

Southern Pacific Funding I Limited

Report and Financial Statements

30 November 2013

Registered No. 03271135

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COMPANIES HOUSE

Southern Pacific Funding I Limited

Registered No. 03271135

Director

L Brandon

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Registered Office

Level 23
25 Canada Square
London
E14 5LQ

Strategic report

The Director presents his strategic report for the year ended 30 November 2013.

Business review

The Company has made a profit after tax of £183,759 (2012: loss of £55,816) from financing mortgage loans originated by its parent company Southern Pacific Mortgage Limited.

The results for the year are shown in the profit and loss account on page 8.

On 2 April 2008, Southern Pacific Mortgage Limited, the immediate parent company, announced a suspension of their mortgage lending activities.

On 15 September 2008, the ultimate parent Lehman Brothers Holdings Inc., filed for Chapter 11 bankruptcy protection.

On 23 September 2008 the intermediate parent undertaking Mable Commercial Funding Limited (in administration) was placed into administration.

On 23 September 2008, the principal funder of the company Storm Funding Limited (in administration) was placed into administration.

On 6 December 2011, the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") confirmed the modified Third Amended Joint Chapter 11 Plan for Lehman Brothers Holdings Inc. and its Affiliated Debtors (the "Plan") and on 6 March 2012, the "Effective Date" (as defined in the Plan) occurred. As a result of the effectiveness of the Plan, Lehman Brothers Holdings Inc. and its Affiliated Debtors ("Other Debtors"), those entities which also filed for Chapter 11 protection in the Bankruptcy Court) have emerged from bankruptcy. Following these, distributions were made and Southern Pacific Mortgages Limited received cash payments from its receivable from Affiliated Debtors.

In December 2012 the Company sold its mortgages to Southern Pacific Mortgage Limited, paid the funding it received from Storm Funding Limited (in administration) and it is the Director's intention that the Company will be placed into a member's voluntary liquidation in the next 12 months. The Director therefore does not consider the Company to be a going concern and hence, the financial statements have been prepared on a break up basis. The impact of this is disclosed in note 1 of the financial statements.

Principal risks and uncertainties

Financial instrument risks

The financial instruments held by the Company comprise mortgages, borrowings and trade creditors that arise directly from its operations.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are credit risk, interest rate risk and liquidity risk. The Director reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged from the previous financial year.

Credit risk

Credit risk is the risk that borrowers will not be able to meet their obligations as they fall due. The ongoing credit risk of the mortgage portfolio (and particularly in respect of accounts in arrears) as well as intercompany debtors is closely monitored by the Director.

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under different bases or which reset at different times. The Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of its assets and liabilities are similar.

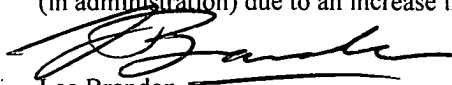
Strategic report

Principal risks and uncertainties (continued)

Liquidity risks

The Company manages its liquidity in conjunction with its funding provider, Storm Funding Limited (in administration). The Company uses interest and principal received from mortgage loans to repay interest and principal owed to its funding provider.

The Company is currently in breach of the terms of the funding agreement with Storm Funding Limited (in administration) due to an increase in the level of losses on the redemption of some loans.


Lee Brandon

Director

Date: 26th August 2014

Company registered No. 03271135

Director's report

The Director presents his report and the audited financial statements for the year ended 30 November 2013.

Principal activities

The principal activity of the Company, which is a wholly owned subsidiary of Southern Pacific Mortgage Limited, is to warehouse residential mortgages originated or acquired by its parent company.

Dividend

The Director does not recommend the payment of a dividend for the current year (2012: £nil).

Director

The Director who held office during the year and after the year end was as follows:

L Brandon

Future developments

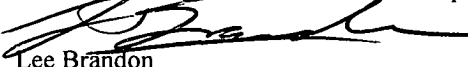
As a result of the suspension of the Company's mortgage origination activities and the bankruptcy of its ultimate parent, it is the Director's intention to enter into an orderly wind down of its assets and operations and/or seek a disposal of its assets and business.

Disclosure of information to the auditors

So far as the Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of the Company's auditor, the Director has taken all the steps that he is obliged to take as a Director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting in accordance with the provision of Section 485 of the Companies Act 2006.



Lee Brandon

Director

Date: 26th August 2014

Statement of director's responsibilities

The Director is responsible for preparing the Director's Report, the Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the Director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the Company for that period. In preparing these financial statements, the Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business. As explained in note 1, the director does not believe that it is appropriate to prepare these financial statements on a going concern basis.

The Director is responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Southern Pacific Funding I Limited

We have audited the financial statements of Southern Pacific Funding I Limited for the year ended 30 November 2013 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements have been prepared on a break-up basis as disclosed in note 1.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of director and auditors

As explained more fully in the Director's Responsibilities Statement set out on page 5, the Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies in the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 November 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report

to the members of Southern Pacific Funding I Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Amarjit Singh (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

Date: **28** August 2014

Profit and loss account

for the year ended 30 November 2013

	Notes	2013 £000	2012 £000
Interest receivable and similar income	2	-	19
Interest payable and similar charges	3	<u>(3)</u>	<u>(15)</u>
Net interest receivable		(3)	4
Other operating income	4	<u>-</u>	<u>1</u>
Net operating income		(3)	5
Operating expenses		<u>(26)</u>	<u>(76)</u>
Loss on ordinary activities before taxation	5	(29)	(71)
Tax on loss on ordinary activities	7	<u>212</u>	<u>15</u>
Profit/(loss) on ordinary activities after taxation	12	<u>183</u>	<u>(56)</u>

The profit for the year was derived from discontinuing operations.

There are no recognised gains or losses other than the profit attributable to the shareholder of the company of £183,000 in the year ended 30 November 2013 (2012: loss £56,000).

The notes on pages 10 to 15 form part of these financial statements.

Balance sheet

at 30 November 2013

	Notes	2013 £000	2012 £000
Current assets			
Debtors: Amounts falling due within one year	9	260	395
Cash at bank and in hand		-	684
		<u>260</u>	<u>1079</u>
Creditors: amounts falling due within one year	10	<u>(244)</u>	<u>(1,246)</u>
Net assets/(liabilities)		<u>16</u>	<u>(167)</u>
Capital and reserves			
Called up share capital	11	-	-
Profit and loss account	12	<u>16</u>	<u>(167)</u>
Shareholder's funds/(deficit)	13	<u>16</u>	<u>(167)</u>

The notes on pages 10 to 15 form part of these financial statements.

These financial statements were approved and signed by the Director.



L Brandon

Director

Date: 26th August 2014

Notes to the financial statements

at 30 November 2013

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and have been drawn up under the historical cost convention.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business review and future developments section of the Director's report. In addition, the company's financial risk management policies and objectives are set out in the Principal risks and uncertainties section of the Director's Report.

On 2 April 2008, Southern Pacific Mortgage Limited, the immediate parent company, announced a suspension of their mortgage lending activities.

On 15 September 2008, the ultimate parent Lehman Brothers Holdings Inc., filed for Chapter 11 bankruptcy protection.

On 23 September 2008 the intermediate parent undertaking Mable Commercial Funding Limited (in administration) was placed into administration.

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It is the intention of the Director to wind down the activities in an orderly fashion, and to realise the value of the remaining assets for cash. This was achieved with the sale of the Company's loan portfolio in December 2012. The Director therefore believes that it is appropriate to prepare the financial statements on a break up basis. Assets have been classified as current assets and the costs of closure will be borne by Southern Pacific Mortgage Limited. Mortgage loans were written down to their net realise value prior to sale with impairments recognised in the profit and loss account.

Mortgage loans

The outstanding mortgage loans which were stated at their net realisable value, being gross loans less provision for impairment were sold during the year.

Cash Flow Statement and Related Party Disclosure

The Company has taken advantage of the exemption under Financial Reporting Standards (FRS) 1 (revised) and has not produced a cash flow statement, since it is wholly owned subsidiary and its immediate parent undertaking, Resefan Limited, prepares consolidated financial statements that are publicly available and include a cash flow statement. The Company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Resefan Limited group.

Notes to the financial statements

at 30 November 2013

1. Accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transaction or events that result in an obligation to pay more, or a right to pay less tax in the future, have occurred at the balance sheet date.

Deferred tax assets are recognised only to the extent that the Director consider it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Turnover

The Company's turnover and trade are wholly within the United Kingdom and within a single market sector. Consequently, no segmental analysis has been prepared.

Interest

Receipts and payments of interest are accounted for on an accruals basis.

Redemption fee income

Redemption fees are receivable on mortgage loans when partially or fully repaid. The level of the fee is dependent on the specific product. The income is credited to the profit and loss account as received.

Sundry fee income

Borrowers may be charged fees as a result of specific information requests and where mortgage accounts fall into delinquency. This income is credited to the profit and loss account on an accruals basis.

Funding costs

Costs incurred in arranging funding facilities are amortised over the period of the facility. Unamortised costs are deducted from the associated liability in accordance with Financial Reporting Standard No.4 and costs amortised in the year are included in interest payable.

2. Interest receivable and similar income

	2013 £000	2012 £000
On mortgage loans	-	19

3. Interest payable and similar charges

	2013 £000	2012 £000
Interest payable on group related entity loan	3	15

Notes to the financial statements

at 30 November 2013

4. Other operating income

	2013 £000	2012 £000
Sundry fee income	-	1
	<u>-</u>	<u>1</u>

5. Profit on ordinary activities before taxation

This is stated after charging/ (crediting):

	2013 £000	2012 £000
Provision for mortgage losses	-	4
Auditors remuneration – audit of the financial statements	<u>22</u>	<u>20</u>

6. Information regarding directors and employees

The Company has no employees (2012: None). The Director of the Company is also Director of the holding company and fellow subsidiaries. The Director received total remuneration for the year of £98k (2012: £115k) all of which was paid by the holding company. The Director does not believe that it is practicable to apportion this amount between his services as Director of the company and his services as Directors of the holding and fellow subsidiary companies.

7. Tax on loss on ordinary activities

Analysis of tax credit in the year

	2013 £000	2012 £000
Current tax:		
UK corporation tax on loss for the year	-	(12)
Adjustments in respect of prior periods	<u>(212)</u>	<u>(3)</u>
Total current tax (note 7(b))	<u>(212)</u>	<u>(15)</u>
Tax on loss on ordinary activities	<u>(212)</u>	<u>(15)</u>

Notes to the financial statements

at 30 November 2013

7. Tax on loss on ordinary activities (continued)

Analysis of tax credit in the year (continued)

(b) Factors affecting the tax credit in the year

	2013 £000	2012 £000
Loss on ordinary activities before tax	<u>(29)</u>	<u>(71)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax of 23.33% (2012: 24.67%)	(7)	(17)
Effects of:		
Adjustments in respect of prior periods	(212)	-
Losses carried forward not utilised	7	5
Income received in respect of losses surrendered in prior years	-	(3)
	<u>(212)</u>	<u>(15)</u>
Current tax credit for year	<u>(212)</u>	<u>(15)</u>

Losses of £51,743 resulting in a deferred tax asset of £10,349 have not been recognised. The deferred tax asset has not been recognised due to the uncertainty as the Company is planning to go into voluntary liquidation.

The Finance Act 2013 enacted reductions in the rate of corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. The deferred tax has been measured at the rate that is expected to apply in the periods when the timing differences reverse and therefore the Company's deferred tax asset has been calculated using a rate of 20%.

8. Mortgage loans – net balances

	Mortgages £000	Mortgage loss provision £000	Total £000
At beginning of the year	676	(281)	395
Net movement	<u>(676)</u>	<u>281</u>	<u>(395)</u>
At end of the year	<u>-</u>	<u>-</u>	<u>-</u>

In 2012 the net mortgage loans of £395,111 that were held as security against loans from group undertakings referred to in note 10 were sold and the related loans from group undertakings were repaid.

Notes to the financial statements

at 30 November 2013

9. Debtors: amounts falling due within one year

	2013 £000	2012 £000
Mortgage loans:		
Net balances (note 8)	-	395
Amounts owed by group undertakings	260	-
	<u>260</u>	<u>395</u>

10. Creditors: amounts falling due within one year

	2013 £000	2012 £000
Amounts owed to group undertakings	212	799
Corporation Tax	-	424
Other creditors	32	23
	<u>244</u>	<u>1246</u>

In 2012 certain amounts owed to group undertakings of £669,894 were secured by a fixed charge over the assets of the Company, these amounts were repaid during the year.

11. Issued share capital

	2013 £	2012 £
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>1</u>	<u>1</u>

12. Profit and loss account

	2013 £000	2012 £000
Retained loss brought forward	(167)	(111)
Profit/(loss) for the year	<u>183</u>	<u>(56)</u>
Retained profit/(loss) carried forward	<u>16</u>	<u>(167)</u>

Notes to the financial statements

at 30 November 2013

13. Reconciliation of shareholder's funds/(deficit)

	2013 £000	2012 £000
Opening shareholder's deficit	(167)	(111)
Profit/ (loss) for the year	<u>183</u>	<u>(56)</u>
Closing shareholder's funds/(deficit)	<u>16</u>	<u>(167)</u>

14. Ultimate parent undertaking and controlling party

The Company is controlled by its parent undertaking Southern Pacific Mortgage Limited which is registered and operates in the United Kingdom.

The ultimate parent company of Southern Pacific Funding I Limited is Lehman Brothers Holding Inc., which is incorporated in the State of Delaware in the United States of America. On 15 September 2008, the ultimate parent undertaking Lehman Brothers Holdings Inc., filed for Chapter 11 bankruptcy protection.

The largest and smallest group in which the results of the Company are consolidated is that headed by Resetfan Limited registered in England and Wales. The consolidated financial statements of the group will be available from 23rd Floor, 25 Canada Square, London E14 5LQ.