

TO ALL MEMBERS

20 December 2016

Ref: ML5W/PJB/AS/SH

Direct line: 020 7980 9289
Simon Hawkins
Email: aslade@uk.ey.com

Alex Slade

Dear Sir or Madam

Jupiter Second Split Trust Plc (In Members' Voluntary Liquidation) ("The Company")

James Eldridge and I were appointed as Joint Liquidators of the Company on 31 October 2014. As previously reported, James Eldridge was replaced as Joint Liquidator by Samantha Jane Keen on 5 August 2015. I now write to provide you with our report on the progress of the liquidation for the period from 31 October 2015 to 30 October 2016.

In accordance with the provisions of the Insolvency Rules 1986 we are required to provide certain information about the Company and the Liquidators. The information can be found in Appendix A of this report. A copy of our receipts and payments account for the period from 31 October 2015 to 30 October 2016 is at Appendix B.

Background to the Winding-up of the Company

The directors of the Company recommended a scheme for the reorganisation and voluntary winding-up of the Company ("the Scheme"), details of the Scheme were sent in the form of a Circular and these were sent to all Shareholders of the Company on 4 September 2014.

Under the Proposals, Geared Ordinary Shareholders were to receive their full entitlement under the Articles upon a winding-up in cash whilst Zero Dividend Preference Shareholders were to be able to elect to receive their Final Capital Entitlement upon the winding-up of the Company either in cash or to roll over some or all of their investment into the Jupiter Strategic Reserve Fund.

The Scheme was approved by shareholders on 30 September 2014, and subsequently the Company was placed into members' voluntary liquidation on 31 October 2014.

Progress during the period of the report

Distribution to members

The Joint Liquidators paid a second distribution of 0.463 pence per Geared Ordinary Share on the 4th April 2016, totaling £1,001,755.

The quantum and timing of any further distributions to Geared Ordinary Shareholders depends on the outcome of certain outstanding protective claims against HM Revenue & Customs ("HMRC"). Further details regarding these claims are outlined below.

Receipts

Please see below receipts made during the period:

Corporation Tax refund

The Company recovered £85,205 from HMRC in respect of corporation tax refunds.

Payments

In addition to the distribution described above, please see below for other significant payments made during the period:

EY Fees

During the period, Joint Liquidators' fees of £57,207 were drawn in respect of work undertaken in respect of post appointment duties. At Appendix D to this report there is an analysis of the time spent in the period and a statement of our policy in relation to charging time.

Professional tax fees of £10,462 were drawn in respect of advice regarding Corporation Tax, VAT and the protective claims against HMRC.

EY disbursements

Joint Liquidators' disbursements of £1,290 were settled during the period. Further information regarding these expenses is detailed later in this report.

Registrar fees

The Company incurred registrar fees of £15,508 in relation to the payment of the second distribution and continued maintenance of the shareholder register.

Outstanding matters to be concluded

HMRC are unable to give corporation tax clearance until the FIGLO case, details of which are set out below, is resolved or the Liquidators have confirmed that they do not wish to claim this amount back.

Claims

As set out in the recommended scheme for the reorganisation and voluntary winding-up of the Company ("the Proposals") the Company has certain outstanding protective claims against HM Revenue & Customs ("HMRC") in relation to VAT levied on management fees, compound interest on VAT and the taxation of EU sourced dividends. Certain of these claims are likely to take a number of years to conclude in the courts. We have been provided information by Jupiter Asset Management Limited on the extent of the potential recoveries and we have also consulted tax professionals in relation to the latest position of the claims made against HMRC.

VAT recovery on management fees – estimated maximum recovery c.£260k

In 2008, c.£703k was repaid to Jupiter Second Split Trust Plc as a result of a claim made by Jupiter Asset Management Limited for VAT incorrectly charged on management fees. This was 73% of the VAT

paid by Jupiter Second Split Trust Plc over a 7 year period. The remaining 27% was not repaid by HMRC.

It is currently in dispute as to whether Investment Trust Companies can recover the remaining VAT from HMRC. This is subject to the results of further related litigation. It is estimated that there may be a possible further £260k to be reclaimed in VAT in this regard.

The case on which the possibility of recovering the remaining VAT hinges (HMRC v Investment Trust Companies - "ITC's" - (in Liquidation) and others) was heard at the Supreme Court in May 2016. The decision of the Court is expected soon. However, at this stage, it is difficult to predict the outcome; as the Court of Appeal reversed the decision of the High Court on the two main points.

It is possible that the Supreme Court could make a reference to the Court of Justice of the European Union (CJEU). If it did, the CJEU would give a judgment, and then the case may come back to the Supreme Court for a further judgment. This would clearly extend the point at which a final outcome would be determined.

If the Supreme Court does not make a reference to the CJEU, however, there would be no further recourse for either HMRC or the ITC's, and the decision of the Supreme Court would stand.

Compound interest on VAT recovered in respect of management fees – estimated maximum recovery £160k

Simple interest of c.£108k was repaid on the above c.£703k in 2008. The payment of compound interest to taxpayers is the subject of ongoing litigation in the Littlewoods Retail Limited case. We understand that the Supreme Court is due to hear in July 2017 HMRC's appeal against the Court of Appeal's judgment in favour of Littlewoods Retail Limited. It has been estimated that, depending on the outcome of the hearing, a further c.£60k of compound interest may be due to the Company.

In addition, if the remaining 23% of VAT were recovered there would also be compound interest due on this sum, which is estimated as a further £100k.

Taxation of EU sourced dividends (Franked Investment Income Group Litigation Order "FIIGLO" and The Prudential Assurance Company Limited & The Commissioners for Her Majesty's Revenue & Customs) – estimated maximum recovery £288k

Overseas dividends prior to 1 July 2009 were taxable. Several firms joined together in joint litigation (the "FII GLO" case) to pursue this with HMRC with the Prudential case presiding over its applicability to portfolio holdings.

The common issues of law raised in this GLO concerned (a) the lawfulness of the UK provisions on dividend taxation, and (b) the lawfulness of the UK legislation on controlled foreign companies. The courts have previously found that the claimants were entitled to be refunded monies in respect of FII. The Company's claim against HMRC in respect of FII is c.£288k plus interest, the amount of which is currently unknown.

HMRC appealed this ruling in April 2016. The Court of Appeal has largely found against this appeal. The key issues for the Court of Appeal included how to remedy the invalid UK charge to corporation tax on portfolio dividends, together with the use of advance corporation tax.

On 24 November 2016, the case was heard again at the Court of Appeal. The issues before the Court of Appeal in the most recent judgement were concerned partly with certain specific defences which HMRC wished to invoke in relation to all or part of the claims and partly with the qualification of the claims. The Court of Appeal dismissed a number of specific defences that HMRC could invoke. We are currently consulting our professional tax advisors in order to understand the implications of this recent hearing on the likelihood and timing of any future recoveries.

Future distribution prospects

As set out in the Proposals, the Joint Liquidators recently engaged with the largest shareholders to establish their view on the merits of keeping the liquidation open in order to pursue these claims against the benefits of an early closure of the liquidation which would keep liquidation costs to a minimum, but forfeit the prospect of any recovery of incorrectly paid tax. Those shareholders that were contacted unanimously confirmed that they would like to keep the liquidation open at present in order to pursue these claims. All shareholders will be provided with details of the latest progress of these cases in the courts through the Joint Liquidators' annual progress reports.

Joint Liquidators' remuneration

The Joint Liquidators' remuneration was fixed on a time-cost basis by a resolution of the members on 31 October 2014.

During the period covered by this report, time costs of £76,805.21 have been incurred. Fees of £57,206.94 were drawn in respect of these costs during the period.

At Appendix D to this report there is an analysis of the time spent in the period and a statement of our policy in relation to charging time.

Joint Liquidators' statement of expenses incurred

Total expenses incurred to 30 October 2016 total £1,893.92. Of these expenses, £1,579.01 has been drawn by the liquidators. Expenses of £314.91 relating to the change of Joint Liquidator, will not be charged.

The expenses can be summarised as follows:

Type of expense	Incurred	Paid	Outstanding
Statutory advertising	£263.61	£263.61	-
Ground transport	£35.40	£35.40	-
Statutory bonding	£1,280	£1,280	-
Court application for the change of liquidator	£314.91	-	£314.91
Total	£1,893.92	£1,579.01	£314.91

Members' rights to further information about, and challenge, remuneration and expenses

In certain circumstances, members are entitled to request further information about our remuneration or expenses, or to apply to court if members consider the costs to be excessive. Further information is provided in Appendix C.

I will provide my next report to shareholders either when I am in a position to make a final distribution to shareholders or 12 months' time, whichever is sooner.

In the meantime, should you have any further questions please do not hesitate to contact my colleague, Simon Hawkins, on the direct line above.

Yours faithfully
for the Company



Patrick Brazzill
Joint Liquidator

Samantha Jane Keen and Patrick Joseph Brazzill are licensed in the United Kingdom to act as Insolvency Practitioners by the Insolvency Practitioners Association.

We may collect, use, transfer, store or otherwise process (collectively, "Process") information that can be linked to specific individuals ("Personal Data"). We may Process Personal Data in various jurisdictions in accordance with applicable law and professional regulations including (without limitation) the Data Protection Act 1998.

Jupiter Second Split Trust PLC (In Members' Voluntary Liquidation) ("The Company")

Information about the company and the liquidators

Registered office address of the company:	1 More London Place, London, SE1 2AF
Registered number:	05207714
Full names of the liquidators:	Patrick Brazzill and Samantha Jane Keen
Liquidators' address(es):	Ernst & Young LLP 1 More London Place, London, SE1 2AF
Date of appointment of the joint liquidators:	31 October 2014
Details of any changes of liquidator:	James Eldridge was replaced by Samantha Jane Keen on 5 August 2015

Jupiter Second Split Trust PLC (In Members' Voluntary Liquidation)

Joint Liquidators' receipts and payments account for the period from 31 October 2015 to 30 October 2016.

Declaration of Solvency Estimated to Realise Values (£)		31 October 2014 to 30 October 2015 (£)	31 October 2015 to 30 October 2016 (£)	Total (£)
RECEIPTS				
92,450,000	Cash taken over upon appointment	193,885,456	-	193,885,456
141,647,000	Sale of Investment	967,036	-	967,036
	Dividends Received	15,888	-	15,888
618,000	Closure of foreign exchange deal	27,091	-	27,091
3,686,000	Debtors	86	-	86
	Management fee refund	10,727	-	10,727
	Pre Liquidation VAT Refund	3,134	-	3,134
	Bank interest	855	-	855
	Cost Contribution	44,746	-	44,746
	Corporation Tax	-	85,205	85,205
	VAT	1,301	-	1,301
		194,956,320	85,205	195,041,525
PAYMENTS				
	Distribution to Geared Ordinary shareholders	52,215,907	975,326	53,191,233
	Distribution to Packaged unit shareholders	2,845,060	26,429	2,871,489
	Distribution to Zero Dividend Preference shareholders	138,366,098	-	138,366,098
1,524,000	Open derivative contracts	-	-	-
	EY Tax fees	33,369	10,462	43,831
	Directors' fees	7,000	-	7,000
	Custody fees	2,167	-	2,167
	Professional fees	58,328	-	58,328
	EY Professional fees - pre liquidation work and advice	59,776	-	59,776
	Registrar fees	60,852	15,508	76,360
	Liquidators' fees	108,168	57,207	165,375
	Liquidators' expenses	289	1,290	1,579
	Irrecoverable VAT	45,305	13,306	58,611
	RNS News & Forms	115	-	115
	Bank charges	192	12	204
	Corporation tax	-	175	175
	VAT	423	3,587	4,010
		193,803,049	1,103,302	194,906,351
	Balance in hand	1,153,271	(1,018,097)	135,174

Notes

1. Receipts and payments are stated net of VAT.

Members' rights to request further information about remuneration or expenses or to challenge a liquidator's remuneration – Rules 4.49E and 4.148C of the Insolvency Rules 1986 (as amended)

4.49E Creditors' and members' request for further information

(1) If—

- (a) within the period mentioned in paragraph (2)—
 - (i) a secured creditor, or
 - (ii) an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors (including the creditor in question), or
 - (iii) members of the company in a members' voluntary winding up with at least 5% of the total voting rights of all the members having the right to vote at general meetings of the company, or
- (b) with the permission of the court upon an application made within the period mentioned in paragraph (2)—
 - (i) any unsecured creditor, or
 - (ii) any member of the company in a members' voluntary winding up,

makes a request in writing to the liquidator for further information about remuneration or expenses set out in a progress report in accordance with Rule 4.49B(1)(e) or (f) (including by virtue of Rule 4.49C(5)) or in a draft report under Rule 4.49D, the liquidator must, within 14 days of receipt of the request, comply with paragraph (3) except to the extent that the request is in respect of matter in a draft report under Rule 4.49D or a progress report required by Rule 4.108 which (in either case) was previously included in a progress report not required by Rule 4.108.

(2) The period referred to in paragraph (1)(a) and (b) is—

- (a) 7 business days of receipt (by the last of them in the case of an application by more than one member) of the progress report where it is required by Rule 4.108, and
- (b) 21 days of receipt (by the last of them in the case of an application by more than one member) of the report or draft report in any other case.

(3) The liquidator complies with this paragraph by either—

- (a) providing all of the information asked for, or
- (b) so far as the liquidator considers that—
 - (i) the time or cost of preparation of the information would be excessive, or
 - (ii) disclosure of the information would be prejudicial to the conduct of the liquidation or might reasonably be expected to lead to violence against any person, or
 - (iii) the liquidator is subject to an obligation of confidentiality in respect of the information,
 giving reasons for not providing all of the information.

(4) Any creditor, and any member of the company in a members' voluntary winding up, who need not be the same as the creditors or members who asked for the information, may apply to the court within 21 days of—

- (a) the giving by the liquidator of reasons for not providing all of the information asked for, or
 - (b) the expiry of the 14 days provided for in paragraph (1),
- and the court may make such order as it thinks just.

(5) Without prejudice to the generality of paragraph (4), the order of the court under that paragraph may extend the period of 8 weeks or, as the case may be, 4 weeks provided for in Rule 4.131(1B) or 4.148C(2) by such further period as the court thinks just.

(6) This Rule does not apply where the liquidator is the official receiver.

4.148C Members' claim that remuneration is excessive

- (1) Members of the company with at least 10% of the total voting rights of all the members having the right to vote at general meetings of the company, or any member with the permission of the court, may apply to the court for one or more of the orders in paragraph (6) on the grounds that—
 - (a) the remuneration charged by the liquidator,
 - (b) the basis fixed for the liquidator's remuneration under Rule 4.148A, or
 - (c) expenses incurred by the liquidator,is or are, in all the circumstances, excessive or, in the case of an application under sub-paragraph (b), inappropriate.
- (2) Application must, subject to any order of the court under Rule 4.49E(5), be made no later than 8 weeks (or 4 weeks when the liquidator has resigned in accordance with Rule 4.142) after receipt by the applicant of the report or account which first reports the charging of the remuneration or the incurring of the expenses in question ("the relevant report").
- (3) The court may, if it thinks that no sufficient cause is shown for a reduction, dismiss the application; but it must not do so unless the applicant has had the opportunity to attend the court for a hearing of which the applicant has been given at least 5 business days' notice but which is without notice to any other party.
- (4) If the application is not dismissed under paragraph (3), the court must fix a venue for it to be heard and give notice to the applicant accordingly.
- (5) The applicant must at least 14 days before the hearing send to the liquidator a notice stating the venue and accompanied by a copy of the application and of any evidence which the applicant intends to adduce in support of it.
- (6) If the court considers the application to be well-founded, it must make one or more of the following orders—
 - (a) an order reducing the amount of remuneration which the liquidator was entitled to charge;
 - (b) an order fixing the basis of remuneration at a reduced rate or amount;
 - (c) an order changing the basis of remuneration;
 - (d) an order that some or all of the remuneration or expenses in question be treated as not being expenses of the liquidation;
 - (e) an order that the liquidator or the liquidator's personal representative pay to the company the amount of the excess of remuneration or expenses or such part of the excess as the court may specify;and may make any other order that it thinks just; but an order under sub-paragraph (b) or (c) may be made only in respect of periods after the period covered by the relevant report.
- (7) Unless the court orders otherwise, the costs of the application must be paid by the applicant and are not payable as an expense of the liquidation.

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Jupiter Second Split Trust PLC (In Members' Voluntary Liquidation) ("the Company")

Joint liquidators' time costs for the period from 31 October 2015 to 30 October 2016

Liquidators' charging policy for remuneration

The members have determined that the liquidators' remuneration should be fixed on the basis of time properly spent by the liquidators and their staff in attending to matters arising in the liquidation.

The liquidators have engaged a manager and other staff to work on the cases. The work required is delegated to the most appropriate level of staff taking account of the nature of the work and the individual's experience. Additional assistance is provided by accounting and treasury executives dealing with the company's bank accounts and statutory compliance diaries. Work carried out by all staff is subject to the overall supervision of the liquidators.

All time spent by staff working directly on case-related matters is charged to a separate time code established for each case. Each member of staff has a specific hourly rate, which is subject to change over time. The average hourly rate for each category of staff over the period is shown below, as are the current hourly rates used. The current hourly rates may be higher than the average rates, if hourly rates have increased over the period covered by this report.

**Jupiter Second Split Trust plc
(In Members' Voluntary Liquidation) ("The Company")**

Summary of work undertaken in the period 31 October 2015 to 30 October 2016

- Calculation and payment of a second distribution to Geared Ordinary Shareholders;
- Overseeing recoveries and realisations in relation to Corporation Tax refunds;
- Dealing with the Company's corporation tax issues and returns;
- Dealing with the Company's VAT issues and returns;
- Liaising with Jupiter Asset Management Limited and EY Tax professionals regarding the recovery of tax in relation to the FII GLO case, the tax on overseas dividends, and interest on VAT on fund management fees;
- Responding to numerous shareholder enquiries;
- Liaising with the Company's registrars to ensure their shareholder records are accurate and up to date, to pay the second distribution and assist with responding to shareholder queries;
- Assessing the merits of keeping the Company's liquidation open relative to an early closure of the liquidation;
- Engaging with the largest shareholders of the Company in relation to the merits of keeping the liquidation open;
- Undertaking the Joint Liquidators' statutory duties in accordance with the Insolvency Act 1986;
- Treasury functions.

Jupiter Second Split Trust Plc (In Liquidation)
Time costs analysis for the period 31 October 2015 to 30 October 2016

Classification of work function	Hours				Total Hours	Total Sum of Average Hourly rate (£)	Total Costs (£)
	Partner / Director	Manager	Other Senior Professionals	Assistants & Support			
Bank & Statutory Reporting Members & Other Matters	1.5	0.4	1	46.8	2.9	654.83	1,899.00
Statutory Duties	1.6	53.2	1.5	1.1	103.1	466.40	48,086.00
VAT & Taxation	0.2	3.9	7.9	5.2	13.1	576.06	2,995.50
Accounting and Administration	3.3	3.3	5.9	35.7	48.2	491.56	6,439.50
Out of scope (Not chargeable)		0.4		2.5	2.9	324.52	15,641.71
Other Assets		1.1		0.8	1.9	289.31	839.00
Grand Total	6.6	70.2	8.4	92.1	177.3	433.19	76,805.21

Values	Partner / Director	Manager	Other Senior Professionals	Assistants & Support	Grand Total
Average Hourly rate	914.17	657.89	349.82	235.06	433.19
Time costs for reporting period	6,033.50	46,184.00	2,938.50	21,649.21	76,805.21

Grade	From 1 July 2014		From 1 July 2015		From 1 July 2016	
	Charge out rate per hour (£)	895	Charge out rate per hour (£)	940	Charge out rate per hour (£)	985
Partner						
Executive Director	855	900	945			
Director	730	765	805			
Assistant Director	625	655	670			
Senior Executive	460	485	510			
Executive	340	355	375			
Assistant Executive	310	325	340			
Business Trainee	190	200	210			
Cashier	245	255	270			

Jupiter Second Split Trust Plc (In Liquidation)
 Time costs analysis for the period 31 October 2014 to 30 October 2016

Classification of work function	Hours					Total Hours	Total Sum of Average Hourly rate (£)	Total Costs (£)
	Partner / Director	Manager	Other Senior Professionals	Assistants & Support				
Bank & Statutory Reporting	1.5	0.4	1			2.9	1,899.00	
Immediate Tasks	1.5	9.7		7.8		19	8,827.00	
Members	6.3	81.3	4.3	75.3		167.2	76,344.50	
Statutory Duties	0.2	4.7	1.5	1.1		7.5	4,007.00	
VAT & Taxation	2.5	25.6	5.4	10		43.5	22,215.00	
Accounting and Administration	4.4	28.4	63.8	94.3		190.9	63,760.62	
Creditors	3			2.5		5.5	3,040.00	
Out of scope (Not chargeable)		0.4		2.5		2.9	839.00	
Other Assets (Mandatory)	1.3	6.5		0.8		8.6	5,391.00	
Grand Total	20.7	157	76	194.3		448	186,323.12	

Values	From 1 July 2014			From 1 July 2015			From 1 July 2016		
	Partner / Director	Manager	Other Senior Professionals	Partner / Director	Manager	Other Senior Professionals	Partner / Director	Manager	Other Senior Professionals
Average Hourly rate	881.01	640.04	330.44	18,237.00	100,486.00	25,113.41			
Time costs for reporting period							218.67		415.90
Grand Total							42,486.71		186,323.12

Grade	From 1 July 2014			From 1 July 2015			From 1 July 2016		
	Charge out rate per hour (£)	Charge out rate per hour (£)	Charge out rate per hour (£)	Charge out rate per hour (£)	Charge out rate per hour (£)	Charge out rate per hour (£)	Charge out rate per hour (£)	Charge out rate per hour (£)	Charge out rate per hour (£)
Partner		895	940		940	985			
Executive Director		855	900		900	945			
Director		730	765		765	805			
Assistant Director		625	655		655	670			
Senior Executive		460	485		485	510			
Executive		340	355		355	375			
Assistant Executive		310	325		325	340			
Business Trainee		190	200		200	210			
Cashier		245	255		255	270			