

# **Preferred Group Limited**

## **Report and Financial Statements**

30 November 2005

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COMPANIES HOUSE

# Preferred Group Limited

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Registered No 4192432

## **Directors**

W Bilsborough  
D Gibb  
W Hinshelwood  
N Ingram  
C Rupp  
R Taylor

## **Secretary**

Clifford Chance Secretaries (CCA) Limited  
10 Upper Bank Street  
London E14 5JJ

## **Auditors**

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

## **Bankers**

Barclays Bank plc  
54 Lombard Street  
London EC3V 9EX

## **Registered Office**

6 Broadgate  
London  
EC2M 2QS

## Directors' report

The directors present their report and financial statements for the year ended 30 November 2005

### Activities

The Company acts as an investment holding company. This activity commenced with the acquisition of Preferred Mortgages Limited on 25 May 2001, of which it owns the entire issued share capital. The principal activity of Preferred Mortgages Limited is the provision of loans secured on properties in the United Kingdom.

### Future prospects

The directors are confident that the Company is well placed to continue its activities.

### Results

The result for the year is shown in the profit and loss account on page 5. In the year ended 30 November 2005 the Company's expenses were paid by a subsidiary company, Preferred Mortgages Limited and accordingly, the Company generated neither a profit or a loss. The directors do not recommend the payment of a dividend (30 November 2004 – £nil).

### Directors and their interests

The directors who held office during the year, or after the year end, were as follows:

G Fraser (resigned 9 November 2005)  
G Patellis (resigned 9 November 2005)  
J Webster (resigned 15 December 2005)  
A Attia (resigned 18 May 2006)  
W Bilsborough (appointed 9 November 2005)  
D Gibb (appointed 17 May 2006)  
W Hinshelwood (appointed 17 May 2006)  
N Ingram (appointed 9 November 2005)  
C Rupp (appointed 17 May 2006)  
R Taylor (appointed 9 November 2005)

During the year, none of the directors who held office, nor any of their families, held any beneficial interest in the shares of the company or of any group company.

### Policy and practice on payment of creditors

The Company does not follow any stated code on payment practice. It is the Company's policy to agree terms of payment with suppliers when agreeing the terms of each transaction and to abide by those terms. Standard terms provide for payment of all invoices within 30 days after the date of the invoice, except where different terms have been agreed with supplier at the outset. It is the policy of the Company to abide by the agreed terms of payment. There are no creditor days of suppliers' invoices outstanding at the year-end (30 November 2004 – nil days).


### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the next Annual General Meeting.

On behalf of the Board

Director

Date

  
24 April 2007

## **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice regulations

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are 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 Preferred Group Limited**

We have audited the Company's financial statements for the period ended 30 November 2005, which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 13. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 directors and auditors**

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 30 November 2005 and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young LLP.*

Ernst & Young LLP  
Registered Auditor  
London  
Date

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## Profit and loss account

for the year ended 30 November 2005

		Year ended 30 November 2005 £	Period ended 30 November 2004 £
	Notes		
Other operating income – dividends receivable	8	–	3,443,055
Operating expenses		–	(6,000)
<b>Profit on operating activities before interest</b>		–	3,437,055
Interest payable and similar charges	2	–	(1,493,278)
<b>Profit on ordinary activities before taxation</b>	3	–	1,943,777
Taxation	4	–	–
<b>Profit on ordinary activities after taxation</b>	12	–	1,943,777

All of the activities are continuing activities and there are no other gains or losses recognised in the current financial statements other than those stated in the profit and loss account

The notes to these financial statements on pages 7 to 10 form a part of these financial statements

## Balance sheet

at 30 November 2005

	Notes	2005 £	2004 £
<b>Fixed assets</b>			
Fixed asset investments	7	15,703,567	15,703,567
<b>Current assets</b>			
Debtors receivable within one year	8	9,323,007	9,325,289
Cash at bank and in hand		30	1
<b>Total current assets</b>		9,323,037	9,325,290
<b>Creditors</b> amounts falling due within one year	9	(372,534)	(374,787)
<b>Net current assets</b>		8,950,503	8,950,503
<b>Total assets less current liabilities</b>		24,654,070	24,654,070
<b>Creditors</b> amounts falling due after more than one year	10	(24,286,574)	(24,286,574)
		367,496	367,496
<b>Capital and reserves</b>			
Called up share capital	11	1	1
Profit and loss account	12	367,495	367,495
<b>Total equity shareholders' funds</b>		367,496	367,496

These financial statements were approved by the Board of Directors and signed on its behalf by

Director



Date

24 April 2007

## Notes to the financial accounts

at 30 November 2005

### 1. Accounting policies

#### Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

#### Investments

Investments in subsidiary undertakings are stated at cost less any provision for permanent diminution in value

#### Deferred taxation

The charge for taxation is based on the profit for the period 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 directors consider it is more likely than not that there will be suitable taxable profits from which the 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

#### Cash flow statement

Under Financial Reporting Standard No 1 (Revised) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the parent undertaking, Preferred Holdings Limited, includes the Company in its own consolidated financial statements, which are publicly available

#### Consolidation

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by section 228 of the Companies Act 1985 because it is a subsidiary undertaking of Preferred Holdings Limited, which prepares consolidated financial statements which are publicly available

### 2. Interest payable and similar charges

	<i>Year ended 30 November 2005 £</i>	<i>Period ended 30 November 2004 £</i>
Interest on Parent Loan	–	1,493,278
	<u>–</u>	<u>1,493,278</u>



## Notes to the financial accounts

at 30 November 2005

### 3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	<i>Year ended 30 November 2005 £</i>	<i>Period ended 30 November 2004 £</i>
Auditors' remuneration – audit fees	–	6,000

Auditors' remuneration in the current year are borne by a subsidiary company Preferred Mortgages Limited

### 4. Taxation

#### (a) Analysis of tax charge in the year

	<i>Year ended 30 November 2005 £</i>	<i>Period ended 30 November 2004 £</i>
Current tax		
UK corporation tax on profits of the year	–	–

#### (b) Factors affecting the tax charge in the year

The tax assessed for the year is lower than the standard rate for current corporation tax in the UK of 30% (period ended 30 November 2004 – 30%) The differences are explained below

	<i>Year ended 30 November 2005 £</i>	<i>Period ended 30 November 2004 £</i>
Profit on ordinary activities before tax	–	1,943,777
Profit on ordinary activities multiplied by the standard rate of corporation tax of 30% (2004 – 30%)	–	583,133
Effects of		
Losses surrendered as group relief for no consideration	–	(583,133)

There is a deferred tax asset of £11,851 (period ended 30 November 2004 – £11,851) Due to the uncertainty of when this asset will reverse, this asset has not been recognised

## Notes to the financial accounts

at 30 November 2005

### 5. Directors and employees

None of the directors received any emoluments in respect of their services to the Company during the year (30 November 2004 – £nil)

The Company does not employ staff

### 6. Related party transactions

In accordance with Financial Reporting Standard No 8 “Related Party Transactions”, paragraph 3, transactions with other group undertakings have not been disclosed in these financial statements

### 7. Fixed asset investments

	2005 £	2004 £
Investment in subsidiary	15,703,567	15,703,567

The Company directly owns the entire share capital of Preferred Mortgages Limited which is incorporated in England and Wales. The business activity of Preferred Mortgages Limited is the provision of mortgage loans secured on properties. The following information is presented in respect of the financial statements of Preferred Mortgages Limited for the year ended 30 November 2005

	2005 £000	2004 £000
Aggregate capital and reserves	48,950	31,354
Profit for year	17,596	10,466

### 8. Debtors: amounts falling due within one year

	2005 £	2004 £
Amounts owed by other group companies - Dividend	3,443,055	3,443,055
- Other	5,879,952	5,882,234
	9,323,007	9,325,289

### 9. Creditors: amounts falling due within one year

	2005 £	2004 £
Amounts owed to other group companies	367,634	367,634
Accruals	4,900	7,153
	372,534	374,787

## Notes to the financial accounts

at 30 November 2005

### 10. Creditors: amounts falling due after more than one year

	2005 £	2004 £
Parent company loan	24,286,574	24,286,574

### 11. Called up share capital

	2005 £	2004 £
Authorised 1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid 1 ordinary share of £1	1	1

The initial share capital of the Company of 1 ordinary share was issued on 2 April 2001

Each ordinary share carries the right to one vote at general meetings of the company and ranks *pari passu* for all other purposes regardless of the price they were issued

### 12. Profit and loss account

	Year ended 30 November 2005 £	Period ended 30 November 2004 £
Profit and loss account at 30 November	367,495	(1,576,282)
Retained profit for the year	–	1,943,777
Profit and loss account at 30 November	367,495	367,495

### 13. Parent company and ultimate controlling party

The Company is controlled by its parent undertaking Preferred Holdings Limited, which is registered and operates in the United Kingdom

The ultimate parent company of Preferred Holdings Limited is Lehman Brothers Holdings Inc which is incorporated in the state of Delaware in the United States of America

The largest group in which the results of the Company are consolidated is that headed by Lehman Brothers Holdings Inc, incorporated in the United States of America. The smallest group in which they are consolidated is that headed by Preferred Holdings Limited, registered in England and Wales. The consolidated accounts of these groups are available from 745 Seventh Avenue, New York, USA and Oakfield House, 35 Perrymount Road, Haywards Heath, West Sussex, RH16 3BX respectively