

# **Preferred Holdings Limited**

## **Report and financial statements**

30 November 2009

Registered No 4191096

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COMPANIES HOUSE

## Preferred Holdings Limited

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### **Directors**

A Brereton

R Harper

### **Secretary**

TMF Corporate Secretarial Services

Pellipar House 1<sup>st</sup> Floor

9 Cloak Lane

London

EC4R 2RU

### **Auditors**

Ernst & Young LLP

1 More London Place

London SE1 2AF

### **Registered Office**

6 Broadgate

London

EC2M 2QS

## Director's report

The directors present this report and the financial statements for the year ended 30 November 2009

### Principal activities

The principal activity of the Company is that of a holding company and the Company currently holds the entire share capital of Preferred Group Limited. The principal activity of the Group is the provision of loans secured on properties in the United Kingdom.

### Business review and future developments

The Company has not traded during the year. In the year ended 30 November 2009 the Company's expenses were paid by a subsidiary company, Preferred Mortgages Limited.

On 2 April 2008 Preferred Mortgages Limited announced a suspension of their mortgage lending activities.

On 29 August 2008 the Company resolved to increase the issued share capital to £25,004,954 by the creation of 250,000,000 10p ordinary shares. The additional shares were fully allotted, issued and paid up by Resefan Limited. The Company used the additional capital to invest in a further £25,000,000 £1 ordinary shares in Preferred Group Limited.

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

The directors believe the Company's activities will continue unchanged for the foreseeable future.

The Company received no dividend from Preferred Group Limited (2008 – £nil).

### Results

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

### Directors

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

A Attia (resigned 12 January 2009)

A Brereton (appointed 20 January 2010)

P Chambers (resigned 14 October 2009)

R Harper (appointed 20 January 2010)

S Staid (resigned 5 January 2009)

### Dividend

The directors did not recommend the payment of a dividend for the year (2008 – £nil).

## Director's report

### Going concern

The directors continue to prepare the financial statements on a going concern basis as they believe the Company has sufficient net assets to continue in its activities for the foreseeable future

Preferred Mortgage Limited has agreed to provide support for the ongoing running costs of the Company as would be required to enable the Company to meet its future obligations as they fall due

### Policy and practice on payment of creditors

The Company does not follow any stated code on payment practice. It is the Group'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 the supplier at the outset. It is the policy of the Group to abide by the agreed terms of payment. There are no creditors days of suppliers' invoices outstanding at the year end (2008 – nil days)

### Principal risks and uncertainties

#### Financial instrument risks

The financial instruments held by the Company comprise borrowings, cash 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 directors review and agree policies for managing each of these risks and they are summarised below

#### 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. Where this is not possible the Company considers the use of derivative financial instruments to mitigate any residual interest rate risk

#### 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 these obligations is monitored by the directors

#### Liquidity risk

Liquidity risk is the risk that investment income receivable by the Company will not arise on a timely manner to meet the Company's obligations as they fall due. The ongoing liquidity risk is closely monitored by the directors

### Disclosure of information to the auditors

So far as the directors 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 directors and the company's auditor, the directors have taken all the steps that he is obliged to take as director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

## Director's report

### Auditors

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

Approved by the board of directors and signed on behalf of the board



Richard Harper

Directors

Date 27 08 2010

## Statement of director's responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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 directors must not approve the financial statements unless they are 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 directors are 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 directors are 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 that the financial statements comply with the Companies Act 2006. 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 Holdings Limited**

We have audited the financial statements of Preferred Holdings Limited for the year ended 30 November 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement 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).

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 directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are 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 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 directors, and the overall presentation of the financial statements.

# **Independent auditors' report**

## **to the members of Preferred Holdings Limited**

### **Opinion on 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 2009 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


### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **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 directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



*Andrew Woosey (Senior Statutory Auditor)*

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

London

Date 31.8.10



## Profit and loss account

for the year ended 30 November 2009

	<i>Notes</i>	<i>2009</i> <i>£000</i>	<i>2008</i> <i>£000</i>
Operating expenses		(9)	(1)
<b>Loss on ordinary activities before taxation</b>	<b>2</b>	<b>(9)</b>	<b>(1)</b>
Taxation	<b>4</b>	<b>—</b>	<b>—</b>
<b>Loss on ordinary activities after taxation</b>	<b>9</b>	<b>(9)</b>	<b>(1)</b>

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 on pages 11 to 16 form part of these financial statements

## Balance Sheet

as at 30 November 2009

	Notes	2009 £000	2008 £000
<b>Fixed assets</b>			
Investments	5	25,000	25,000
<b>Current assets</b>			
Debtors			
Amounts falling due within one year	6	368	376
Cash at bank and in hand		–	1
<b>Total current assets</b>		368	377
<b>Creditors:</b> amounts falling due within one year	7	(323)	(323)
<b>Net current assets</b>		25,045	25,054
<b>Total assets less current liabilities</b>		25,045	25,054
<b>Net assets</b>		25,045	25,054
Capital and reserves			
Called up share capital	8	25,005	25,005
Share premium	9	490	490
Profit and loss account	9	(450)	(441)
<b>Shareholders' funds</b>	10	25,045	25,054

The notes on pages 11 to 16 form part of these financial statements

These financial statements were approved by the board of directors and were signed on its behalf by



Richard Harper

Directors

Date

27 08. 2010

## Cashflow statement

For the year ended 30 November 2009

	<i>Notes</i>	<i>2009</i> <i>£000</i>	<i>2008</i> <i>£000</i>
<b>Net cash outflow from operating activities</b>	11	(265)	(548)
<b>Taxation</b>			
Corporation tax paid		—	—
<b>Capital Expenditure</b>			
Payment to acquire tangible fixed assets		—	(25,000)
		<hr/>	<hr/>
<b>Net cash outflow before management of liquid resources and financing</b>		(265)	(25,548)
<b>Financing</b>			
Additional share capital		—	—
		<hr/>	<hr/>
<b>Increase/(decrease) in cash in year</b>		(265)	(548)
<b>Reconciliation of net cash flow to movement in net funds</b>			
Increase/(decrease) in cash in year		(265)	(548)
		<hr/>	<hr/>
Change in net cash resulting from cash flows		(265)	(548)
		<hr/>	<hr/>
Movement in net funds		(265)	(548)
		<hr/>	<hr/>
Opening net funds		265	813
		<hr/>	<hr/>
<b>Closing net funds</b>		—	265
		<hr/>	<hr/>

The notes on pages 11 to 16 form part of these financial statements

## Notes to the financial statements

at 30 November 2009

### 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 on the historical cost convention. The financial statements have been prepared on a going concern basis.

#### *Group accounts and schedule 5 disclosures*

The Company as a parent undertaking is required to prepare consolidated financial statements by section 399 of the Companies Act 2006 and Financial Reporting Standard 2 "Accounting for Subsidiary Undertakings". The company has claimed exemption from preparing consolidated financial statements under section 400 of the Companies Act 2006 as it is itself a subsidiary undertaking and will be included in the consolidated financial statements of Resetfan Limited.

#### *Fixed asset investments*

In the Company's financial statements, investments in subsidiary undertakings are stated at cost, less any necessary provision for diminution in value.

#### *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 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.

### 2. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is not stated after charging auditors' remuneration as this is borne by the Company's subsidiary undertaking, Preferred Mortgages Limited, and is disclosed in the financial statements of that company.

## Notes to the financial statements

at 30 November 2009

### 3. Information regarding directors and employees

The Company has no employees (2008 – none) The directors received no remuneration from the Company during the year (2008 – £nil)

### 4. Tax on loss on ordinary activities

(a) The tax charge is made up as follows

	2009 £000	2008 £000
Current tax		
UK corporation tax on profit in the year	–	–
Total current tax (note 4(b))	–	–

(b) Factors affecting the tax charge in the year

The tax assessed for the year is nil than the standard rate for current corporation tax in the UK of 28% (2008 – 28.67%) The factors affecting the tax charge are explained below

	2009 £000	2008 £000
Loss on ordinary activities before tax	(9)	(1)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 – 28.67%)	(2)	–
Effects of Other	2	–
Current tax charge for the year	–	–

### 5. Fixed asset investments

	Shares in subsidiary undertakings	
	2009 £	2008 £
Cost At beginning of year	25,000,001	1

## Notes to the financial statements

at 30 November 2009

Additional investment in subsidiary during the year	–	25,000,000
Cost at the end of the year	25,000,001	25,000,001

Details of investments in which the Company holds 20% or more of the nominal value of any class of Share Capital are as follows

<i>Subsidiary undertakings</i>	<i>Country of incorporation</i>	<i>Principal Activity</i>	<i>Class</i>	<i>Class and percentage of ordinary shares held</i>
Preferred Group Limited	England and Wales	Holding company	Ordinary £1	100%
Preferred Mortgages Limited*	England and Wales	Mortgage Lender	Ordinary £1	100%
Preferred Funding Five Limited*	England and Wales	Mortgage Lender	Ordinary £1	100%
Preferred Mortgages Residuals One Limited*	England and Wales	Investment company	Ordinary £1	100%
Preferred Mortgages Residuals 2 Limited*	England and Wales	Investment company	Ordinary £1	100%

\*held indirectly

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

	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Amounts owed by related companies	368	368
Accruals and deferred income	–	8
	<u>368</u>	<u>376</u>

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

	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Amounts owed to related companies	323	323

### 8. Issued share capital

	<i>2009</i>	<i>2008</i>
	<i>£</i>	<i>£</i>
Authorised		
Deferred shares of 1p each	500	500
Ordinary shares of 10p each	1,000,000,000	1,000,000,000
Ordinary shares of 1p each	4,500	4,500

## Notes to the financial statements

at 30 November 2009

	1,000,005,000	1,000,005,000
	2009	2008
	£	£
Issued		
Deferred shares of 1p each	169	169
Ordinary shares of 10p each	25,003,193	25,003,193
Ordinary shares of 1p each	1,592	1,592
	25,004,954	25,004,954

### 9. Statement of movement on reserves

	Share premium account £000	Profit and loss account £000	Total £000
Balance at 1 December 2008	490	(441)	49
Retained loss for the year	—	(9)	(9)
Balance at 30 November 2009	490	(450)	40

### 10. Reconciliation of movements in shareholders' funds

	2009 £000	2008 £000
Loss for the financial year	(9)	(1)
Net decrease to shareholders' funds	(9)	(1)
Opening shareholders' funds	25,054	55
Issuance of additional ordinary shares	—	25,000

## Notes to the financial statements

at 30 November 2009

Closing shareholders' funds	25,045	25,054
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### 11. Reconciliation of operating profit to cash generated by operations

	2009 £000	2008 £000
Operating loss from continuing operations	(9)	(1)
Decrease/(increase) in receivables	9	(8)
Increase/(decrease) in payables	—	9
Net cash outflow from ordinary operating activities	—	—

### 12. Events since the balance sheet date

As a result of other intermediate parent and related companies being put into administration the future recoverability of intercompany balances is likely to be questionable. Although it is not possible to quantify the financial impact on the Company at this stage it is not expected to impact the Company's ability to continue as a going concern.

### 13. Related party transactions

During the year, Preferred Holding Limited has the following amounts outstanding at the end of the year

	2009 <i>Interest received</i> £	2009 <i>Interest paid</i> £	2009 <i>Amounts due from related parties</i> £	2009 <i>Amounts owed to related parties</i> £
Preferred Mortgage Ltd	—	—	—	(314)
Preferred Group Ltd	—	—	368	—
Capstone Mortgage Services Ltd	—	—	—	(9)



## Notes to the financial statements

at 30 November 2009

Total related party transactions	-	-	368	(323)
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	2008	2008	2008	2008
	<i>Interest</i>	<i>Interest</i>	<i>Amounts</i>	<i>Amounts</i>
	<i>received</i>	<i>paid</i>	<i>due from</i>	<i>owed to</i>
	<i>£</i>	<i>£</i>	<i>related</i>	<i>to related</i>
			<i>parties</i>	<i>parties</i>
			<i>£</i>	<i>£</i>
Preferred Mortgage Ltd	-	-	-	(314)
Preferred Group Ltd	-	-	368	-
Capstone Mortgage Services Ltd	-	-	-	(9)
Total related party transactions	-	-	368	(323)

### 14. Parent company and ultimate controlling party

The company is controlled by its parent undertaking Resetfan Limited which is registered and operates in the United Kingdom

The ultimate parent company of Preferred Holdings 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 company 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