch-up' payments.

As detailed in the notice of proposed dividend, which provides instructions for each category of unsecured creditor, those unsecured creditors who have not yet submitted their claims to the Joint Special Administrators are requested to do so as soon as possible and before 30 October 2015. Proof of debt forms are available on our website (<http://www.kpmg.com/uk/alpari>) for download. Completed forms together with supporting documentation should be sent to us at alpariukclaims@kpmg.co.uk. If you cannot access the proof of debt form for any reason please email the same inbox and request a copy to be sent to you.

4 Other matters

4.1 Creditors' Committee

A Creditors' Committee was elected at the meeting of clients and creditors held on 12 March 2015 comprising three client and two creditor representatives. The elected members are FSCS, Go Markets PTY Ltd, Royal Forex Trading S.A.L, Astrocyte Capital Limited and Mr David Miron.

Committee meetings

The first creditors' committee meeting took place on 2 April 2015. Since then there have been further creditors' committee meetings conducted by phone and in person on 15, 16 and 29 April 2015.

All committee members have signed a non-disclosure agreement. This allows us to discuss aspects of our work in more detail with the committee members. Other areas discussed with the committee are fixing the basis of remuneration, illustrative financial outcome statements and the mechanism for cost allocation as discussed in section 2. We continue to consult with the committee as the special administration progresses.

It is envisaged that a further creditors' committee meeting will be held within two months of this report.

5 Joint special administrators' remuneration, disbursements and pre-administration costs

5.1 Joint Special Administrators' remuneration and disbursements

During the period, the committee have provided approval that:

- our remuneration will be drawn on the basis of time properly given by us and the various grades of our staff according to the charge-out rates included in Appendix 4.

This resolution was passed with a view to the Special Administrators' fee structure being considered further.

- disbursements for services provided by KPMG (defined as Category 2 disbursements in Statement of Insolvency Practice 9) will be charged in accordance with KPMG's policy as set out in Appendix 4.

Following initial approval to draw a fee on account of £2 million, the committee have since approved the basis of our fees and we have agreed a fee structure with the committee, summarised below:

House estate

In the House estate it has been resolved that fees can be drawn on the following basis:

- 40% of time costs relating to the House estate can be billed on a quarterly basis
- the balance is dependent on the quantum and timing of unsecured dividends and the value of assets realised in the house estate.

Client estate

In the Client estate it has been resolved that fees can be drawn on the following basis:

- 50% of time costs relating to the Client estate can be billed on a quarterly basis
- the balance of fees is dependent on the quantum and timing of distributions to clients.

We have provided a budget for each estate to the committee.

Time costs

From the date of our appointment to 18 July 2015, we have incurred time costs of £7.2 million. These represent 16,236 hours at an average rate of £448.13 per hour.

Remuneration

During the period, we have drawn remuneration of £2.0 million.

Disbursements

During the period, we have incurred disbursements of £38,754.94. We have drawn disbursements of £28,766 in the period.

Additional information

We have attached (Appendix 4) an analysis of the time spent, the charge-out rates for each grade of staff and the expenses paid directly by KPMG for the period from our appointment to 18 July 2015. We have also attached our charging and disbursements policy.

KPMG China

For completeness we advise that KPMG China has received c.£10,500 by way of remuneration from the wind down of Alpari Shanghai. This has been met from the Alpari Shenzhen estate.

Details of the charge-out rates for KPMG China are also provided in Appendix 4.

5.2 Pre- administration costs

We disclosed the following pre-administration costs, which were unpaid at the date of our appointment, in our proposals:

Pre-administration costs				
	Disclosed unpaid costs (£)	Approved (£)	Paid in the period (£)	Outstanding (£)
KPMG fees	56,521.00	56,521.00	56,521.00	NIL
KPMG disbursements	76.00	76.00	76.00	NIL
Ashurst – legal fees and disbursements	147,174.95	147,174.95	147,174.95	NIL
Total	203,771.95	203,771.95	203,771.95	NIL

On 2 April, we obtained approval from the creditors' committee to pay all of these pre-administration costs as an expense of the special administration.

6 Future strategy

6.1 Future conduct of the special administration

We will continue to manage the affairs, the business and the property of the Company in order to achieve the objectives of the special administration. This will include but not be limited to:

- Realisation of further assets including deferred consideration in respect of the agreement reached with ETX and client debtor balances.
- Co-operating with the FCA 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;
- Distributions of client money and general estate funds.

6.2 Future reporting

We will provide a further progress report within one month of 19 January 2016.

Appendix 1 Statutory information

Company information

Company name	Alpari (UK) Limited
Date of incorporation	11 November 2004
Company registration number	05284142
Present registered office	15 Canada Square, Canary Wharf, London, E14 5GL
FCA registration number	448002

Special Administration information

Special administration court reference	In the High Court of Justice, Chancery Division, Companies Court, No. 526 of 2015
Appointor	The High Court of Justice, Chancery Division, Companies Court (on application by Directors of the Company)
Date of appointment	19 January 2015
Joint Special Administrators' details	Samantha Bewick, Richard Heis and Mark Firmin
Prescribed Part distribution	The prescribed part is not applicable in this case as there is no qualifying floating charge holder.
Functions	The functions of the Joint Administrators are being exercised by them individually or together in accordance with Paragraph 100(2) of Schedule B1 to the Act.
Application of EC Regulations	The EC Regulation on insolvency proceedings (ECIR) does not apply to the special administration as the Company is an investment undertaking providing services involving the holding of funds or securities for third parties and is therefore excluded by Article 1.2 of the ECIR.

Call centre costs	NIL	(116,516.07)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	(116,516.07)
Statutory advertising	NIL	(1,672.60)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	(1,672.60)
Rent	NIL	(147,201.48)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	(147,201.48)
Other property expenses	NIL	(35,746.90)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	(35,746.90)
Insurance of assets	NIL	(3,583.95)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	(3,583.95)
Wages & salaries	NIL	(1,526,550.98)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	(1,526,550.98)
PAYE & NIC	NIL	(933,893.40)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	(933,893.40)
Bank charges	(8,627.26)	(168.56)	(41.18)	(65.13)	(84.40)	(24.28)	NIL	NIL	NIL	(9,010.81)
Rent deposit	NIL	(60,335.77)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	(60,335.77)
										<u>(6,725,324.62)</u>

CLIENT CREDITORS

Client creditors	(29,419,103.32)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	(29,419,103.32)
										<u>(29,419,103.32)</u>

96,407,400.45

2,581,656.68

64,671,309.49

REPRESENTED BY

Client Distribution Account USD	17,572,319.42	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	17,572,319.42
Post Admin Client Account	1,513.75	312.26	6,948.71	NIL	NIL	NIL	NIL	NIL	NIL	8,774.72
Floating charge current	36,405,892.70	14,842,819.53	11,123.38	NIL	NIL	NIL	NIL	NIL	NIL	51,259,835.61
Floating ch. VAT control	(2,884.33)	490,672.22	(2,029.44)	NIL	NIL	NIL	NIL	NIL	NIL	485,758.45
Due to House Estate	(44,955.68)	(4,575,935.11)	(34,487.92)	NIL	NIL	NIL	NIL	NIL	NIL	(4,655,378.71)
										<u>64,671,309.49</u>

Notes: As detailed in Section 2.2 - Asset realisations, following our investigations eWallets are house money and therefore will be transferred to the general estate.



Joint Special Administrators' abstract of receipts & payments – house estate

Statement of Affairs (£)	GBP (£)	USD (£ equiv)	EUR (£ equiv)	CHF (£ equiv)	AUD (£ equiv)	SGD (£ equiv)	JPY (£ equiv)	ZAR (£ equiv)	Total (£) From 19/01/15 to 18/07/15	
FIXED CHARGE ASSETS										
1,449,161.79	Rent deposit	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
FIXED CHARGE CREDITORS										
(1,449,161.79)	Fixed charge creditor (Landlord)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
ASSET REALISATIONS										
60,351.35	Other debtors	6,766.80	NIL	NIL	NIL	NIL	NIL	NIL	NIL	6,766.80
Uncertain	Furniture & equipment	112,635.86	NIL	NIL	NIL	NIL	NIL	NIL	NIL	112,635.86
	Contribution to Administrators' Costs	2,228.77	NIL	NIL	NIL	NIL	NIL	NIL	NIL	2,228.77
	Services to FSCS (agreed consideration)	15,654.55	NIL	NIL	NIL	NIL	NIL	NIL	NIL	15,654.55
7,218,155.93	Bad debt provision (clients)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
4,420,686.54	Intercompany loans & receivables	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
39,346.75	Book debts	5,935.66	NIL	NIL	NIL	NIL	NIL	NIL	NIL	5,935.66
265,851.26	Global Collect Reserves	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
	Property rights/Patents	NIL	3,842,951.39	NIL	NIL	NIL	NIL	NIL	NIL	3,842,951.39
42,493.45	VAT refunds (pre-appointment)	18,935.83	NIL	NIL	NIL	NIL	NIL	NIL	NIL	18,935.83
10,933,584.85	Cash at bank	1,202,399.02	5,085,276.02	520,356.18	260,340.94	262,631.89	44.66	513,325.36	41.86	7,844,415.93
	Insurance refund	12,340.99	NIL	NIL	NIL	NIL	NIL	NIL	NIL	12,340.99
	Sale of Client Details	231,811.15	NIL	NIL	NIL	NIL	NIL	NIL	NIL	231,811.15
12,093,676.93										
OTHER REALISATIONS										
	Bank interest, gross	8,356.74	NIL	NIL	NIL	NIL	NIL	NIL	NIL	8,356.74
	Brokerage Receipts	NIL	229,382.30	NIL	NIL	NIL	NIL	NIL	NIL	229,382.30
	Sundry refunds	85.71	NIL	NIL	NIL	NIL	NIL	NIL	NIL	85.71
237,824.75										
COST OF REALISATIONS										



Currency transfers – In	10,757,489.91	NIL	37,434.11	NIL	NIL	NIL	NIL	NIL	10,794,924.02	
Currency Transfers – Out	(40,000.00)	(8,989,688.53)	(506,327.45)	(260,278.92)	(262,584.60)	(44.66)	(513,325.36)	(41.86)	(10,572,291.38)	
Hiring of meeting venue	(3,905.18)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	(3,905.18)	
IT suppliers	(31,923.20)	(11,041.74)	(8,678.52)	NIL	NIL	NIL	NIL	NIL	(51,643.46)	
Administrators' fees	(564,128.08)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	(564,128.08)	
Administrators' disbursements	(8,113.94)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	(8,113.94)	
Administrators' fees (pre-administration)	(15,963.98)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	(15,963.98)	
Committee expenses	NIL	(270.81)	NIL	NIL	NIL	NIL	NIL	NIL	(270.81)	
Irrecoverable VAT	(85,810.61)	(725.81)	(510.68)	NIL	NIL	NIL	NIL	NIL	(87,047.10)	
Professional services	(1,037.70)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	(1,037.70)	
Agents'/Valuers' fees	(34,585.31)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	(34,585.31)	
Legal Fees	(349,396.53)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	(349,396.53)	
Legal Fees (pre-admin)	(41,512.76)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	(41,512.76)	
Sundry expenses	(5.55)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	(5.55)	
Utilities	(3,234.55)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	(3,234.55)	
Stationery & postage	(98.72)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	(98.72)	
Call Centre Costs	(29,320.20)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	(29,320.20)	
Statutory advertising	(420.90)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	(420.90)	
Rent	(37,041.90)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	(37,041.90)	
Other property expenses	(8,995.38)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	(8,995.38)	
Insurance of assets	(901.87)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	(901.87)	
Wages & salaries	(384,142.59)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	(384,142.59)	
PAYE & NIC	(235,005.73)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	(235,005.73)	
Bank charges	(1,253.00)	(753.61)	(432.13)	(62.02)	(47.29)	NIL	NIL	NIL	(2,548.05)	
Rent Deposit	(15,182.94)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	(15,182.94)	
									<u>(1,651,870.59)</u>	
PREFERENTIAL CREDITORS										
(69,135.00)	Preferential creditors (holiday pay)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	<u>NIL</u>
										NIL
FLOATING CHARGE CREDITORS										
(10,017,707.39)	Trade & expense (incl. brokers)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL



(3,581,023.45)	Employees & pension contributions	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(7,934,269.21)	Shortfall to Fxd Ch. Cred. (Landlord)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(12,198,392.35)	Professional clients	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(632,439.73)	Intercompany balances	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(89,079.21)	HMRC - general betting duty	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
											NIL
	DISTRIBUTIONS										
(4,484,532.00)	Ordinary shareholders	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
											NIL
(16,026,108.21)											10,679,631.09
	REPRESENTED BY										
	Floating ch. VAT rec'able	24,368.18	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	24,368.18
	Floating charge current	7,473,287.37	127,061.27	20,262.80	NIL	NIL	NIL	NIL	NIL	NIL	7,620,611.44
	Floating ch. VAT payable	1,333.60	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	1,333.60
	Floating ch. VAT control	52,784.78	(725.81)	(510.68)	NIL	NIL	NIL	NIL	NIL	NIL	51,548.29
	Due from CMP	2,930,886.44	28,793.75	22,089.39	NIL	NIL	NIL	NIL	NIL	NIL	2,981,769.58
											10,679,631.09



Appendix 3 Schedule of expenses

Schedule of expenses (19/01/2015 to 18/07/2015)			
Expenses (£)	Incurred and paid in the period (£)	Incurred in the period not yet paid (£)	Total (£)
Cost of realisations			
IT Suppliers	183,092	38,043	221,135
Administrators' fees	2,000,000	5,275,691	7,275,691
Administrators' disbursements	28,766	9,989	38,755
Legal Fees	1,238,713	34,119	1,272,832
Utilities	11,467	718	12,185
Call centre costs	103,949	11,158	115,107
Other property expenses	31,891	2,904	34,795
Wages & salaries	1,361,898	33,882	1,395,780
TOTAL	4,959,776	5,406,504	10,366,280

Requests for further information and right to challenge our remuneration and expenses

Creditors' requests for further information

If you would like to request more information about our remuneration and expenses (other than pre-appointment costs) disclosed in this progress report, you must do so in writing within 21 days of receiving this progress report.

Requests from unsecured creditors about remuneration or expenses (other than pre-appointment costs) must be made with the concurrence of at least 5% in value of unsecured creditors (including the unsecured creditor making the request), requests from clients must be made with the concurrence of at least 5% in value of the client assets (including the client in question) or with the permission of the Court.

Creditors' right to challenge our remuneration and expenses

If you wish to challenge the basis of our remuneration, the remuneration charged, or the expenses incurred during the period covered by this progress report, you must do so by making an application to Court within eight weeks of receiving this progress report.

Applications by unsecured creditors must be made with the concurrence of at least 10% in value of unsecured creditors (including the unsecured creditor making the challenge) or with the permission of the Court.

Applications by clients must be made with the concurrence of at least 10% of the total claims in respect of client assets held or with the permission of the Court.



The full text of the relevant rules can be provided on request by calling the call centre on 0333 202 1397 or writing to the Joint Special Administrators, c/o KPMG LLP at 15 Canada Square, Canary Wharf, London, E14 5GL.



Appendix 4 Joint Special Administrators' charging and disbursements policy

Joint Special Administrators' charging policy

The time charged to the special administration is by reference to the time properly given by us and our staff in attending to matters arising in the special administration. This includes work undertaken in respect of tax, VAT, employee, pensions and health and safety advice from KPMG in-house specialists.

Our policy is to delegate tasks in the special administration to appropriate members of staff considering their level of experience and requisite specialist knowledge, supervised accordingly, so as to maximise the cost effectiveness of the work performed. Matters of particular complexity or significance requiring more exceptional responsibility are dealt with by senior staff or us.

A copy of "A Creditors' Guide to Joint Administrators' Fees" from Statement of Insolvency Practice 9 ('SIP 9') produced by the Association of Business Recovery Professionals is available at:

http://www.r3.org.uk/media/documents/publications/professional/Guide_to_Administrators_Fees_Nov_2011.pdf

If you are unable to access this guide and would like a copy, please contact the call centre on 0333 202 1397.

Hourly rates

Set out below are the relevant hourly charge-out rates for the grades of our staff actually or likely to be involved on this special administration. Time is charged by reference to actual work carried out on the special administration; using a minimum time unit of six minutes.

All staff who have worked on the special administration, including cashiers and secretarial staff, have charged time directly to the special administration and are included in the analysis of time spent. The cost of staff employed in central administration functions is not charged directly to the special administration but is reflected in the general level of charge-out rates.

Charge-out rates (£) for: Restructuring	
Grade	From 01 Oct 2014 £/hr
Partner	795
Director	705
Senior Manager	615
Manager	490
Senior Administrator	355
Administrator	270
Support	135

The charge-out rates used by us might periodically rise (for example to cover annual inflationary cost increases) over the period of the special administration. In our next statutory report, we will inform creditors of any material amendments to these rates.

Policy for the recovery of disbursements

Where funds permit the officeholders will seek 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 to both 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 to 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.

Category 2 disbursements charged by KPMG Restructuring include mileage. This is calculated as follows:

Mileage claims fall into three categories:

Use of privately-owned vehicle or car cash alternative – 45p 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 KPMG passengers an additional 5p per mile per passenger will also be charged where appropriate.

We have incurred the following disbursements from the date of our appointment to 18 July 2015.

Disbursements

SIP 9 - Disbursements					
Disbursements	Category 1		Category 2		Totals (£)
	Paid (£)	Unpaid (£)	Paid (£)	Unpaid (£)	
Accommodation	9,657.47		NIL		9,657.47
Meals	6,059.24		NIL		6,059.24
Mileage	NIL		317.91		317.91
Professional and legal fees	3,234.00		NIL		3,234.00
Rates	11.00		NIL		11.00
Stationery	8.33		NIL		8.33
Sundry	853.75		NIL		853.75
Telecommunications	2,149.36		NIL		2,149.36
Travel	16,463.88		NIL		16,463.88
Total	38,437.03		317.91		38,754.94

We have the authority to pay Category 1 disbursements without the need for any prior approval from the creditors of the Company.



Category 2 disbursements have been approved in the same manner as our remuneration.

Narrative of work carried out for the period 19 January 2015 to 18 July 2015

The key areas of work have been:

Statutory and compliance	collating initial information to enable us to carry out our statutory duties, including client and creditor information, details of assets and information relating to the licences; providing initial statutory notifications of our appointment to the Registrar of Companies, clients, creditors and other stakeholders, and advertising our appointment; issuing regular press releases and posting information on a dedicated web page; preparing statutory receipts and payments accounts; arranging bonding and complying with statutory requirements; ensuring compliance with all statutory obligations within the relevant timescales.
Strategy documents, Checklist and reviews	formulating, monitoring and reviewing the special administration strategy and meetings with internal and external parties to agree the same; briefing of our staff on the special administration strategy and matters in relation to various work-streams; regular case management and reviewing of progress, including regular team update meetings and calls; meeting with management to review and update strategy and monitor progress; reviewing and authorising junior staff correspondence and other work; dealing with queries arising during the appointment; reviewing matters affecting the outcome of the special administration; allocating and managing staff/case resourcing and budgeting exercises and reviews; liaising with legal advisors regarding the various instructions, including agreeing content of engagement letters; complying with internal filing and information recording practices, including documenting strategy decisions.
Cashiering	setting up special administration bank accounts, to include client trust accounts, and dealing with the Company's pre-appointment accounts; preparing and processing vouchers for the payment of post-appointment invoices; creating remittances and sending payments to settle post-appointment invoices; preparing payroll payments for retained staff, dealing with salary related queries and confirming payments with the employee's banks; reviewing and processing employee expense requests; reconciling post-appointment bank accounts to internal systems; ensuring compliance with appropriate risk management procedures in respect of receipts and payments.
Tax	gathering initial information from the Company's records in relation to the taxation position of the Company; submitting relevant initial notifications to HM Revenue and Customs; reviewing the Company's pre-appointment corporation tax and VAT position; analysing and considering the tax effects of various sale options, tax planning for efficient use of tax assets and to maximise realisations; working initially on tax returns relating to the periods affected by the special administration; analysing VAT related transactions; reviewing the Company's duty position to ensure compliance with duty requirements; dealing with post appointment tax compliance.
Shareholders	providing notification of our appointment; responding to enquiries from shareholders regarding the special administration; providing copies of statutory reports to the shareholders.
General	reviewing time costs data and producing analysis of time incurred which is compliant with Statement of Insolvency Practice 9; drawing remuneration in accordance with the basis which has been approved by the creditors' committee; locating relevant Company books and records, arranging for their collection and dealing with the ongoing storage.
Trading	preparing cash flow statements to monitor the cash position; attending to supplier and customer queries and correspondence; raising, approving and monitoring purchase orders and setting up control systems for trading; negotiating and making direct contact with various suppliers as necessary to provide additional information and undertakings, including agreeing terms and conditions, in order to ensure continued support; securing petty cash on site and monitoring spend; communicating and negotiating with customers regarding ongoing supplies, including agreeing terms and conditions; ensuring ongoing provision of emergency and other essential services to site.

Asset realisations	collating information from the Company's records regarding the assets; liaising with finance companies in respect of assets subject to finance agreements; liaising with agents regarding the sale of assets; reviewing outstanding debtors and management of debt collection strategy; liaising with Company credit control staff and communicating with debtors; seeking legal advice in relation to book debt collections; liaising with CCI Legal regarding debtor recoveries; reviewing the inter-company debtor position between the Company and other group companies.
Property matters	reviewing the Company's leasehold properties, including review of leases; communicating with landlords regarding rent, property occupation and other issues; performing land registry searches.
Sale of business	planning the strategy for the sale of the business and assets, including instruction and liaison with professional advisers; seeking legal advice regarding sale of business, including regarding non-disclosure agreements; collating relevant information and drafting information memorandum in relation to the sale of the Company's business and assets and advertising the business for sale; dealing with queries from interested parties and managing the information flow to potential purchasers, including setting up a data room; managing site visits with interested parties, fielding due diligence queries and maintaining a record of interested parties; carrying out sale negotiations with interested parties.
Health and safety	liaising with internal health and safety specialists in order to manage all health and safety issues and environmental issues, including ensuring that legal and licensing obligations are complied with; liaising with the Health and Safety Executive regarding the special administration and ongoing health and safety compliance.
Open cover insurance	arranging ongoing insurance cover for the Company's business and assets; liaising with the post-appointment insurance brokers to provide information, assess risks and ensure appropriate cover in place; assessing the level of insurance premiums.
Employees	dealing with queries from employees regarding various matters relating to the special administration and their employment; dealing with statutory employment related matters, including statutory notices to employees and making statutory submissions to the relevant government departments; holding employee briefing meetings to update employees on progress in the special administration and our strategy; administering the Company's payroll, including associated taxation and other deductions, and preparing PAYE and NIC returns; communicating and corresponding with HM Revenue and Customs; dealing with issues arising from employee redundancies, including statutory notifications and liaising with the Redundancy Payments Office; managing claims from employees; ensuring security of assets held by employees.
Pensions	collating information and reviewing the Company's pension schemes; calculating employee pension contributions and review of pre-appointment unpaid contributions; ensuring compliance with our duties to issue statutory notices; liaising with the trustees of the defined benefit pension scheme, the Pensions Regulator and the Pensions Protection Fund concerning the changes caused to the pension scheme as a result of our appointment; ensuring death-in-service cover for employees remains in place; communicating with employees representatives concerning the effect of the special administration on pensions and dealing with employee queries.
Creditors and claims	drafting and circulating our proposals; convening and preparing for the meeting of clients and creditors; creating and updating the list of clients and unsecured creditors; responding to enquiries from clients and creditors regarding the special administration and submission of their claims; reviewing completed forms submitted by clients and creditors, recording claim amounts and maintaining claim records; agreeing client and preferential claims; arranging distributions to the clients and preferential creditors; drafting our progress report.
Committees	dealing with the formation of the Creditor's Committee, arranging and chairing meetings of the Creditors' Committee and providing regular reports.

Investigations/ directors	reviewing Company and directorship searches and advising the directors of the effect of the special administration; liaising with management to produce the Statement of Affairs and filing this document with the Registrar of Companies; arranging for the redirection of the Company's mail; reviewing the questionnaires submitted by the Directors of the Company; reviewing pre-appointment transactions; drafting the statutory report and submitting to the relevant authority.
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Time costs

SIP 9 - Time costs analysis (19/01/2015 to 18/07/2015)							
	Hours				Total	Time Cost (£)	Average Hourly Rate (£)
	Partner / Director	Manager	Administrator	Support			
Administration & planning							
Cashiering							
Fund management		2.00			2.00	980.00	490.00
General (Cashiering)		112.50		77.00	189.50	82,205.00	433.80
Reconciliations (& IPS accounting reviews)		39.80		16.20	56.00	25,236.00	450.64
General							
Books and records	7.00	425.85		140.50	573.35	300,306.25	523.77
Fees and WIP	21.00	9.30		0.90	31.20	20,443.00	655.22
Statutory and compliance							
Appointment and related formalities	33.30	22.70		19.50	75.50	43,524.00	576.48
Bonding and bordereau		0.10		0.30	0.40	89.50	223.75
Checklist & reviews		8.20		18.30	26.75	9,030.25	337.58
Pre-administration checks	0.30	9.00		67.05	80.75	23,319.00	288.78
Statutory receipts and payments accounts		0.60			0.60	369.00	615.00
Strategy documents	62.40	68.80		0.30	131.50	83,065.50	631.68
Tax							
Initial reviews - CT and VAT	4.10	2.80		8.50	15.40	7,502.50	487.18
Post appointment corporation tax	13.90	78.00		59.40	151.30	64,057.50	423.38
Post appointment PAYE		0.60			0.60	294.00	490.00
Post appointment VAT	5.00	36.10		28.20	69.30	34,402.50	496.43
Creditors							
Committees							
Formation		3.80		0.20	4.00	2,408.00	602.00
Meetings	25.30	20.50		13.40	59.20	35,383.00	597.69
Reports	25.10	65.20			90.30	50,563.00	559.94

SIP 9 - Time costs analysis (19/01/2015 to 18/07/2015)

	Hours				Total	Time Cost (£)	Average Hourly Rate (£)
	Partner / Director	Manager	Administrator	Support			
Creditors and claims							
Agreement of claims	9.00	84.80			93.80	48,707.00	519.26
Agreement of preferential claims		0.90	36.20		37.10	13,292.00	358.27
Agreement of unsecured claims	11.70	122.40	61.50		195.60	96,936.00	495.58
General correspondence	7.90	23.35	66.30		97.55	36,085.50	373.47
Notification of appointment	3.30	13.00	22.25		38.55	14,791.50	383.70
Pre-appointment VAT / PAYE / CT		1.30	1.00		2.30	907.00	394.35
Secured creditors	2.90				2.90	2,305.50	795.00
Statutory reports	7.00	125.00	59.06		191.06	89,148.70	466.60
Employees							
Agreeing employee claims	1.70				1.70	1,198.50	705.00
Correspondence	27.20	53.80	337.70	1.00	419.70	166,357.50	396.37
DTI redundancy payments service		0.40	19.30		19.70	7,047.50	357.74
Pension funds		0.30			0.30	147.00	490.00
Pensions reviews		1.20			1.20	588.00	490.00
General analysis							
Administration and planning							
Court hearings and preparation			3.00		3.00	810.00	270.00
Engagement management	19.00	56.90	80.00		155.90	70,216.00	450.39
asset realisation							
Cash and investments - client monies	37.90	1,006.45	131.25		1,175.60	681,276.75	579.51
cash and investments - company monies	40.10	40.60			80.70	49,114.50	608.61
Client debtors	95.90	61.60	205.30		362.80	171,398.50	472.43
cashiering							
reconciliations - client monies	11.10	62.20	154.00		227.30	88,761.00	390.50
reconciliations - company monies		9.00	7.00		16.00	6,362.50	397.66
Creditors and claims							
Client & creditors statutory meeting	25.80	119.35	46.80		191.95	101,890.50	530.82

SIP 9 - Time costs analysis (19/01/2015 to 18/07/2015)

	Hours				Total	Time Cost (£)	Average Hourly Rate (£)
	Partner / Director	Manager	Administrator	Support			
Clients - FSCS	12.70	248.00	46.50		307.20	157,803.50	513.68
Clients - KYC	13.80	887.65	77.50		978.95	501,065.00	511.84
Clients - professional - agreement of account		49.50	173.95		223.45	67,733.75	303.13
Clients - professional - general correspondence	0.30	10.30	237.00		247.60	71,686.50	289.53
Clients - professional - payment of dividend	3.60	1.00			4.60	3,352.00	728.70
Clients - retail - agreement of account	23.90	307.40	437.50		768.80	305,387.00	397.23
Clients - retail - claims portal	11.50	627.45	1,283.65		1,922.60	793,259.75	412.60
Clients - retail - general correspondence	16.70	373.70	2,659.75		3,050.15	964,267.00	316.14
Clients - retail - payment of dividend	30.20	48.10	14.00		92.30	53,282.50	577.28
General							
IT, Systems, cut off and information		987.40	500.25		1,487.65	698,018.50	469.21
Investigations							
FCA - investigation	1.70		9.00		10.70	4,393.50	410.61
Regulatory reports & investigations - other	6.50	72.50	5.00		84.00	50,945.00	606.49
Statutory and compliance							
Communications - FCA	22.20	7.00			29.20	20,518.50	702.69
Communications - other	11.00	6.40	7.00		24.40	13,842.00	567.30
Communications - other regulators	1.10		1.20		2.30	1,201.50	522.39
FCA- regulatory	15.50	7.70			23.20	16,772.50	722.95
Trading							
HR	9.00	89.10	123.40		221.50	95,033.50	429.05
Investigation							
Directors							
Correspondence with directors		1.20			1.20	625.50	521.25
D form drafting and submission	0.40	7.50	24.50		32.40	10,659.50	329.00
Directors' questionnaire / checklist	2.70	3.20			5.90	3,613.50	612.46
Statement of affairs	1.40	14.30			15.70	8,144.00	518.73

SIP 9 - Time costs analysis (19/01/2015 to 18/07/2015)

	Hours				Total	Time Cost (£)	Average Hourly Rate (£)
	Partner / Director	Manager	Administrator	Support			
Investigations							
Correspondence re investigations		1.10			1.10	539.00	490.00
Mail redirection		0.70	0.50		1.20	478.00	398.33
Review of pre-appt transactions	5.40	4.20	16.50		26.10	12,172.50	466.38
Realisation of assets							
Asset Realisation							
Cash and investments	32.50	263.90			296.40	152,223.50	513.57
Debtors	23.10	273.50	4.00		300.60	184,745.00	614.59
Goodwill		2.40			2.40	1,176.00	490.00
Health & safety		48.00			48.00	23,770.00	495.21
Leasehold property	5.20	102.95	0.50		108.65	54,246.50	499.28
Office equipment, fixtures & fittings	0.10	94.25	15.15		109.50	50,493.75	461.13
Open cover insurance	0.20	27.30			27.50	14,668.00	533.38
Other assets	6.30	4.30			10.60	6,548.50	617.78
Pre-appointment tax & VAT refunds	0.30				0.30	211.50	705.00
Rent		17.00			17.00	8,330.00	490.00
Sale of business	442.60	46.20	204.50		693.30	402,314.00	580.29
Trading code used outside trading period							
Trading							
Cash & profit projections & strategy		12.80			12.80	6,272.00	490.00
Purchases and trading costs	2.80	165.20	6.10		174.10	85,378.50	490.40
Total in period	1,200.60	7,501.60	7,527.26	6.25	16,235.71	7,275,690.70	448.13
Brought forward time (appointment date to SIP 9 period start date)					0.00	0.00	
SIP 9 period time (SIP 9 period start date to SIP 9 period end date)					16,235.71	7,275,690.70	
Carry forward time (appointment date to SIP 9 period end date)					16,235.71	7,275,690.70	

Time costs for KPMG China

SIP 9 - Time costs analysis for KPMG China (19/01/2015 to 18/07/2015)						
	Hours				Time Cost (£)	Average Hourly Rate (£)
	Partner / Director	Manager	Administrator	Support		
Chinese representative office						
Chinese representative office- Pre liquidation assistance	3.0	12.0			15.0	701.1
Chinese representative office- Liquidation Implementation						
Total in period	3.0	12.0			15.0	701.1

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 general level of charge out rates.

All time shown in the above analysis is charged in units of six minutes.

Appendix 5 Glossary

Alpari Shenzhen	Alpari Investment Consulting (Shenzhen) Limited
Alpari UK/Company	Alpari (UK) Limited - in Special Administration
Ashurst	Ashurst LLP
Authorities	The Bank of England and the Financial Conduct Authority
CASS rules	The rules comprised in the Financial Conduct Authority's Client Assets Sourcebook
CCI Legal	CCI Legal Services Limited
CHF	Swiss Franc
CMP	Client Money Pool
Edward Symmons	Edward Symmons LLP
FCA	Financial Conduct Authority
FSCS	Financial Services Compensation Scheme
GMT	Greenwich Mean Time
HMRC	Her Majesty's Revenue and Customs
Joint Special Administrators/we/our/us	Samantha Bewick, Richard Heis and Mark Firmin
KPMG	KPMG LLP
KYC	Know Your Client
SNB	Swiss National Bank
UK	United Kingdom

USD

United States Dollar

Any references in this progress report to sections, paragraphs or rules or regulations are to Sections, Paragraphs, Regulations and Rules in 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.

Appendix 6 Notice: About this report

This report has been prepared by Samantha Bewick, Richard Heis and Mark Firmin, the Joint Special Administrators of Alpari (UK) Limited – in Special Administration (the 'Company'), solely to comply with their statutory duty under Rule 122 of the Investment Bank Special Administration (England & Wales) Rules 2011 to report to clients and creditors on the progress of the Special Administration, and for no other purpose. It 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 the Company.

Any estimated outcomes for clients and creditors included in this report are illustrative only and cannot be relied upon as guidance as to the actual outcomes for clients and creditors.

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Samantha Rae Bewick and Richard Heis and Mark Granville Firmin are authorised to act as insolvency practitioners by the Institute of Chartered Accountants in England & Wales.

The Joint Special Administrators act as agents for the Company and contract without personal liability. The appointments of the Joint 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.

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