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Private & Confidential

17 May 2013
Our ref: CVL520/PA785
When telephoning please ask for:
Anjna Kalia
Direct Dial: 020 7131 8184

TO THE CREDITORS AND MEMBERS

Dear Sirs

Pacific Continental Securities (UK) Limited (in creditors' voluntary liquidation) (the "Company")

Please find attached a copy of my report on the progress of the liquidation for the year ended 20 March 2013.

We are now required to convene meetings of the Company's members and creditors pursuant to section 105 of the Insolvency Act 1986. Notice is hereby given that these meetings will be held at on 25 Moorgate, London, EC2R 6AY at 20 June 2013 and 10:00am and 10:30am respectively for the purpose of receiving an account of the liquidators' acts and dealings and of the conduct of the winding up to 20 March 2013.

A member or creditor entitled to attend and vote at the above meetings may appoint a proxy to attend and vote in his place. It is not necessary for the proxy to be a member or creditor. A form of proxy is attached. Proxy forms must be returned to the offices of Smith & Williamson LLP, 25 Moorgate, London, EC2R 6AY by not later than 12.00 noon on 19 June 2013.

At these meetings the report will be presented and as the meetings are purely formal, there is no necessity to attend unless you so wish.

Yours faithfully
For Pacific Continental Securities (UK) Limited



A C Spicer
Joint Liquidator

Enc

Partners and Associate Directors acting as insolvency practitioners act as agents and without personal liability
Anthony Cliff Spicer and Henry Anthony Shinnars are licensed to act as insolvency practitioners by the Institute of Chartered Accountants in England
and Wales.

Smith & Williamson LLP

The word partner is used to refer to a member of Smith & Williamson LLP. A list of members is available at the registered office
Registered in England at 25 Moorgate, London, EC2R 6AY No. OC369631
Regulated by the Institute of Chartered Accountants in England and Wales for a range of investment business activities
A member of Nexia International, a worldwide network of independent accounting firms

Proxy (Members' or Creditors' Voluntary Winding Up)

PACIFIC CONTINENTAL SECURITIES (UK) LIMITED – IN LIQUIDATION

Name of Creditor/Member _____

Address _____

Please insert name of person (who must be 18 or over) or the chairman of the meeting (see note below) if you wish to provide for alternative proxy holders in the circumstances that your first choice is unable to attend please state the name(s) of the alternatives as well

Name of Proxy Holder
1 _____
2 _____
3 _____

Please delete words in brackets if the proxy holder is only to vote as directed i.e. he has no discretion

I appoint the above person to be my/the creditor's/member's proxy holder at the meeting of creditors/members to be held on 20 June 2013, or at any adjournment of that meeting. The proxy holder is to propose or vote as instructed below (and in respect of any resolution for which no specific instruction is given, may vote or abstain at his/her discretion).

Voting Instructions for resolutions

- 1 Acceptance of the liquidator's annual report and account (Accept/Reject)*

* Delete as applicable

Any other resolutions which the proxy-holder is to propose or vote in favour of or against should be set out in numbered paragraphs in the space provided below paragraph 1. If more room is required please use the other side of this form

This form must be signed

Signature _____ **Date** _____

Name in CAPITAL LETTERS

Only to be completed if the creditor/member has not signed in person

Position with creditor/member or relationship to creditor/member or other authority for signature

Please note that if you nominate the chairman of the meeting to be your proxy-holder he will either be the current liquidator or an employee of his firm.

Smith & Williamson

Pacific Continental Securities (UK) Limited (In Liquidation)

Annual report to members and creditors

17 May 2013

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1. Introduction

Pacific Continental Securities (UK) Limited (the "Company") went into administration on 20 June 2007 and subsequently went into liquidation on 21 March 2008. Stephen Cork and Joanne Milner were appointed as joint liquidators.

On 27 July 2011, Stephen Cork and Joanne Milner were replaced as joint liquidators by Henry Shinnars and Vivienne Oliver of Smith & Williamson, 25 Moorgate, London, EC2R 6AY pursuant to an order made by Registrar Barber sitting in the Companies Court, Chancery Division in the High Court of Justice pursuant to an application for a block transfer of insolvency appointments.

On 10 January 2012, I replaced Vivienne Oliver as joint liquidator, by an order made by Registrar Baister sitting in the Companies Court, Chancery Division in the High Court of Justice pursuant to an application for a block transfer of insolvency appointments.

The business of Smith & Williamson Limited was transferred to Smith & Williamson LLP on 1 May 2012 as part of an internal reorganisation. For work conducted up to and including 30 April 2012 references in the report are to Smith & Williamson Limited. Any reference to work or policies from 1 May 2012 refer to Smith & Williamson LLP.

This is my report to the members and creditors of the Company pursuant to Section 105 of the Insolvency Act 1986. It gives an account of the liquidators' acts and dealings and of the conduct of the winding up for the year to 20 March 2013 and should be read in conjunction with previous reports and correspondence.

A summarised account of my receipts and payments for the year ended 20 March 2013 is attached as Appendix A.

2. Realisation of assets

2.1. Shares and investments

Management of the Company's share portfolio was transferred to the control of Smith & Williamson Investment Management LLP ("SWIM") in December 2009. In January 2012, I instructed SWIM to sell all the realisable shares.

During this reporting period, I received a sum a sum of £90,546.11 from the sale of the share portfolio and a sum of £12,058.83 in relation to dividends. I have now sold all the readily realisable shares and I have received a total sum of £1,705,717 from the sale of the Company's shares.

The remaining shares either no longer trade on any stock exchange or do not hold any value (in the current market place). I am reviewing the options available to me in relation to these shares.

2.2. Interest

All realisations have been placed in interest bearing accounts and interest of £5,861.64 has been received.

2.3. Book debts

The Company had two outstanding debtors, Pacific Continental Securities Management (IOM) Limited ("PCS IOM") and Pacific Continental Securities (Australia) Limited. We instructed solicitors to collect these debts and a sum of £3,672.62 was realised from PCS IOM.

The remaining outstanding debts have been written off as it would not be cost effective to pursue these any further.

2.4. Goodwill from the administration

A sum of £33,333 was forwarded to the estate from our legal advisor in relation to funds held from the sale of the goodwill in the administration.

3. Company's liabilities

3.1. Secured creditors

The Company did not have any secured creditors.

3.2. Preferential creditors

The Statement of Affairs listed preferential creditors totaling £10,000. However, all employees were transferred to the purchaser of the business in 2007 in accordance to TUPE regulations. Accordingly, there are no preferential claims.

3.3. Unsecured trade and expense creditors

The Statement of Affairs listed unsecured creditors totaling £1,087,453. I have received three unsecured claims to the value of £445,440.28. To date, no unsecured creditor claims have been agreed.

3.4. Investors' claims

The Financial Services Compensation Scheme Limited ("FSCS") declared the Company in default on 28 January 2009. Accordingly, clients may be eligible for a compensation payment from the FSCS. The FSCS is an independent body set up under the Financial Services and Markets Act 2000 and protects deposits, insurance, investments and mortgage business. It can pay compensation for financial loss and its service is free to consumers.

The maximum level of compensation for claims against firms declared in default before 1 January 2010 is 100% of the first £30,000 and 90% of the next £20,000 up to £48,000 per person per firm. The FSCS in paying compensation will generally require a full assignment of the claimant's claim against the Company.

Investors who believe they have a claim and have not yet received a claim form from the FSCS should call 020 7741 4100, or e-mail enquiries@fscs.org.uk. Further information about the FSCS's work is available from its website at www.fscs.org.uk.

The joint liquidators have been unable to fully reconcile the movement of funds into and from the Company's client accounts or purchases and sales of shares carried out on behalf of clients. Significant discrepancies exist between the Company's records and client correspondence/claims and the joint liquidators have concerns regarding the accuracy and completeness of the Company's records and accounting procedures.

In these circumstances, the joint liquidators are unable to distribute to investors any shares purchased by the Company (and held in Pacific Continental Securities (UK) Nominees Limited ("Nominees")), as it is not possible to determine from the Company's records the true entitlement of each client.

The joint liquidators had considered making an application to court for directions in relation to the reconciliation and distribution of assets held by the Company and in the name of Nominees. However, since the FSCS declared the Company in default, and has taken assignments of substantially all claims made to assets and against the Company to date, the FSCS has now become the majority creditor both in relation to such assets and as an unsecured creditor of the Company, having paid out compensation in excess of £67m to clients.

Clients who have not assigned their claim to the FSCS (by accepting any offer of compensation) could claim for a pro-rata distribution of the client assets. At current market valuation, investors would receive a distribution of less than 1p in the £ before the deduction of liquidation and other costs.

The joint liquidators have been working closely with the FSCS since the Company's collapse in June 2007 to make the claims processing system run as smoothly as possible and all available information has been shared with the FSCS so that agreement of the compensation claims can occur as quickly as possible. In addition, the joint liquidators have reached agreement with the FSCS as to how costs and expenses should be allocated as between the assets with a view to concluding the liquidation as expeditiously and cost-effectively as may be possible.

Former clients of Pacific Continental may wish to see the press releases published by the Financial Services Authority (FSA) in connection with this case. A link is provided below:-

<http://www.fsa.gov.uk/pages/Library/Communication/PR/2009/018.shtml>

4. Dividend prospects

As stated above, investors were advised to seek compensation through the FSCS and therefore the FSCS have a subrogated unsecured claim against the Company. A distribution will be made to the unsecured creditors, including the FSCS, but at present, I am unable to advise you of the quantum or timing.

5. Statutory matters

I have complied with my statutory duties in the year under review. There are no matters to which I should bring your attention in this instance.

6. Joint liquidators' remuneration

In the administration, the creditors elected to establish a committee. A resolution authorising the joint administrators' remuneration to be calculated by reference to the time properly spent by them and their staff in attending to matters arising in the winding up, in accordance with Rule 4.127 of the Insolvency Rules 1986, was passed by the committee at a meeting held on 31 October 2007. The administration committee subsequently became the liquidation committee following the conversion from administration to liquidation. The liquidation committee members have assigned their voting rights to the FSCS, who are now responsible for the agreement of the liquidators' fees.

An analysis of the time spent dealing with the Company's affairs for the year ended 20 March 2013 is attached as Appendix B. During the fifth year of the winding up a total of 333.35 hours to a value of £79,189.25 was spent representing an average hourly charge out rate of £237.56.

A cumulative analysis of the total time spent during the winding up as at 20 March 2013 is attached as Appendix C. During the winding up a total of 4,323.85 hours to a value of £926,952.00 was spent representing an average hourly charge out rate of £214.38.

During this reporting period, I have drawn joint liquidators' remuneration of £121,798.75 plus VAT, such that as at the end of the fifth year of the winding up I have drawn joint liquidators' remuneration totaling £397,479.06 plus VAT.

7. Outstanding matters

The matters which are delaying the conclusion of the winding up, and their anticipated outcome are summarised below.

- distributing the funds to the FSCS and the unsecured creditors



Anthony Spicer
Joint Liquidator

Appendix A. Joint liquidators' abstract of receipts and payments for the period 21 March 2008 to 20 March 2013

Summary of Receipts & Payments

RECEIPTS	Statement of Affairs (£)	From 21/03/2008 To 20/03/2012 (£)	From 21/03/2012 To 20/03/2013 (£)	Total (£)
Payment Towards Crest Fees		0.00	30.00	30.00
Book Debts	431,991.55	12,927.17	3,672.62	16,599.79
Shares & Investments		1,615,171.76	90,546.11	1,705,717.87
Admin Legal Fee Suspense		0.00	2,785.65	2,785.65
Third Party Assets		0.00	6,500.00	6,500.00
Dividend Income		0.00	12,058.83	12,058.83
Identifiable Shares - dividends		0.00	2,410.35	2,410.35
Cash at Bank		91,724.82	0.00	91,724.82
Sloane Securities		510,185.57	0.00	510,185.57
DTI Interest Gross		4,459.44	5,146.56	9,606.00
Bank Interest Gross		445.17	715.08	1,160.25
Admin Goodwill		0.00	33,333.33	33,333.33
Insurance Commissions		29,426.25	0.00	29,426.25
Saxo Account Interest		63,513.27	0.00	63,513.27
Saxo Commission		20,874.67	0.00	20,874.67
USD Cash at bank		22,110.81	0.00	22,110.81
Man Financial Commission		7,905.00	0.00	7,905.00
N Alexander Transfer		217,027.11	0.00	217,027.11
Rates Refund		4,289.02	0.00	4,289.02
	431,991.55	2,600,060.06	157,198.53	2,757,258.59

PAYMENTS

DTI Banking Fees	333.00	96.00	429.00
DTI BACS Fees	1.05	0.60	1.65
DTI Cheque Fees	28.80	6.10	34.90
SWIMs Fees	0.00	23,240.45	23,240.45
Administrators' Expenses	2,426.68	0.00	2,426.68
Administrator's Fees	178,716.43	0.00	178,716.43
Committee Expenses	65.20	0.00	65.20
Company searches	4.00	9.00	13.00
Admin Legal Expenses	36.86	503.60	540.46
IT Consultation Fees	12,680.51	1,346.98	14,027.49
IT Consultation Expenses	1,178.40	0.00	1,178.40
Legal Fees	245,586.15	25,125.60	270,711.75
Legal Expenses	2,840.37	2,245.59	5,085.96
Corporation Tax	847.23	26,652.72	27,499.95
Irrecoverable VAT	158,471.50	32,785.63	191,257.13
Brooklands Administrator's Fees	25,000.00	0.00	25,000.00
Accountancy Fees	900.00	0.00	900.00
Consultancy Fees	3,250.00	0.00	3,250.00
Storage Costs	12,496.40	944.00	13,440.40
Postage & Redirection	152.85	0.00	152.85
Statutory Advertising	296.19	0.00	296.19
Rents Payable	5,831.36	0.00	5,831.36
Refund of Identifiable Shares - dividend	0.00	2,410.35	2,410.35
Admin Legal Fees	0.00	26,000.00	26,000.00
Bank Charges	196.81	45.00	241.81
Liquidators Fees agreed by FSCS	275,680.31	121,798.75	397,479.06
Courier	0.00	60.00	60.00
Trade & Expense Creditors	855.08	0.00	855.08

	927,875.18	263,270.37	119,145.55
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Net Receipts/(Payments)

	1,672,184.88	(106,071.84)	155,113.04
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MADE UP AS FOLLOWS

VAT Receivable (Subt. to 7.1428% Limit)	68,109.96	3,100.10	71,210.06
Clients Premium Account	82.55	3,178.32	3,260.87
ISA Interest Bearing	1,738,894.71	(142,393.61)	1,596,501.10
Vat Control Account	(134,902.34)	30,043.35	(104,858.99)
	1,672,184.88	(106,071.84)	1,566,113.04

Appendix B. Joint liquidators' professional fees breakdown for the period 21 March 2012 to 20 March 2013

Pacific Continental Securities (UK) Limited
Breakdown of time spent by Smith & Williamson LLP employees
for the period 21 March 2012 to 20 March 2013

Classification of work function	Hours					Total hours	Time cost	Average hourly rate
	Director	Associate director	Manager/ Assistant Manager	Senior Administrator/ Administrator	Assistants & support staff			
Administration and planning								
Statutory returns, reports & meetings	0.00	2.00	1.70	12.35	0.00	16.05	3,480.00	216.82
Cashiering general, including bonding	0.50	2.25	18.80	0.60	4.50	26.65	5,573.75	209.15
Job planning, reviews and progression (inc 6 month reviews and planning meetings, checklist & diary)	0.00	3.00	0.20	19.85	0.00	23.05	5,015.00	217.57
Post-appointment taxation (VAT, PAYE/NIC, Corp Tax that are not trading related)	0.00	10.15	0.00	7.75	0.00	17.90	4,950.25	276.55
Director/manager review, approval and signing	0.20	1.50	0.00	0.00	0.00	1.70	590.50	347.35
Other	0.00	3.00	0.00	18.40	4.50	25.90	4,977.50	192.18
Realisation of assets								
Debtors not financed (includes reassigned debtors)	0.00	3.25	0.00	0.00	0.00	3.25	1,088.75	335.00
Stock	0.00	2.25	0.00	0.25	0.00	2.50	803.75	321.50
Other chattel assets	0.00	3.45	0.00	0.00	0.00	3.45	1,155.75	335.00
Other	0.00	4.00	0.00	23.30	0.00	27.30	6,000.00	219.78
Creditors								
Unsecured creditors	0.00	9.00	0.00	30.25	20.00	59.25	10,365.00	174.94
Creditors' committee	0.00	1.00	0.00	2.00	0.00	3.00	735.00	245.00
Director/manager review, approval and signing	0.00	2.50	0.00	0.00	0.00	2.50	837.50	335.00
Other	0.50	0.00	0.00	12.70	0.00	13.20	2,760.00	209.09
Case-Specific 1, Specific Creditors								
Specific creditors queries	0.00	42.95	0.00	11.05	0.00	54.00	16,598.25	307.38
Corporate Tax								
Corporate Tax	20.75	0.10	0.00	22.30	0.00	43.15	12,400.50	287.38
Forensics								
Company Secretary & Directorship	0.00	0.00	0.00	8.35	2.15	10.50	1,857.75	176.93
Total	21.95	90.40	20.70	169.15	31.15	333.35	79,189.25	237.56

Appendix C. Joint liquidators' professional fees breakdown from 21 March 2008 to 20 March 2013

Pacific Continental Securities (UK) Limited Breakdown of time spent by Smith & Williamson LLP employees for the period ended 20 March 2013

Classification of work function	Hours					Time cost	Average hourly rate	
	Partner	Associate Director	Manager/ Assistant Manager	Senior Administrator/ Administrator	Assistants & support staff			Total hours
Administration & planning								
Case planning, administrative set-up, Appointment notification, Maintenance of records, statutory reporting	52.30	114.45	194.50	383.00	27.40	771.65	£186,539.00	£241.74
Investigations								
SIP2 review, CDDA reports, Investigating antecedent transactions	0.00	0.70	8.40	42.35	0.00	51.45	£10,270.75	£199.63
Realisation of Assets								
Identifying, securing, insuring assets, Retention of title, Debt collection, Property, business and asset sales	1.00	60.65	94.95	208.20	0.00	364.80	£86,667.75	£237.58
Creditors								
Communication with creditors, Creditors' claims (including employees and other preferential creditors)	6.25	142.60	25.95	270.40	20.75	465.95	£105,083.25	£225.52
Specific Creditors queries Communication with creditors, Creditors' claims (including employees and other preferential creditors)								
	38.00	175.30	554.90	1,569.45	226.60	2,564.25	£511,617.25	£199.52
Company Secretary & Directorship								
	0.00	0.00	0.00	8.35	2.15	10.50	£1,857.75	£176.93
Corporate Tax								
	35.30	8.50	0.00	45.45	6.00	95.25	£24,916.25	£261.59
Totals	132.85	502.20	878.70	2,527.20	282.90	4,323.85	£926,952.00	£214.38

Appendix D. Charging, subcontractors and advisors information

INFORMATION IN RELATION TO THE JOINT LIQUIDATORS' USE OF STAFF, SUBCONTRACTORS AND ADVISORS, THE RECOVERY OF DISBURSEMENTS, AND DETAILS OF THE JOINT LIQUIDATORS' CHARGE OUT RATES

7.1.1. Policy

Detailed below is Smith & Williamson LLP's policy in relation to:

- Staff allocation and the use of subcontractors
- Professional advisors
- Disbursements

7.1.2. Staff allocation and the use of subcontractors

Our general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case.

The constitution of the case team will usually consist of a partner and a partner or associate director as joint office holders, a manager, and an administrator or assistant. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment. The charge out rate schedule below provides details of all grades of staff and their experience level.

On this case we have used the subcontractors as detailed below:-

Professional adviser	Nature of work	Fee basis
Hanson Tax and Payroll	Payroll and tax advice	Fixed fee
Penubra Partners Limited	Consultancy work	Fixed fee

7.1.3. SWIM

SWIM a company associated with Smith & Williamson LLP, has dealt with the sale of the shares. Payments to parties in which liquidators or their firm have an interest must be disclosed to, and approved by, creditors. SWIM's remuneration was approved by FSCS

I have detailed below SWIM's fee structure in relation to the sale of the Company's share portfolio.

%	Banding
1.85	up to £12,000
0.6	From £12,001 to £42,000
0.5	From £42,001 to £142,000
0.00	Balance

In addition, SWIM charge a regulatory of £1 PTM levy (for trades over £10,000) and a compliance charge of £10 that is applied at the time of contracting.

During the administration SWIM have drawn fees of £23,240.45 in relation to set up charges, transfer of assets fee and exit fees for selling the stock.

7.1.4. Professional advisors

On this assignment we have used the professional advisors listed below. We have also indicated alongside, the basis of our fee arrangement with them, which is subject to review on a regular basis.

Professional adviser	Nature of work	Fee basis
Palmers Data Technologies Limited	IT consultants	Annual fee
Cains Advocates Limited	Legal advice	Time costs
SJ Berwin LLP	Legal advice	Time costs
Saville & Co LLP	Legal advice	Time costs

Our choice was based on our perception of their experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of our fee arrangement with them.

7.1.5. Disbursements

Category 1 disbursements do not require approval by creditors. The type of disbursements that may be charged as a Category 1 disbursement to a case generally comprise external supplies of incidental services specifically identifiable to the case, such as postage, case advertising, invoiced travel and external printing, room hire and document storage. Also chargeable will be any properly reimbursed expenses incurred by personnel in connection with the case. Please note that in some circumstances storage costs may be Category 2 disbursements.

Category 2 disbursements do require approval from creditors. These are costs incurred in connection with the appointment but may not be invoiced directly to the case. They may also include payments made to parties who are not strictly independent and may also include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis, such as internal room hire, document storage or business mileage. No Category 2 disbursements have been drawn.

Since 7 July 2012 our policy is to recover two types of Category 2 disbursement, namely business mileage at HM Revenue & Customs' approved mileage rates at the relevant time and document storage provided by a third party where we have not been invoiced specifically to the case. Prior to that, approval may have been obtained to recover other types of Category 2 disbursements.

7.1.6. Charge out rates

A schedule of Smith & Williamson LLP's charge out rates was issued to creditors at the time the basis of the liquidators' remuneration was approved. Please see attached for a schedule of Smith & Williamson LLP's current charge out rates for the Restructuring & Recovery and Corporate Tax departments. Time is recorded in a minimum of three minute units at the charge out rate prevailing at the time the work is performed.

Smith & Williamson LLP Restructuring & Recovery Charge out rates listed by staff classification	
	£
Partner	440-500
Associate Director	335 - 420
Senior Manager	275-325
Manager	265-310
Assistant Manager	235-250
Administrator	140-200
Assistants and support staff	65-250

**Smith & Williamson LLP
Corporate Tax
Charge out rates listed by staff classification**

	£
Partner	435-520
Associate Director	340-350
Senior Manager	285
Manager	235
Assistant Manager	180
Senior	155
Tax Trainee	80-100