

# Smith & Williamson

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**TO ALL KNOWN MEMBERS AND CREDITORS**

1 June 2010

Our Ref:  
SRC/JEM/DM/PA785-12

Dear Sir/Madam

**Pacific Continental Securities (UK) Limited in Liquidation) (“the Company”)**

Further to my appointment as Joint Liquidator of the Company on 21 March 2008, please find enclosed formal notice of the second annual meetings of the members and creditors of the Company, issued pursuant to Section 105 of the Insolvency Act 1986.

The meetings are to be held at the offices of Smith & Williamson Limited, 25 Moorgate, London EC2R 6AY on 15 June 2010 at 1:00pm and 1:15pm respectively, for the purposes of receiving an account of the Joint Liquidators’ acts and dealings and of the conduct of the winding-up to date. I enclose a copy of the report to be laid before the meetings.

Attendance at the meetings is not obligatory, as the enclosed report will be presented to the meetings. A form of proxy is enclosed for those creditors wishing to appoint a representative to attend in their place.

Please contact Robin Crimp of this office should you have any queries regarding the above.

Yours faithfully



Stephen Cork  
Joint Liquidator

Directors acting as insolvency practitioners contract without personal liability  
Stephen Cork is licensed to act as an insolvency practitioner by the Insolvency Practitioners Association  
Joanne Milner is licensed to act as an insolvency practitioner by the Institute of Chartered Accountants in England and Wales

**Smith & Williamson Limited**

Registered in England at 25 Moorgate, London, EC2R 6AY No. 4534022  
Regulated by the Institute of Chartered Accountants in England and Wales for a range of business activities  
Smith & Williamson Limited is a member of Nexia International, a worldwide network of independent accounting firms



Insolvency Act 1986 (Rule 8.1)  
Proxy (Creditors' Voluntary Winding Up)

**Pacific Continental Securities (UK) Limited  
(in Creditors' Voluntary Liquidation)**

Please give full name and address for communication

Name of Creditor/Member .....

Address .....

.....

.....

.....

Please insert name of person (who must be 18 or over) or the "Chairman of the meeting". Please note that if you nominate the Chairman of the meeting to be your proxy-holder, he will be the current Liquidator. If you wish to provide for alternative proxy-holders in the circumstance that your first choice is unavailable 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. has no discretion).

I appoint the above person to be my proxy-holder at the meeting of creditors/members to be held on 15 June 2010 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**

This form must be signed

Signature .....

Date .....

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

Name (in CAPITAL LETTERS) .....

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

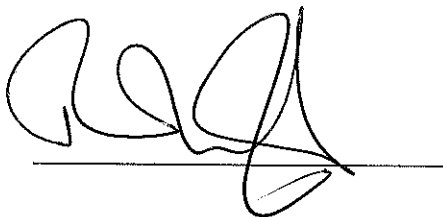
**NOTICE OF ANNUAL GENERAL MEETING**

**PACIFIC CONTINENTAL SECURITIES (UK) LIMITED  
(IN CREDITORS' VOLUNTARY LIQUIDATION)**

NOTICE IS HEREBY GIVEN pursuant to Section 105 of the Insolvency Act 1986 that Annual General Meetings of members and creditors of the above-named Company will be held at offices of Smith & Williamson, 25 Moorgate, London EC2R 6AY on 15 June 2010 at 1:00pm and 1:15pm respectively, for the purposes of receiving an account of the Joint Liquidators' acts and dealings and of the conduct of the winding up during the preceding year.

Any member or creditor entitled to attend and vote at either of the above Meetings is entitled to appoint a proxy to attend and vote instead of him. Such proxy need not be a Member or Creditor of the Company. Proxies to be used at the Meetings must be lodged with the Joint Liquidators no later than 12.00 noon on the business day preceding the Meetings.

Dated this    day of June 2010

A handwritten signature in black ink, appearing to be 'S. Cork', written over a horizontal line.

Stephen Cork  
Joint Liquidator

**Smith & Williamson**

**Joint Liquidators' Annual  
Report pursuant to Section  
105 of the Insolvency Act  
1986**

For the Period 21 March 2009 to 20 March  
2010

**PACIFIC CONTINENTAL SECURITIES  
(UK) LIMITED (IN CREDITORS'  
VOLUNTARY LIQUIDATION)**

1 June 2010

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## 1. Introduction

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As the second anniversary of the commencement of the Liquidation has recently passed, I am obliged to report to you on the progress of the Liquidation. I now set out below an account of my acts and dealings during the year.

## 2. Receipts and Payments

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Appendix I to this report is a summarised account of my receipts and payments for the period 21 March 2009 to 20 March 2010 upon which I comment below: -

### Receipts

A total of £7,650 was received in respect of outstanding book debts.

£510,185.57 was received in respect of a cash balance held in an American Investment firm. Further details in respect of this receipt are provided below.

A total of £91,725, representing the closing balance of the Administration bank account, was transferred to the Liquidation.

A total of £744.63 was received in gross bank interest. Interest of £2,503.86 has been received in respect of funds held in relation to Saxo clients. Commission of £7,905 has been received from Man Financial in relation to client funds.

An amount of £29,426.25 has been received from Man Financial in respect of Insurance Commissions.

### Payments

The funds expended in this matter have been principally used in the discharging of the costs and expenses of the Liquidation. Significant payments have been made in respect of Legal fees of £211,374.17, Administrators Fees and Expenses of £9,200.38 and IT Consultation fees of £3,479.20 and Irrecoverable VAT of £106,004.06.

## 3. Statutory Matters

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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.

## 4. Investigations

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I have reviewed the books and records of the Company and complied with my statutory duty to make enquiries into the formation, trading and demise of the Company, and the conduct of the directors. My findings, which are confidential, have been duly conveyed to the Secretary of State for Trade and Industry.

Following an investigation by the Financial Services Authority, the former chief executive of the Company, Mr Steven Griggs, and its former finance director, Mr Charles Weston, have been banned and fined £80,000 and £95,000 respectively for their roles in serious failures in the Company which led to customers buying high risk shares without suitable advice.

Mr Griggs is banned from carrying out any "significant influence" functions while Mr Weston is banned from carrying out any "regulated activities".

In addition to the action taken against the Directors, the Financial Services Authority has sanctioned various former employees for their actions while employed by the Company.

## 5. Creditors' and Investors' Claims

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### Ordinary Unsecured Creditors' claims

The directors' statement of affairs at 20 June 2007 showed that creditors who were not clients of the Company were estimated to be owed £1,041,674.95. The Joint Liquidators have not adjudicated any creditors' claims to date.

### Investors' claims

A total of 4,300 investor claims with an estimated value of £65,580,390 have been received by the Joint Liquidators since the Company was initially placed in Administration on 20 June 2007. Further information in relation to this matter is set out below.

## 6. Outstanding Matters

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### Sale of business

As advised in my previous reports, a large part of the Company's business and certain assets were sold on 27 June 2007 to a Company now known as Brooklands Securities Limited ("Brooklands"). Brooklands has failed to meet its payment obligations under the sale agreement, and under the powers contained in the floating charge granted to the Company on completion of the sale agreement, the Joint Liquidators have appointed Norman Cowan and Andrew Dix, of Wilder Coe Chartered Accountants as Joint Administrators of Brooklands on 9 March 2009 which was subsequently converted into a Creditors Voluntary Liquidation on 1 March 2010.

We understand that the Liquidator is continuing his investigations but as yet, there is no certainty that there will be a dividend to unsecured creditors.

### **Client interests- Investor claims**

The client assets were held on trust in the Company's nominee company prior to our appointment. As discussed in previous reports, we have been unable to reconcile investor claims to the assets held in the nominee company. This means that we are unable to return shares to clients.

Clients who have not assigned their claim to the Financial Services Compensation Scheme ("FSCS") (by accepting any offer of compensation) could claim for a pro-rata distribution of the client assets. At a current market valuation, investors would receive a distribution of approximately 10p/£ (before the deduction of liquidation and other costs). It is crucial to note however that once the assets are placed on the market for sale, the price obtainable for the shares will decrease given the increase in supply and therefore we cannot accurately state what a client creditor could receive from any dividend payable. It is also important to note that given the quantity of shares held, any sale process would take some time to avoid flooding the market with the shares which would also decrease the share price.

Since the decision was made to place on hold the directions applications, the strategy in relation to client claims and client assets has been to assess how many claims are received by the FSCS to determine how to deal with the shares. Given that the FSCS has now paid compensation to clients in the order of £53,314,512 they are the largest creditor of the Company. At this stage, we intend to consult with the FSCS the best method for liquidating the stock as they will be the majority claimant on those assets.

### **Book and other debts**

The dispute surrounding an outstanding debt due from Pacific Continental Securities (IOM) Limited ("PCSIOM") has not been settled. This matter is continuing to be pursued and the Joint Liquidators are currently considering whether to issue formal winding up proceedings

The dispute surrounding an outstanding debt due from Pacific Continental Securities (Australia) Limited ("PCSAL") remains ongoing. The Joint Liquidators are currently in discussions with PCSAL as to the quantum of the claim.

## **7. Joint Liquidators' Analysis of Time Costs**

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Appendix II to this report is an analysis of that time, prepared in accordance with the requirements of Statement of Insolvency Practice 9 ("SIP 9").

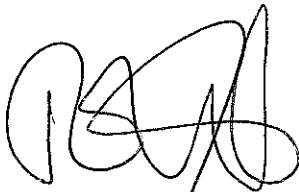
A total of 3,241 hours, to a value of £658,988.50 had been expended on the administration of the Liquidation to 20 March 2010.



## 8. Meetings convened pursuant to Section 105 of the Insolvency Act 1986

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I enclose notices of the meetings of members and creditors, which I am obliged to convene under the provisions of Section 105 of the Insolvency Act 1986. Attendance is not obligatory, and the report that will be provided is as outlined above.



**Stephen Cork**

**Joint Liquidator**

Directors acting as insolvency practitioners contract without personal liability.

Stephen Cork is licensed to act as an insolvency practitioner by the Insolvency Practitioners Association.

Joanne Milner is licensed by the Institute of Chartered Accountants in England and Wales.

## Appendix I Joint Liquidators' Abstract of Receipts & Payments for the period 21 March 2008 to 20 March 2010

	From 21/03/08 To 20/03/09 £	From 21/03/09 to 21/03/2010 £	Total £
<b>ASSET REALISATIONS</b>			
Cash on Hand	5,277.17	7,650.00	12,927.17
Cash at Bank	91,724.82	0.00	91,724.82
Transfer of VAT from Admin	106,658.83	0.00	106,658.83
Sloane Securities	0.00	510,185.57	510,185.57
DTI Interest Gross	0.00	717.17	717.17
Bank Interest Gross	417.05	27.46	444.51
Insurance Commissions	0.00	29,426.25	29,426.25
Saxo Account Interest	61,009.41	2,503.86	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	0.00	7,905.00	7,905.00
N Alexander Transfer	0.00	217,027.11	217,027.11
	308,072.76	775,442.42	1,083,515.18
<b>COST OF REALISATIONS</b>			
DTI Banking Fees	60.00	89.00	149.00
DTI BACS Fees	0.15	0.30	0.45
DTI Cheque Fees	0.80	6.00	6.80
Administrators' Expenses	0.00	2,426.68	2,426.68
Administrator's Fees	171,993.03	6,723.40	178,716.43
Committee Expenses	0.00	65.20	65.20
Company searches	0.00	4.00	4.00
Travel Costs	0.00	36.86	36.86
IT Consultation Fees	8,470.00	2,100.20	10,570.20
IT Consultation Expenses	1,023.40	155.00	1,178.40
Legal Fees	5,346.00	211,374.17	216,720.17
Legal Expenses	120.30	2,670.08	2,790.38
Corporation Tax	0.00	143.43	143.43
Irrecoverable VAT	103,607.08	7,140.36	110,747.44
Accountancy Fees	900.00	0.00	900.00
Consultancy Fees	3,250.00	0.00	3,250.00
Storage Costs	3,811.80	2,219.96	6,031.76
Postage & Redirection	74.75	78.10	152.85
Statutory Advertising	296.19	0.00	296.19
Rents Payable	5,831.36	0.00	5,831.36
Bank Charges	170.81	6.00	176.81
	304,955.67	235,238.74	540,194.41
<b>UNSECURED CREDITORS</b>			
Trade & Expense Creditors	855.08	0.00	855.08
	(855.08)	0.00	(855.08)
Balance	2,262.01	540,203.68	542,465.69

## Appendix II

## Joint Liquidators' professional fees breakdown for the period 21 March 2008 to 20 March 2010

Classification of work function	Hours					Time cost £	Average hourly rate £
	Director	Associate Director/ Manager	Other Senior Professionals	Assistants & support staff	Total hours		
Administration & Planning	26.40	59.50	262.15	86.95	435.00	103,471.75	237.87
Investigations	0.00	0.70	44.70	5.95	51.35	10,250.75	199.63
Realisation of Assets	0.00	36.50	201.95	15.15	253.60	57,491.25	226.70
Creditors	1.00	94.75	101.85	132.35	329.95	72,378.50	219.36
Clients	20.50	160.90	1,086.10	903.75	2,171.25	415,396.25	191.32
<b>Totals</b>	<b>47.90</b>	<b>352.35</b>	<b>1,696.75</b>	<b>1,144.15</b>	<b>3,241.15</b>	<b>658,988.50</b>	<b>203.32</b>