

**PREFERRED GROUP LIMITED
(FORMERLY PINCO 1616 LIMITED)**

REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD

FROM 2 APRIL 2001 TO 31 DECEMBER 2001

Company Number 4192432



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COMPANIES HOUSE 16/09/02**

Preferred Group Limited
(Formerly Pinco 1616 Limited)

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Preferred Group Limited
(Formerly Pinco 1616 Limited)

Officers and professional advisers

Directors

D J Pitocco
P E Hopes
J A Webster
G Patellis

Secretary

P E Hopes

Registered Office

Oakfield House
35 Perrymount Road
Haywards Heath
West Sussex
RH16 3BX

Bankers

Barclays Bank PLC
54 Lombard Street
London
EC3V 9EX

Auditors

Deloitte & Touche
Chartered Accountants
Birmingham

Preferred Group Limited
(Formerly Pinco 1616 Limited)

Report of the directors

The directors present their report and audited financial statements for the period from 2 April 2001, the date of incorporation, to 31 December 2001.

Activities

The company changed its name from Pinco 1616 Limited to Preferred Group Limited on 5 February 2002.

The company acts as an investment holding company. This activity commenced with the acquisition of Preferred Mortgages Limited on 25 May 2001.

Future prospects

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

Results

The result for the period is shown in the profit and loss account on page 7. The directors do not recommend the payment of a dividend.

Directors and their interests

Pinsent Curtis Biddle Director Limited was appointed on 2 April 2001 and resigned on 24 May 2001.

D J Pitocco and P E Hopes were both appointed on 24 May 2001. J A Webster and G Patellis were both appointed on 25 May 2001.

On 25 May 2001, in accordance with the Preferred Mortgages Limited unapproved share option scheme, 204,495 ordinary A shares of £1 each were allotted to Mr P E Hopes. On that same date, Mr P E Hopes transferred these shares to Preferred Group Limited.

The interests of the directors in the share capital of the company's ultimate parent company, Preferred Holdings Limited at 31 December 2001, are as follows:

D J Pitocco	9,334 A ordinary shares of 10p each 642 B ordinary shares of 1p each
P E Hopes	9,333 A ordinary shares of 10p each
J A Webster	9,333 A ordinary shares of 10p each
G Patellis	2,000 A ordinary shares of 10p each

No director held shares in Preferred Holdings Limited at the start of the period.

Preferred Group Limited
(Formerly Pinco 1616 Limited)

Report of the directors (continued)

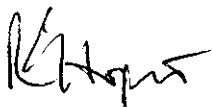
Directors and their interests (continued)

None of the directors' families held any beneficial interest in the shares of the company or of any group company during the period.

Auditors

Deloitte & Touche were appointed as auditors on 1 November 2001 and have expressed their willingness to continue in office. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the directors



P E Hopes
Secretary
28 August 2002

Preferred Group Limited
(Formerly Pinco 1616 Limited)

Statement of directors' responsibilities

The directors are required by company law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been used in the preparation of the financial statements. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors have responsibility 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 also have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Preferred Group Limited
(Formerly Pinco 1616 Limited)

Independent auditors' report to the members of Preferred Group Limited

We have audited the financial statements of Preferred Group Limited for the period from 2 April 2001 to 31 December 2001 which comprise the profit and loss account, the balance sheet and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

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 applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

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 the company's affairs as at 31 December 2001 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Maurice Lane
Deloitte & Touche
Chartered Accountants and Registered Auditors
Birmingham

12 September 2002

Preferred Group Limited
(Formerly Pinco 1616 Limited)

Profit and loss account

For the period from 2 April 2001 to 31 December 2001

	Note	Period from 2 April 2001 to 31 December 2001
		£
Operating expenses		(583)
Loss on operating activities before interest	4	(583)
Interest income	2	6,070
Interest payable and similar charges	3	(19,463)
Loss on ordinary activities before taxation		(13,976)
Taxation	5	-
Loss on ordinary activities after taxation	13	(13,976)

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.

Preferred Group Limited
(Formerly Pinco 1616 Limited)

Balance sheet as at 31 December 2001

	Note	2001 £
Fixed assets		
Fixed asset investments	8	15,703,567
Current assets		
Debtors due within one year	9	2,103,322
Cash at bank and in hand		174,971
Total current assets		<u>2,278,293</u>
Creditors: amounts falling due within one year	10	<u>(425,416)</u>
Net current assets		<u>1,852,877</u>
Total assets less current liabilities		17,556,444
Creditors: amounts falling due after more than one year	11	<u>(17,570,419)</u>
		<u>(13,975)</u>
Capital and reserves		
Called up share capital	12	1
Profit and loss account	13	(13,976)
Total equity shareholders' deficit	14	<u>(13,975)</u>

These financial statements were approved by the Board of Directors on 28 August 2002.

Signed on behalf of the Board of Directors



D J Pitocco
Director

Preferred Group Limited
(Formerly Pinco 1616 Limited)

Notes to the accounts

1. Accounting policies

(a) Basis of accounting

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

(b) Investments

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

2. Interest receivable

**Period from
2 April 2001 to
31 December 2001
£**

Bank interest 6,070

3. Interest payable and similar charges

**Period from
2 April 2001 to
31 December 2001
£**

Amortisation of arrangement fee 19,463

4. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

**Period from
2 April 2001 to
31 December 2001
£**

Auditors' remuneration - audit fees 575

Preferred Group Limited
(Formerly Pinco 1616 Limited)

Notes to the accounts (continued)

5. Taxation

The corporation tax charge for the period is £nil because the company has made a tax loss for the period.

6. Directors and employees

None of the directors received any emoluments in respect of their services to the company during the period.

The company does not employ staff.

7. Related party transactions

In accordance with Financial Reporting Standard No 8 "Related Party Transactions", transactions with other group undertakings within and investee related parties of Preferred Holdings Limited have not been disclosed in these financial statements.

All loan stock (note 11) is held by the shareholders of the parent company or related parties thereof. No interest has been charged on the loan stock during the period.

8. Investment in subsidiary

	2001 £
At 2 April 2001	-
Additions	15,703,567
At 31 December 2001	<u>15,703,567</u>

The company is exempt from preparing consolidated accounts under s228 Companies Act 1985 as its results are consolidated in the group accounts of Preferred Holdings Limited (note 15).

9. Debtors due within one year

	2001 £
Other debtors	1
Amounts owed by related companies	2,103,321
	<u>2,103,322</u>

Preferred Group Limited
(Formerly Pinco 1616 Limited)

Notes to the accounts (continued)

10. Creditors: amounts falling due within one year

	2001 £
Amounts owed to related companies	424,841
Accruals	575
	<hr/> 425,416 <hr/>

11. Creditors: amounts falling due after more than one year

	2001 £
Variable rate unsecured 'A' loan stock 2008	
More than two years but not more than five years	4,529,760
More than five years	9,390,387
Variable rate unsecured 'B' loan stock 2008	
More than two years but not more than five years	1,216,757
More than five years	2,433,515
	<hr/> 17,570,419 <hr/>

The company issued £14,173,162 of variable rate unsecured 'A' loan stock 2008 on 25 May 2001. The 'A' stock ranks *pari passu* equally and rateably with all future unsecured obligations of the company except for those obligations as may be preferred by law. The 'A' stock is to be repaid at par in equal instalments on 30 June 2006, 30 June 2007 and 30 June 2008.

Interest is payable on the 'A' stock quarterly in arrears from 1 July 2002 until redemption. Payments fall due on 31 March, 30 June, 30 September and 31 December each year, with the first payment falling due on 30 September 2002. Interest is paid at 5% per annum from 1 July 2002 until 31 December 2003 and thereafter at 7.5% until redemption.

Preferred Group Limited
(Formerly Pinco 1616 Limited)

Notes to the accounts (continued)

11. Creditors: amounts falling due after more than one year (continued)

The company issued £3,650,272 of variable rate unsecured 'B' loan stock 2008 on 25 May 2001. The obligations of the company in respect of the 'B' stock rank behind the obligations of the company to the 'A' stockholders on the terms and to the extent set out in a Deed of Subordination dated 25 May 2001 but otherwise and at all times the stock ranks pari passu equally and rateably with all future unsecured obligations of the company except for those obligations as may be preferred by law. The 'B' stock is to be repaid at par in equal instalments on 30 June 2006, 30 June 2007 and 30 June 2008.

Interest is payable on the 'B' stock quarterly in arrears from 1 July 2002 until redemption. Payments fall due on 31 March, 30 June, 30 September and 31 December each year, with the first payment falling due on 30 September 2002. Interest is paid at 5% per annum from 1 July 2002 until 31 December 2003 and thereafter at 7.5% until redemption.

12. Called up share capital

	2001 £
Authorised, allotted and called up:	
1,000 Ordinary shares of £1 each	1,000
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Fully paid:	
1 Ordinary share of £1	1
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The initial share capital of the company of 1 ordinary share, allotted with £1 paid, was issued on 2 April 2001.

13. Profit and loss account

	2001 £
Profit and loss account at 2 April 2001	-
Retained loss	(13,976)
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Profit and loss account at 31 December 2001	(13,976)
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Preferred Group Limited
(Formerly Pinco 1616 Limited)

Notes to the accounts (continued)

14. Reconciliation of movements in shareholders' deficit

	2001 £
Loss for the financial period	(13,976)
Issue of shares	1
Net increase in shareholders' deficit	<u>(13,975)</u>
Opening shareholders' funds	-
Closing shareholders' deficit	<u>(13,975)</u>

15. Parent company and ultimate controlling party

The company's parent company and ultimate controlling party is Preferred Holdings Limited, a company registered in England and Wales. The financial statements of Preferred Holdings Limited are available to the public and may be obtained from The Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.