

Chairman's Statement for the combined cells of SPL Guernsey ICC Limited for the year ended 31 March 2015

I am reporting to shareholders once more by taking a view of the affairs of SPL Guernsey ICC Limited (the "ICC") as a whole. The relevant financial statements of individual Cells, with a basic report, will be supplied directly to registered shareholders of those Cells.

We were able to realise some £15.1 million from the disposal of assets during the year and this was achieved overall at close to their carrying value, which reflects well on our valuation processes. We would have liked to have distributed most of that but, given the time taken to get judgments in our court cases, we limited our offer to shareholders to £7.5 million. Not all shareholders responded, and in the end we returned £5.2 million. We have a judgment in our favour, which I comment on later, but with an application for appeal still outstanding we should wait until that has been heard before considering a further distribution.

Net assets have held up well, despite the time and costs of litigation in pursuit of further recovery. The linkage between net assets at last accounting year end, 31 March 2014, and 31 March 2015 is as follows:

	£ million	£ million
Net assets at 31 March 2014		63.2
Changes in investment values:		
JP Morgan Private Equity Limited ("JPEL") bid price movement less a small realised loss during the year	7.6	
Increase in discounts applied to the NAVs of hedge funds	(1.7)	
Net losses on other investments	(1.3)	
	<u>4.6</u>	
Litigation costs in UK, Guernsey and Greece, net of compensation	(2.8)	
Other operating expenses	(2.7)	
Accounting loss for the year		(0.9)
Return of capital		(5.2)
Net assets at 31 March 2015		<u>57.1</u>

By sector the material realisations have been:

- JPEL: proceeds of £2.8 million, realising a gain of £0.6 million relative to its 31 March 2014 carrying value;
- Property SPVs: £0.7 million cash returned by the SPVs to RE1 and RE2;
- Growth Management: £0.2 million distribution received;
- Acheron: realised for £4.6 million. Its 31 March 2014 carrying value was £4.8 million;
- BMS SDF: realised for £4.1 million. Its 31 March 2014 carrying value was £4.0 million;
- Ark Royal: realised for £1.6 million. Its 31 March 2014 carrying value was £1.0 million; and
- Marinter: realised for £0.5 million. Its 31 March 2014 carrying value was £0.6 million.

At the year-end we still carried ten different realisable investments which we estimate to have a total realisable value of just over £34 million and just over £22 million of cash. Our total net assets were £57.1 million and that includes some investments still valued at nil on which there is possibly some value to be generated over the next few years.

In broad terms the portfolio at 31 March 2015, compared to 31 March 2014, comprised:

	2015 £ million	2014 £ million
Private Equity	25.7	25.7
Cash	22.3	16.0
Hedge Funds	5.2	13.3
Property	3.4	4.0
Other net assets/(liabilities)	0.3	3.0
Shipping	0.2	1.2
Net assets	<u>57.1</u>	<u>63.2</u>

Shareholders can see that we hold substantial value in private equity, most of which is quoted, and quite a high level of cash. The quoted private equity is shares in JPEL, which stood at a 26% discount to net asset value at 31 March 2015 (2014: 33%). We continue to hold this investment as the discount narrows. We are of the view that this discount should

continue to reduce to shareholders' benefit.

Further distributions

We would very much like to make a distribution to shareholders in the second half of the year but it is taking a long time to be sure of the successful judgments we have received in our legal cases and we must wait for the due process of one particular application for an appeal.

Fund management

John Davey left Brooks Macdonald to pursue opportunities of his own at the end of 2014 and with the portfolio being somewhat simpler, and in order to benefit from knowledge of the ICC and continuity of service providers, we appointed Elysium Fund Management Limited ("Elysium") as fund managers on an advisory basis from 1 January 2015. Elysium acts with the continuing involvement of John Davey. This has reduced the management fee and there are no performance fees.

Litigation

The good news reported this time last year was that we had achieved two settlements since the 31 March 2014. As we said last year, terms are confidential but we are fully satisfied with each.

In December 2014 we received a judgment in our favour from the English High Court in our cases against Arch Financial Products LLP and Mr Robin Farrell with orders in our favour for over £24 million. However, Mr Farrell is applying to the Court of Appeal for permission to appeal (having had his request turned down by the High Court) and we must wait for the outcome of that. The Upper Tribunal also confirmed, in January 2015, the findings of the FCA against Arch Financial Products LLP, Mr Farrell and Mr Addison. Arch Financial Products LLP is now in liquidation. The amounts that we might recover will have to be seen.

In Greece, we had already achieved recognition both in the court of first instance and in the appeal court of the UK judgment in our favour for US\$86.6 million, and, in the last year, Mr Koros and one of his sons have been convicted of defrauding their creditors by unlawfully removing funds from bank accounts pledged in favour of SPL Treasury (AT1) IC Limited (a Cell of the ICC) and Spearpoint/Brooks Macdonald. Twelve month suspended sentences have been passed on each of them. The appeal court has also issued a parallel civil judgment against Mr Koros and his two sons awarding damages in our favour. Appeals are pending.

Claims against the former directors and former administrators are progressing towards trial in the court in Guernsey where they are likely to be heard during 2016. There are also some lesser claims in progress.

Outlook

If the defendants to our claims continue to insist on litigation, then we are likely to be active probably into 2017, and perhaps beyond. So far we have been successful.

Public concern

Partly because of the slow process of litigation and partly, perhaps, because of the General Election I have had fewer dealings with the otherwise supportive All Party Parliamentary Group of MPs, but as this whole case develops it reflects widely on issues of regulation and governance. The Guernsey Financial Services Commission has, so far, remained silent after nearly six years but we will wait to see if, in due course, it will release a report into events.

Thanks

As in previous years my fellow Directors, Bill Scott and Christopher Harris, have been hard working and very diligent – strong, independent minds with whom it is a pleasure to work. John Davey has continued to be innovative and energetic in helping Elysium in managing and realising the assets. Elysium has been diligent as administrators. Our lawyers in London, Guernsey and Greece have been robust and clear.

Hugh Aldous
Chairman
6 July 2015