

Preferred Funding Five Limited

Report and Financial Statements

30 November 2015

Registered No: 04930708

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Preferred Funding Five Limited

Registered No: 04930708

Director

L Brandon

Auditors

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

Registered Office

10-18 Union Street
London
SE1 1SZ

Strategic report

The Director presents his strategic report and the year ended 30 November 2015.

Business review

The Company traded at a loss before tax for the current year of £1,097,000 (2014: loss £9,847,000) on the loans it held during the year.

At 30 November 2015 the Company held £20.5m of mortgage loans. Given the current economic environment the Director is considering the future of the Company in order to maximise realisations of the value of its assets. However, there is no current intention to liquidate the Company.

Principal risks and uncertainties

Financial instrument risks

The financial instruments held by the Company comprise mortgages, borrowings and various other items (such as trade debtors, trade creditors etc) 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. All mortgages purchased by the Company were required to adhere to specific lending criteria. The ongoing credit risk of the mortgage portfolio (and particularly in respect of accounts in arrears) as well as the recoverability of intercompany receivables is closely monitored by the Director.

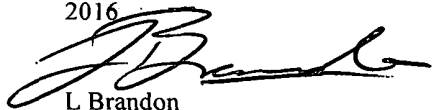
Interest rate risk

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.

Liquidity risk

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 repaid the funding provided by Storm Funding Limited (in administration) on 31 March 2016.



L. Brandon

Director

Date: 25th August 2016

Director's report

The Director presents his report and the audited financial statements for the year ended 30 November 2015.

Principal activities

The principal activity of the Company, which is a wholly owned subsidiary of Preferred Mortgages Limited, was to warehouse residential mortgages originated by its parent company, prior to securitisation.

Results

The results for the year are shown in the profit and loss account on page 9.

Dividend

The Director does not recommend the payment of a dividend for the current year (2014: £nil).

Directors

The Director, who held office during the year, 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.

Going concern

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 sections of this report. In addition, the Company's financial risk management policies and objectives are set out in the Principal Risks and Uncertainties section of the Strategic report.

On 2 April 2008, Preferred Mortgages Limited, the immediate parent company, announced a suspension of its mortgage lending activities.

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

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

On 23 September 2008, the principal funder of the Company and its immediate parent undertaking, Storm Funding Limited (in administration), were 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 this, distributions were made and Preferred Mortgages Limited received cash payments from its receivable from Affiliated Debtors.

Director's report

Going concern (continued)

The Company continues to be funded by Storm Funding Limited (in administration), in respect of which the Company is currently in breach of the terms of the funding agreement due to an increase in the level of losses on the redemption of some loans. As at 30 November 2015, the Company owes Storm Funding Limited (in administration) £39.6 million that is payable on demand. Preferred Mortgages Limited has subsequently made full repayment of the amount due on 31 March 2016.

As at date of sign-off, the Director of Preferred Mortgages Limited has confirmed that Preferred Mortgages Limited has sufficient cash and will support the ongoing obligations of the Company in order for the Company to continue on a going concern basis.

The Director acknowledges that the overall intention of the Resetfan Group, which the Company forms part of, to continue as a going concern is dependent on the decision of the joint administrators of Mable Commercial Funding Limited (in administration) as the parent entity of the Resetfan Group. Nonetheless, having made enquiries with the joint administrators, the Director believes that the overall strategy and intention to continue operating in order to realise assets and settle liabilities is supported by the joint administrators. However, no assurance can be given that the current intention will not change within the 12 month period from approval of this report and all legal rights are retained by the joint administrators of Mable Commercial Funding Limited (in administration).

Whilst the Director recognises there is a material uncertainty over whether the intention of Mable Commercial Funding Limited (in administration) and Preferred Mortgages Limited will change in the next 12 months which could accelerate the wind down of the Company's business, based on enquiries with Joint Administrators and the Director of Preferred Mortgages Limited, there is a reasonable expectation that the intentions will not change.

Given the current availability of funding, the Director considers that the Company will be able to continue in operational existence for the foreseeable future and the Director is currently considering the best course of action to take to realise the value of the remaining assets of the Company.

Based on the current situation the Director believes that it remains appropriate to prepare the financial statements on a going concern basis. However, as described above, the Director has concluded that the above circumstances represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in an orderly manner. Nevertheless, for the reasons stated above, the Director has a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. For this reason, the Director continues to adopt the going concern basis of accounting in preparing the financial statements. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern. The financial statements have been prepared in accordance with the accounting policies adopted in the prior year, as set out in note 1 'Accounting Policies'.

Events occurring after balance sheet date

On 31 March 2016 Preferred Mortgages Limited made a full repayment of the funding due from Storm Funding Limited (in administration) of £39.4m. As a result of the repayment, the mortgage assets which acted as collateral against the borrowing were transferred to Preferred Mortgages Limited.

On 23 June 2016, the UK voted to leave the European union. The impact of this unprecedented decision is currently unknown as the UK government is yet to agree the terms and conditions upon which the UK will leave the European Union. Until such time as formal terms are agreed, there is a high degree of uncertainty and consequently market volatility is expected.

The impact of this volatility and uncertainty on the company is yet to be determined. To date, there have been no matters that warrant adjustment to the financial results as at 30 November 2015 and for the year then ended.

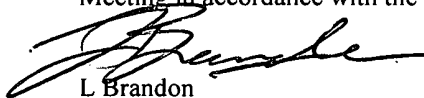
Director's report

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 provisions of Section 485 of the Companies Act 2006.



L Brandon

Director

Date: 25th August 2016

Company registered No: 04930708

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.

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 him to ensure that 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 Preferred Funding Five Limited

We have audited the financial statements of Preferred Funding Five Limited for the year ended 30 November 2015 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 16. 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).

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 6, 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 2015 and of its loss 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.

Emphasis of Matter – Going Concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The conditions explained in note 1 to the financial statements indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

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 (continued)

to the members of Preferred Funding Five 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.

Ernst & Young LLP

Andrew Gilder (Senior Statutory Auditor)

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

London

Date: *30 August 2016*

Profit and loss account

for the year ended 30 November 2015

	Notes	2015 £000	2014 £000
Interest receivable and similar income	2	742	993
Interest payable and similar charges	3	<u>(636)</u>	<u>(548)</u>
Net interest receivable		106	445
Other operating income	4	<u>18</u>	<u>83</u>
Total operating income		124	528
Operating expenses		(493)	(8,859)
Loss on sale of mortgage loans		-	(1,512)
Provision for bad and doubtful debts		<u>(728)</u>	<u>(4)</u>
Loss on ordinary activities before taxation	5	(1,097)	(9,847)
Tax on loss on ordinary activities	7	<u>1,067</u>	<u>348</u>
Retained loss for the year	13	<u>(30)</u>	<u>(9,499)</u>

The loss for the year was derived from discontinued operations.

There are no recognised gains or losses other than the loss attributable to the shareholders of the Company of £30,000 in the year ended 30 November 2015 (2014: loss: £9,499,000).

The notes on pages 11 to 17 form part of these financial statements.


Balance sheet

at 30 November 2015

	Notes	2015 £000	2014 £000
Assets			
Debtors:			
Amounts falling due after one year	8	18,830	20,557
Amounts falling due within one year	9	6,662	5,888
Cash at bank and in hand		516	369
		<u>26,008</u>	<u>26,814</u>
Creditors: amounts falling due within one year	11	<u>(42,287)</u>	<u>(43,063)</u>
Net liabilities		<u>(16,279)</u>	<u>(16,249)</u>
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account	13	<u>(16,279)</u>	<u>(16,249)</u>
Shareholder's deficit	14	<u>(16,279)</u>	<u>(16,249)</u>

The notes on pages 11 to 17 form part of these financial statements.

These financial statements were approved and signed by Director:



L Brandon
Director

Date: 25th August 2016

Notes to the financial statements

at 30 November 2015

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.

Going concern

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 sections 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 Strategic Report.

On 2 April 2008, Preferred Mortgages Limited, the immediate parent company, announced a suspension of its mortgage lending activities.

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

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

On 23 September 2008, the principal funder of the Company and its immediate parent undertaking, Storm Funding Limited (in administration), were 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 this, distributions were made and Preferred Mortgages Limited received cash payments from its receivable from Affiliated Debtors.

The Company continues to be funded by Storm Funding Limited (in administration), in respect of which the Company is currently in breach of the terms of the funding agreement due to an increase in the level of losses on the redemption of some loans. As at 30 November 2015, the Company owes Storm Funding Limited (in administration) £39.6 million that is payable on demand. Preferred Mortgages Limited has subsequently made full repayment of the amount due on 31 March 2016.

As at date of sign-off, the Director of Preferred Mortgages Limited has confirmed that Preferred Mortgages Limited has sufficient cash and will support the ongoing obligations of the Company in order for the Company to continue on a going concern basis.

The Director acknowledges that the overall intention of the Resetfan Group, which the Company forms part of, to continue as a going concern is dependent on the decision of the joint administrators of Mable Commercial Funding Limited (in administration) as the parent entity of the Resetfan Group. Nonetheless, having made enquiries with the joint administrators, the Director believes that the overall strategy and intention to continue operating in order to realise assets and settle liabilities is supported by the joint administrators. However, no assurance can be given that the current intention will not change within the 12 month period from approval of this report and all legal rights are retained by the joint administrators of Mable Commercial Funding Limited (in administration).

Notes to the financial statements

at 30 November 2015

1. *Accounting policies (continued)*

Going concern (continued)

Whilst the Director recognises there is a material uncertainty over whether the intention of Mable Commercial Funding Limited (in administration) and Preferred Mortgages Limited will change in the next 12 months which could accelerate the wind down of the Company's business, based on enquiries with Joint Administrators and the Director of Preferred Mortgages Limited, there is a reasonable expectation that the intentions will not change.

Given the current availability of funding, the Director considers that the Company will be able to continue in operational existence for the foreseeable future and the Director is currently considering the best course of action to take to realise the value of the remaining assets of the Company.

Based on the current situation the Director believes that it remains appropriate to prepare the financial statements on a going concern basis. However, as described above, the Director has concluded that the above circumstances represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in an orderly manner. Nevertheless, for the reasons stated above, the Director has a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. For this reason, the Director continues to adopt the going concern basis of accounting in preparing the financial statements. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

Mortgage loans

Mortgage loans are stated at cost less provision made to reduce the value of the loans to their estimated recoverable amount. Provisions are made against mortgages when, in the opinion of the Director, the credit risk makes recovery doubtful.

Provisions

Specific provisions for losses on loans and advances to customers are made throughout the year and at the year-end on a case-by-case basis (calculated with reference to the probability of the loan defaulting and the value of the security held against the loan). The specific provision for properties in possession is based on the balance outstanding less a discounted valuation of the security held (with adjustments for expenses of sale).

A provision for losses is made for the collective risk of default by customers which is inherent in a mortgage portfolio on balances excluding those provided for specifically.

Provision is made against intercompany receivables based on the Director's current view of the recoverability of the receivable at the balance sheet date.

Taxation

The charge for taxation is based on the loss 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 transactions 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 considers 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.

Notes to the financial statements

at 30 November 2015

1. Accounting policies (continued)

Cash flow statement and related party disclosure

The Company has taken advantage of the exemption under Financial Reporting Standards 1 (revised) and has not produced a cash flow statement, since it is a wholly owned subsidiary and its intermediate parent undertaking, Resetfan 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 Resetfan Limited group.

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.

2. Interest receivable and similar income

	2015 £000	2014 £000
On mortgage loans	739	989
Bank interest	3	4
On mortgage loans and bank interest	<u>742</u>	<u>993</u>

3. Interest payable and similar charges

	2015 £000	2014 £000
Interest on loan facilities from group undertakings	<u>636</u>	<u>548</u>

4. Other operating income

	2015 £000	2014 £000
Sundry fee income	<u>18</u>	<u>83</u>

Sundry fee income includes redemption fee income, insurance commission income and other miscellaneous income.

Notes to the financial statements

at 30 November 2015

5. Loss on ordinary activities before taxation

This is stated after charging:

	2015 £000	2014 £000
Auditors' remuneration – audit of the financial statements	23	22
Asset management charges	174	8,589
Provision for mortgage losses (note 10)	728	(318)
Mortgage losses	<u>128</u>	<u>12</u>

6. Information regarding director and employees

The Company has no employees (2014: 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 £104k (2014: £108k) 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

(a) Analysis of tax profit in the year

	2015 £000	2014 £000
Current tax:		
Adjustments in respect of prior periods	<u>(1,067)</u>	<u>(348)</u>
Tax on loss profit on ordinary activities	<u>(1,067)</u>	<u>(348)</u>

(b) Factors affecting the tax charge in the year

The tax assessed for the year differs from the standard rate for current corporation tax in the UK of 20.33% (2014: 21.66%). The differences are explained below:

	2015 £000	2014 £000
Loss on ordinary activities before tax	<u>(1,097)</u>	<u>(9,847)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax of 20.33% (2014: 21.66%)	(223)	(2,133)
Effects of:		
Income in respect of group losses surrendered	(1,067)	(348)
Tax losses carried forward but not recognised	<u>223</u>	<u>2,133</u>
Total current tax	<u>(1,067)</u>	<u>(348)</u>

Losses of £2,570,411 (2014: £11,321,099) resulting in a deferred tax asset of £514,082 (2014: £2,264,220) have not been recognised. The deferred tax asset has not been recognised due to the uncertainty surrounding the Company's future profitability.

Notes to the financial statements

at 30 November 2015

7. Tax on loss on ordinary activities (continued)

The Finance Act (No. 2) 2015, substantively enacted on 26 October 2015 and enacted on 18 November 2015, included a decrease in corporation tax rates to 19% from 1 April 2017 and 18% from 1 April 2020. The reduced rates have been considered when calculating deferred tax at the reporting date.

On 16 March 2016, the Chancellor of the Exchequer announced a further reduction to the corporation tax rate to 17% effective from 1 April 2020; this change has not yet been substantively enacted. On 3 July 2016 the Chancellor pledged to further reduce the corporation tax rate to less than 15%. No details were given by the Chancellor as to when the proposed rate reduction would take effect from.

8. Debtors: amounts falling due after one year

	2015 £000	2014 £000
Mortgage loans:		
Net balances (note 10)	<u>18,830</u>	<u>20,557</u>

9. Debtors: amounts falling due within one year

	2015 £000	2014 £000
Amounts owed by group undertakings	5,596	5,595
Other debtors	<u>1,066</u>	<u>293</u>
	<u>6,662</u>	<u>5,888</u>

10. Mortgage loans – net balances

	Mortgages £000	Mortgage loss provision £000	Total £000
At 1 December 2014	21,475	(918)	20,557
Movement	<u>(999)</u>	<u>(728)</u>	<u>(1,727)</u>
At 30 November 2015	<u>20,476</u>	<u>(1,646)</u>	<u>18,830</u>

Net mortgage loans of £20,476,000 (2014: £21,475,000) are held as security against loans from group undertakings referred to in note 11.

On 31 March 2016, the Company transferred £20.5m of mortgage loans to Preferred Mortgages Limited as a result of Preferred mortgages Limited paying the funding due to Storm Funding Limited (in administration) of £39.4m for which these mortgages were held as security.

Notes to the financial statements

at 30 November 2015

11. Creditors: amounts falling due within one year

	2015 £000	2014 £000
Accruals	45	2,004
Amounts owed to group undertakings	40,014	40,995
Other Creditors	2,228	64
	<u>42,287</u>	<u>43,063</u>

Certain amounts owed to group undertakings of £39,618,000 (2014: £40,577,000) are secured by a fixed charge over the assets of the Company.

12. Issued share capital

	2015 £	2014 £
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>1</u>	<u>1</u>

13. Profit and loss account

	2015 £000	2014 £000
Retained loss brought forward	(16,249)	(6,750)
Retained loss for the year	<u>(30)</u>	<u>(9,499)</u>
Retained loss carried forward	<u>(16,279)</u>	<u>(16,249)</u>

14. Reconciliation of shareholder's deficit

	2015 £000	2014 £000
Opening shareholder's deficit	(16,249)	(6,750)
Retained loss for the year	<u>(30)</u>	<u>(9,499)</u>
Closing shareholder's deficit	<u>(16,279)</u>	<u>(16,249)</u>

Notes to the financial statements

at 30 November 2015

15. Ultimate parent undertaking

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

The ultimate parent undertaking of the Company is Lehman Brothers Holdings Inc., which is incorporated in the State of Delaware in the United States of America. On 15 September 2008, the ultimate parent company 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 will be available at Resetfan Limited's registered office at Level 23, 25 Canada Square, London, E14 5LQ.

16. Post balance sheet events

On 31 March 2016 Preferred Mortgages Limited made a full repayment of the funding due from Storm Funding Limited (in administration) of £39.4m. As a result of the repayment, the mortgage assets which acted as collateral against the borrowing were transferred to Preferred Mortgages Limited.

On 23 June 2016, the UK voted to leave the European union. The impact of this unprecedented decision is currently unknown as the UK government is yet to agree the terms and conditions upon which the UK will leave the European Union. Until such time as formal terms are agreed, there is a high degree of uncertainty and consequently market volatility is expected.

The impact of this volatility and uncertainty on the company is yet to be determined. To date, there have been no matters that warrant adjustment to the financial results as at 30 November 2015 and for the year then ended.