

Liquidator's Progress Report**Pursuant to Sections 92A, 104A and 192 of the
Insolvency Act 1986****S.192**

To the Registrar of Companies

Company Number

003767412

Name of Company

(a) Insert full name
of company

(a) Southern Pacific Funding 5

(b) Insert full name(s)
and address(es)

We (b)

Bruce Mackay
Baker Tilly Restructuring and
Recovery LLP
25 Farringdon Street
London EC4A 4ABand Matthew Haw
Baker Tilly Restructuring and
Recovery LLP
25 Farringdon Street
London EC4A 4ABthe liquidator(s) of the company attach a copy of our Progress Report
under section 192 of the Insolvency Act 1986The Progress Report covers the period from 29 July 2013 to 28 July
2014

Signed

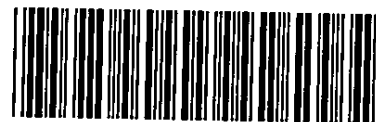


Date

26/09/14

Presenter's name,
address and
reference
(if any)Baker Tilly Restructuring and Recovery LLP, 25 Farringdon Street,
London EC4A 4AB
Ref BAM/MBO/SLI/QYLBSPF5

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COMPANIES HOUSE

**IN THE MATTER OF
SOUTHERN PACIFIC FUNDING 5 - IN MEMBERS' VOLUNTARY LIQUIDATION
("THE COMPANY")**

JOINT LIQUIDATORS' PROGRESS REPORT

26 SEPTEMBER 2014

**BRUCE MACKAY AND MATTHEW ROBERT HAW
JOINT LIQUIDATORS**

**BAKER TILLY RESTRUCTURING AND RECOVERY LLP
25 FARRINGDON STREET
LONDON EC4A 4AB**

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1. PURPOSE OF REPORT

This report has been prepared in accordance with insolvency legislation to provide members and the Registrar of Companies with information relating to the progress of the liquidation in the period from 29 July 2013 to 28 July 2014

This report has been prepared solely to comply with the statutory requirements of Section 92A of the Insolvency Act 1986 and Rule 4.49C of the Insolvency Rules 1986 (as amended). It has not been prepared for use in respect of any other purpose, or to inform any investment decision in relation to any debt or financial interest in the company. Neither the Joint Liquidators nor Baker Tilly Restructuring and Recovery LLP accept any liability whatsoever arising as a result of any decision or action taken or refrained from as a result of information contained in this report

2. PROGRESS OF THE LIQUIDATION IN THE PREVIOUS TWELVE MONTHS

2.1. Realisation of Assets

The Declaration of Solvency details a cash at bank balance in the sum of £6,466,977 and the funds were held at the Company's pre appointment bank account with Citibank. Following a written request from the Joint Liquidators a balance of £6,468,807 was transferred to the liquidation account

During the year to 28 July 2014 bank interest of £1,706 has been received on the funds held in the liquidation account. The investment of funds is periodically reviewed to ensure that the rate of interest received is favourable.

The Declaration of Solvency shows a small debtor position with a mortgage services company called Acenden Limited in the sum of £1,251. After contacting Acenden and notifying them of the liquidation three debtor payments have been received totalling £12,812. We are currently investigating whether further realisations can be expected from this source

2.2. Tax Matters

Lehman Brothers Limited ("LBL") has prepared the Company's pre-appointment Corporation Tax returns for the following periods -

1 December 2011 to 30 November 2012; and
1 December 2012 to 28 July 2013.

Both returns have been submitted to HM Revenue & Customs ("HMRC") who have acknowledged receipt of the returns and have agreed that no tax liability is due for the periods of the returns.

The Company was a member of the LBL VAT group and following appointment the Joint Liquidators wrote to HMRC requesting that the Company was removed from the VAT group. HMRC have confirmed that no VAT liability is due and that the Company has been removed from the VAT group with effect from the date of the Joint Liquidators' appointment.

2.3. Payments to Creditors

Shortly following appointment we advertised a notice to prove debts in the London Gazette giving potential creditors until 4 September 2013 to submit claims and no claims were received

Two small potential creditor claims are detailed in the Declaration of Solvency in the sum of £24,738 and in order to finalise the creditor position we issued a notice of intended dividend to the two potential creditors and asked them to submit a proof of debt form by 18 August 2014. Again no claims were received by the cut-off date

2.4. Administration and Planning

All statutory tasks have been completed in a timely manner including the drafting and circulation of appointment documentation, filing statutory forms at Companies House, maintaining the receipts and payments account and completing and submitting Corporation Tax returns to HMRC.

Case reviews have been conducted periodically in order to review case strategy and progression. At the time of a case review we also reconsider the level of the insolvency bond and review the investment of funds.

3. DISTRIBUTIONS TO SHAREHOLDERS

3.1. Distributions

An initial interim distribution of £5m was declared and paid to Lehman Brothers Holdings Inc (the sole shareholder of the Company) on 11 September 2013. Further details of the distribution can be found at Appendix H

Please note that an additional £1m distribution was paid to the shareholder on 19 August 2014, but as it falls outside the current reporting period it will be detailed in the Joint Liquidators' next progress report.

The Joint Liquidators anticipate making a further distribution when the liquidation is ready to be closed

4. MATTERS PREVENTING CLOSURE

4.1. Assets Remaining to be Realised

On review of the Company's books and records we discovered that the Company had an intercompany position with Southern Pacific Personal Loans Limited ("SPPL") and was due £31,836. SPPL is in liquidation with PwC and we have contacted PwC and lodged an unsecured claim in the SPPL liquidation. According to the last SPPL progress report the timing and quantum of any distribution to the unsecured creditors is currently uncertain

As stated in section 2.1 of this report we are currently investigating whether additional recoveries can be expected from Acenden.

4.2. Potential Claim for Compensation for Mis-selling of Interest Rate Hedging Product

As you may be aware, a settlement agreement was recently reached between the Financial Conduct Authority ("FCA") and certain major banks, in relation to the sale of interest rate hedging products. We are currently investigating whether or not the Company was sold a relevant Interest Rate Hedging Product, and whether there is an entitlement to redress whether inside the framework of the FCA settlement, or otherwise

The Joint Liquidators are aware that a number of banks are in the process of developing a methodology to implement the terms of the settlement reached with the FCA in respect of the sale of these products. Our understanding is that this process will take several months to refine and finalise and, until such time, our own investigations cannot be completed

Consequently, to ensure the Company's rights to any potential claim are protected, we are at present unable to conclude the Members Voluntary Liquidation.

5. RECEIPTS AND PAYMENTS SUMMARY

Attached at Appendix B is a summary of the Joint Liquidators Receipts and Payments for the period from 29 July 2013 to 28 July 2014.

VAT Basis

Receipts and payments are shown net of VAT, with any amount due to or from HMRC shown separately.

6. COSTS AND JOINT LIQUIDATORS' REMUNERATION

6.1. Joint Liquidators' Remuneration and Disbursements

The Joint Liquidators' remuneration was approved on a time cost basis by written resolution of the shareholders on 29 July 2013. We have incurred time costs of £17,694 since the date of our appointment. Of this, a total of £11,118 (plus VAT) has been paid and £6,576 remains outstanding.

Approval was also given to the drawing of disbursements, including category 2 disbursements. Details of the current rates are attached at Appendix D.

6.2. Remuneration and Disbursements incurred in the period from 29 July 2013 to 28 July 2014

Of the total figure to date of £17,694 per 6.1 above, we have incurred time costs of £16,228 in the reporting period to 28 July 2014. An analysis of time incurred in the period is attached at Appendix G. Details of the sums drawn in respect of remuneration in the period covered by this report are shown in the receipts and payments account (appendix B).

Category 2 disbursements incurred in the period are detailed in Appendix E.

7. JOINT LIQUIDATORS' STATEMENT OF EXPENSES

A statement of the expenses incurred during the period, is attached at Appendix F. This includes all expenses incurred by the Joint Liquidators in the period of the report irrespective of whether they have been paid or not and may include estimated amounts where actual invoices have not been received. The receipts and payments abstract at Appendix B sets out the expenses actually paid in the period.

On 29 July 2013 the shareholder passed a written resolution to approve the pre-liquidation advisory fees in the sum of £20,008 plus VAT incurred in assisting the directors in preparing a liquidation step plan, the Declaration of Solvency and liquidation documentation. £20,008 has been paid to Baker Tilly Restructuring and Recovery LLP.

Detailed cost breakdown

Attached to this report are three Appendices relating to the Joint Liquidators' costs on this assignment:

- Appendix C: A copy of Baker Tilly Restructuring and Recovery LLP's charging, expenses and disbursements policy statement
- Appendix D: Joint Liquidators' charge out and disbursement rates, and
- Appendix G: Joint Liquidators' time cost analysis;

The work that we do as Joint Liquidators is derived from the responsibilities placed upon us by the underlying legal and regulatory framework for work of this nature in general. The actual matters with which we are dealing are set out briefly in both this report and in our earlier reports to creditors.

We believe this case generally to be of average complexity and accordingly no extraordinary responsibility has to date fallen upon us as Joint Liquidators. The underlying basis of charging proposed to and approved by the creditors has been Baker Tilly Restructuring and Recovery LLP standard charge out rates. Baker Tilly Restructuring and Recovery LLP charge out rates are reviewed periodically.

8. MEMBERS' RIGHT TO INFORMATION AND ABILITY TO CHALLENGE REMUNERATION AND EXPENSES

In accordance with the provisions of Rules 4.49E and 4.148C of the Insolvency Rules 1986 members have a right to request further information about remuneration or expenses and to challenge such remuneration or expenses

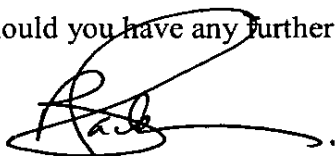
A request for further information must be made in writing within 21 days of receipt of this report.

Members of a company with at least 10% of the total voting rights of all members having the right to vote at general meetings of the company, or any members with the permission of the court, may apply to court that the remuneration charged, the basis fixed or expenses incurred by the liquidator are in all the circumstances excessive.

Any such challenge must be made no later than eight weeks after receipt of the report which first discloses the charging of remuneration or incurring of the expenses in question

If you would like a copy of A Shareholders Guide to Liquidator's Fees, please let us know.

Should you have any further queries please do not hesitate to contact us.



Bruce Alexander Mackay
Baker Tilly Restructuring and Recovery LLP
Joint Liquidator of Southern Pacific Funding 5

Bruce Mackay and Matthew Haw are licensed to act as Insolvency Practitioners in the UK by the Institute of Chartered Accountants in England and Wales

Appendix A**COMPANY INFORMATION**

Company Name	Southern Pacific Funding 5
Joint Liquidators	Bruce Mackay and Matthew Robert Haw
Date of Appointment	29 July 2013
Company Number.	03767412
Date of Incorporation	10 May 1999
Trading Name	N/a
Trading Address:	N/a
Principal Activity	64999 - Financial Intermediation not elsewhere classifield
Registered Office:	Baker Tilly Restructuring and Recovery LLP, 25 Farringdon Street, London EC4A 4AB

Appendix B

JOINT LIQUIDATORS' RECEIPTS AND PAYMENTS ACCOUNT

FOR THE PERIOD 29 JULY 2013 TO 28 JULY 2014

DofS Value £		29/07/2013 to 28/07/2014		Total to 28/07/2014	
		£	£	£	£
ASSET REALISATIONS					
0 00	Bank Interest Gross	1,705 63		1,705 63	
6,466,977 00	Cash at Bank	6,468,807 11		6,468,807 11	
1,251 00	Debtors (Pre-Appointment)	<u>12,811 54</u>		<u>12,811 54</u>	
			6,483,324 28		6,483,324 28
COST OF REALISATIONS					
0 00	Bank Charges	(30 00)		(30 00)	
0 00	Joint Liquidators' Disbursements	(1,280 00)		(1,280 00)	
0 00	Joint Liquidators' Fees	(11,118 00)		(11,118 00)	
0 00	Pre-Appointment Advisory Fees	(20,008 00)		(20,008 00)	
0 00	Statutory Advertising	(226 11)		(226 11)	
0 00	Storage Costs	<u>(20 00)</u>		<u>(20 00)</u>	
			(32,682 11)		(32,682 11)
UNSECURED CREDITORS					
(24,738 00)	Trade and Expense Creditors	<u>0 00</u>		<u>0 00</u>	
			0 00		0 00
EQUITY					
(2 00)	Ordinary	<u>(5,000,000 00)</u>		<u>(5,000,000 00)</u>	
			(5,000,000 00)		(5,000,000 00)
6,443,488 00			<u>1,450,642 17</u>		<u>1,450,642 17</u>
REPRESENTED BY					
	Bank - (BoS)		1,444,111 75		
	VAT Receivable (Payable)		<u>6,530 42</u>		
				<u>1,450,642 17</u>	
				<u>1,450,642 17</u>	

Appendix C

BAKER TILLY RESTRUCTURING AND RECOVERY LLP

CHARGING, EXPENSES AND DISBURSEMENTS POLICY STATEMENT

Charging policy

- Partners, directors, managers, administrators, cashiers, secretarial and support staff are allocated an hourly charge out rate which is reviewed from time to time
- Work undertaken by cashiers, secretarial and support staff will be or has been charged for separately and such work will not or has not also been charged for as part of the hourly rates charged by partners, directors, managers and administrators
- Time spent by partners and all staff in relation to the insolvency estate is charged to the estate.
- Time is recorded in 6-minute units at the rates prevailing at the time the work is done
- The current charge rates for Baker Tilly Restructuring and Recovery LLP London are attached
- Time billed is subject to Value Added Tax at the applicable rate
- It is the office holder's policy to ensure that work undertaken is carried out by the appropriate grade of staff required for each task, having regard to its complexity and the skill and experience actually required to perform it.
- Baker Tilly Restructuring and Recovery LLP's charge out rates are reviewed periodically

Expenses and disbursements policy

- Only expenses and disbursements properly incurred in relation to an insolvency estate are re-charged to the insolvency estate
- Expenses and disbursements which comprise external supplies of incidental services specifically identifiable to the insolvency estate require disclosure to members, but do not require members' approval prior to being drawn from the insolvency estate. These are known as "Category 1" disbursements.
- Expenses and disbursements which are not capable of precise identification and calculation (for example any which include an element of shared or allocated costs) or payments to outside parties that the firm or any associate has an interest in, require the approval of members prior to being drawn from the insolvency estate. These are known as "Category 2" disbursements
- A resolution to consider approving "Category 2" disbursements at the rates prevailing at the time the cost is incurred to Baker Tilly Restructuring and Recovery LLP London will be proposed to the relevant parties responsible for approving remuneration.
- General office overheads are not re-charged to the insolvency estate as a disbursement.
- Any payments to outside parties in which the office holder or his firm or any associate has an interest will only be made with the approval of the relevant parties responsible for approving remuneration
- Where applicable, expenses and disbursements re-charged to or incurred directly by an insolvency estate are subject to VAT at the applicable rate.

Appendix D

BAKER TILLY RESTRUCTURING AND RECOVERY LLP – LONDON

JOINT LIQUIDATORS' CURRENT CHARGE OUT AND CATEGORY 2 DISBURSEMENT RATES

HOURLY CHARGE OUT RATES		
	Rates at commencement £	Current rates £
Partner	485	485
Directors / Associate Directors	300-410	300-410
Manager	250-265	250-265
Assistant Managers	200-220	200-220
Administrators	180	180
Support staff	105	105

“CATEGORY 2” DISBURSEMENT RATES	
Internal room hire	£250 per part day
Subsistence	£25 per night (from 3 rd September 2013) £23 per night (up to 2 nd September 2013)
Travel (car)	38p per mile (up to and including 31 March 2010) 40p per mile (from 1 April 2010) 42.5p per mile (from 1 April 2011)
“Tracker” searches	£10 per case

Appendix E

JOINT LIQUIDATORS' CATEGORY 2 DISBURSEMENTS TABLE

Amounts paid or payable to the Office Holder's firm or to any party in which the office holder or his firm or any associate has an interest		
Recipient, Type and Purpose	Paid	Unpaid
	£	£
None for the period of this report	Nil	Nil
Total	Nil	Nil

Appendix F

STATEMENT OF EXPENSES INCURRED BY THE JOINT LIQUIDATORS' IN THE PERIOD FROM 29 JULY 2013 TO 28 JULY 2014

Type and Purpose	Incurred in Period
	£
Bank Charges (Paid)	30 00
Joint Liquidators' Disbursements (Paid)	1,280 00
Joint Liquidators' Fees (Paid)	11,118 00
Joint Liquidators' Fees (Unpaid)	6,576 00
Pre-Appointment Advisory Fees (Paid)	20,008 00
Statutory Advertising (Paid)	226 11
Storage Costs (Paid)	20 00
Total	39.258.11

Appendix G

JOINT LIQUIDATORS' TIME COST ANALYSIS

FOR THE PERIOD FROM 29 JULY 2013 TO 28 JULY 2014

Hours Spent	Partners	Directors / Associate Directors	Managers	Assistant Managers	Administrators	Assistants & Support Staff	Total Hours	Total Time Costs	Average Rates
Administration and Planning									
Appointment	1.1	0.0	0.0	3.0	0.0	0.0	4.1	£ 1,193.50	291.10
Background information	0.0	0.0	0.0	0.0	0.2	0.0	0.2	£ 31.00	155.00
Case Management	1.4	3.5	0.1	10.1	0.5	2.1	17.7	£ 4,660.50	263.31
Director(s)/debtor/bankrupt	0.3	0.0	0.0	1.6	0.0	0.0	1.9	£ 497.50	261.84
Post-appointment - general	0.0	5.0	0.0	2.5	0.0	0.0	7.5	£ 2,600.00	346.67
Pre-appointment matters	0.0	0.0	0.0	0.5	0.0	0.0	0.5	£ 110.00	220.00
Receipts and Payments	0.0	1.0	0.0	4.7	7.8	0.0	13.5	£ 2,653.00	196.52
Tax Matters	0.2	0.0	0.0	3.6	0.0	0.0	3.8	£ 889.00	233.95
Total	3.0	9.5	0.1	26.0	8.5	2.1	49.2	£ 12,634.50	256.80
Realisation of Assets									
Assets - general/other	0.5	0.0	0.0	0.3	0.0	0.0	0.8	£ 308.50	385.63
Debtors & sales finance	0.0	0.0	0.0	3.2	0.0	0.0	3.2	£ 704.00	220.00
Total	0.5	0.0	0.0	3.5	0.0	0.0	4.0	£ 1,012.50	253.13
Creditors									
Unsecured Creditors	0.0	0.5	0.0	3.1	0.0	0.0	3.6	£ 887.00	246.39
Total	0.0	0.5	0.0	3.1	0.0	0.0	3.6	£ 887.00	246.39
Case Specific Matters - Shareholders									
Shareholders / Members	0.2	2.5	0.0	2.6	0.0	0.0	5.3	£ 1,694.00	319.62
Total	0.2	2.5	0.0	2.6	0.0	0.0	5.3	£ 1,694.00	319.62
Total Hours	3.7	12.5	0.1	35.2	8.5	2.1	62.1	£ 16,228.00	261.32
Total Time Cost	£ 1,794.50	£ 5,125.00	£ 26.50	£ 7,744.00	£ 1,317.50	£ 220.50	£ 16,228.00		
Average Rates	485.00	410.00	265.00	220.00	155.00	105.00	261.32		

Please note that we have re-designed our SIP9 analysis table to provide a more detailed analysis of the grades of staff within the firm. Please note that this change does not alter the value of time costs recorded, purely the column within the table to which that time, and cost, has been allocated.

NOTES TO APPENDIX G

JOINT LIQUIDATORS' TIME COST ANALYSIS

a) Administration and Planning

This includes dealing with the commencement of the case administration, together with day-to-day case administration duties, maintenance of records and ongoing statutory obligations. These include but are not limited to handling receipts and payments, VAT and Income tax issues, pension queries and general correspondence. Other matters which are required to be dealt with as part of the appointment and which will fall under this heading include case planning and strategy, case reviews, bonding, maintenance and obtaining books and records, general meetings / correspondence, statutory and other advertising, insurance, re-directed mail, and statutory reports.

b) Investigations

Where appropriate this will include such matters as investigation of pre-appointment transactions in accordance with the relevant Statement of Insolvency Practice (SIP 2), and the investigation of any potential antecedent transactions such as transactions at under value and preferences which may result in legal action resulting in a recoverable asset.

c) Realisation of Assets

This includes dealing with all aspects of the realisation of assets including identifying, securing and insuring assets, and (where applicable), property, business and asset sales, retention of title claims and debt collection. Other matters dealt with during the case administration which will relate to asset realisation may commonly include effecting disclaimers, dealing with landlords, liaising with agents, undertaking inventories, meetings with purchasers / directors, arranging collection of leased assets, obtaining insurance, pursuing antecedent claims identified as part of the investigation work set out above. Details of the specific asset realisation work undertaken on this case are set out in the main body of the report. Asset realisation is considered to be a key aspect of the case administration.

d) Trading

Where the business of the company has been traded (by the liquidator(s)) following the appointment our staff will have had to set up accounts with suppliers in order to trade on an ongoing basis. Payments to suppliers and general correspondence with these have been undertaken. Where trading has ceased, accounts will have been closed and final bills paid. Other matters will also have been dealt with in accordance with the usual trading obligations such as dealing with employees and payroll.

e) Creditors

Queries from and correspondence with creditors and employees have been necessary aspects of the case administration process. Reports to creditors are also an important part of ongoing matters relating to this aspect of the case.

f) Case Specific Matters

Any case specific matters will generally be set out in the body of the report but will commonly include meetings, correspondence and telephone calls relating to specific issues in the case which do not fall into any of the categories set out above and are specific to the case in question. This may include work done in relation to litigation, general advice or other major issues.

Appendix H

TABLES OF CASH DISTRIBUTIONS MADE TO THE SHAREHOLDER

A. Cash Distributions

Date	£ per share	Value of Distribution £
19 August 2014	2,500,000	5,000,000
Total		5,000,000

Please note that an additional £1m distribution was paid to the shareholder on 19 August 2014, but as it falls outside the reporting period it will be detailed in the Liquidators' next progress report.