

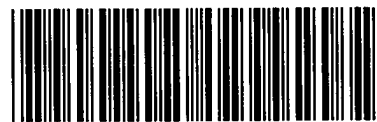
Preferred Group Limited

Report and financial statements

30 November 2014

Registered No: 04192432

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COMPANIES HOUSE

Preferred Group Limited

Directors

A Brereton

R Harper

Auditors

Ernst & Young LLP

1 More London Place

London

SE1 2AF

Registered Office

Lehman Brothers

Level 23

25 Canada Square

London

United Kingdom

E14 5LQ

Strategic Report

The Directors present this strategic report for the Preferred Group Limited for the year ended 30 November 2014.

Business review

The Company reported a loss after tax of £31,441 (2013: Profit £24,311,000).

On 2 April 2008, the Company's subsidiary, Preferred Mortgages Limited announced a suspension of its mortgage lending activities.

On 29 August 2008 the Company resolved to increase authorised share capital to £25,000,001 by the creation of 25,000,000 £1 ordinary shares. The additional shares were fully allotted, issued and paid up by Preferred Holdings Limited. The Company used the additional capital to invest in a further £25,000,000 £1 ordinary share in Preferred Mortgages Limited.

The Directors believe the Company's activities will remain unchanged for the foreseeable future.

The Company received no dividend from Preferred Mortgages Limited (2013: £nil).

Principal risks and uncertainties

Financial instrument risks

The financial instruments held by the Company comprise borrowings, investments and receivables 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 and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

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.

Preferred Mortgages 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 for at least the next 12 months and the foreseeable future.

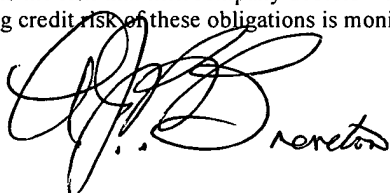
Credit risk

Credit risk is the risk that intercompany debtors will not be able to meet their obligations as they fall due. The ongoing credit risk of these obligations is monitored by the Directors.

A Brereton

Director

Date 29 September 2015



Registered No: 04192432

Directors' report

The Directors present this report and financial statements for Preferred Group Limited for the year ended 30 November 2014.

Principal 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.

Results and dividends

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

The Directors do not recommend the payment of a dividend for the year (2013: £nil).

Directors

The Directors who served the Company during the year were as follows:

A Brereton

R Harper

Future Developments

Following the bankruptcy of the Company's ultimate parent Lehman Brothers Holdings Inc, it continues to be is the Directors intention to ensure an orderly wind down of the Company's assets and operations.

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 section of the Strategic Report and the Future Developments section 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 15 September 2008, the ultimate parent undertaking, Lehman Brothers Holdings Inc., filed for Chapter 11 bankruptcy protection.

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

On 23 September 2008, the principal funder of the Resetfan Limited Group which the Company forms part of, 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 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 have emerged from bankruptcy. Following this, distributions were made and Preferred Mortgages Limited, the Company's subsidiary, received cash payments from its receivable from Affiliated Debtors.

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. In addition Preferred Mortgages Limited, the Company's subsidiary, 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 and operate on a going concern basis. However, Preferred Mortgages Limited continues to have amounts owed to group and related undertakings that are payable on demand. These amounts are primarily owed to Storm Funding Limited (in administration).

Directors' report (continued)

Going concern (continued)

Whilst Preferred Mortgages Limited has sufficient cash to repay its obligations to Storm Funding Limited (in administration), the Directors acknowledge that the overall intention of the Resefan Limited 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 Resefan Limited Group. Nonetheless, having made enquiries with the joint administrators, the Directors believe 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).

Based on the current situation the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, the Directors have 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. Nevertheless, for the reasons stated above, the Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future given the current availability of funding. For this reason, the Directors continue 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.

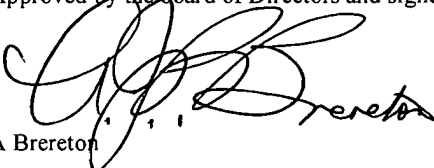
Disclosure of information to the auditors

So far as each person who was a 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 Directors have taken all the steps that they are obliged to take as Directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

The auditors, Ernst & Young LLP, are deemed to be reappointed under Section 487(2) of the Companies Act 2006.

Approved by the board of Directors and signed on behalf of the board.



A Brereton

Director

Date 29 September 2015

Registered No: 04192432

Statement of directors' responsibilities

The Directors are responsible for preparing the Directors' Report, the Strategic 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 judgements and 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 Group Limited

We have audited the financial statements of Preferred Group Limited for the year ended 30 November 2014 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 11. 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 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 Directors; 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 2014 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 Strategic Report and Directors' 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 Group 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 Directors' 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 1 OCTOBER 2015

Profit and loss account

for the year ended 30 November 2014

	<i>Notes</i>	<i>2014</i> £000	<i>2013</i> £000
Operating expenses	2	(31)	(3)
Reversal of impairment losses	5	-	24,314
		<u> </u>	<u> </u>
(Loss)/profit on ordinary activities before taxation		(31)	24,311
Tax on (loss)/profit on ordinary activities	3	-	-
		<u> </u>	<u> </u>
(Loss)/profit for the year	9	(31)	24,311
		<u> </u>	<u> </u>

All of the activities are continuing activities and there are no other gains or losses recognised in the current financial statements other than the loss attributable to the shareholders of the Company of £31,441 in the year ended 30 November 2014 (2013: Profit £24,311,000).

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

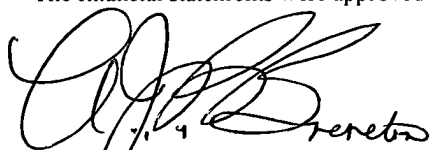
Balance sheet

at 30 November 2014

	<i>Notes</i>	<i>2014</i> £000	<i>2013</i> £000
Fixed assets			
Investments	5	40,704	40,704
Current assets			
Debtors: amounts falling due within one year	6	9,777	9,794
		9,777	9,794
Total current assets		9,777	9,794
Creditors: amounts falling due within one year	7	(394)	(380)
Net current assets		9,383	9,414
Total assets less current liabilities		50,087	50,118
Net assets		50,087	50,118
Capital and reserves			
Called up share capital	8	25,000	25,000
Capital contribution	9	24,287	24,287
Profit and loss account	9	800	831
Shareholder's funds	10	50,087	50,118

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

The financial statements were approved by the board of Directors and were signed on its behalf by:


 A Brexton
 Director

Date

Notes to the financial statements

at 30 November 2014

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards generally accepted in the United Kingdom and have been drawn up on the historical cost convention. The financial statements have been prepared on a going concern basis.

Group financial statements and schedule 5 disclosures

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

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 of the Strategic Report and the Future Developments section of the Directors' 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 15 September 2008, the ultimate parent undertaking, Lehman Brothers Holdings Inc., filed for Chapter 11 bankruptcy protection.

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

On 23 September 2008, the principal funder of the Resetfan Limited Group (Resetfan Limited an intermediate parent 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 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 have emerged from bankruptcy. Following this, distributions were made and Preferred Mortgages Limited, the main subsidiary undertaking of the Company, received cash payments from its receivable from Affiliated Debtors.

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. In addition Preferred Mortgages Limited, the Company's subsidiary, 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. However, Preferred Mortgages Limited continues to have amounts owed to group and related undertakings that are payable on demand. These amounts are primarily owed to Storm Funding Limited (in administration).

Whilst Preferred Mortgages Limited has sufficient cash to repay its obligations to Storm Funding Limited (in administration), the Directors acknowledge 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 Directors believe 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 the Directors' 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 2014

1. Accounting policies (continued)

Going concern (continued)

Based on the current situation the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, the Directors have 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. Nevertheless, for the reasons stated above, the Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future given the current availability of funding. For this reason, the Directors continue 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.

Investments

In the Company's financial statements, investments in subsidiary undertakings are stated at cost, less any necessary provision for diminution in value. The carrying value of investments in subsidiaries is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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 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 Directors considers 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 and Related Party Disclosure

The Company has taken advantage of the exemption under FRS 1 (revised), "Cash Flow Statement" 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. The Company is also exempt under the terms of FRS 8, "Related Party Disclosures", from disclosing related party transactions with entities that are part of the Resetfan Limited group.

2. Operating expenses

	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>
Legal fees	3	3

The auditors' remuneration for the audit of financial statements is £14,292 (2013:£13,483).

Notes to the financial statements

at 30 November 2014

3. Tax on (loss)/profit on ordinary activities

(a) Tax on (loss)/profit on ordinary activities

The tax charge is made up as follows:

	2014 £000	2013 £000
<i>Current tax:</i>		
UK corporation tax on the profit for the year	–	–
Adjustments in respect of prior periods	–	–
	<u>–</u>	<u>–</u>
Total current tax (note 3 (b))	<u>–</u>	<u>–</u>

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 21.66% (2013: 23.33%). The differences are explained below:

	2014 £000	2013 £000
(Loss)/profit on ordinary activities before tax	<u>(31)</u>	<u>24,311</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax of 21.66% (2013: 23.33%)	(7)	5,672
<i>Effects of:</i>		
(Income)/expenses not deductible for tax purposes	–	(5,673)
Tax losses carried forward not recognised	<u>7</u>	<u>1</u>
	<u>–</u>	<u>–</u>

Losses of £35,968 resulting in a deferred tax asset of £7,194 have not been recognised. The deferred tax asset has not been recognised due to uncertainty surrounding the Company's future profitability. The Finance Act 2013 enacted reductions in the rate of UK corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015.

Notes to the financial statements

at 30 November 2014

4. Information regarding directors and employees

The Company has no employees (2013: none). The Directors of the Company are also Directors of the holding company and fellow subsidiaries. The Directors received total remuneration for the year of £23k (2013: £15k) all of which was paid by the holding company. The Directors do not believe that it is practicable to apportion this amount between their services as Directors of the company and their services as Directors of the holding and fellow subsidiary companies.

5. Investments

	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>
Cost:		
At the beginning of year	40,704	40,704
Investment in subsidiary	<u>—</u>	<u>—</u>
Cost at the end of the year	<u>40,704</u>	<u>40,704</u>
Impairment losses:		
At the beginning of year	-	(24,314)
Reversal of impairment losses	<u>-</u>	<u>24,314</u>
Impairment losses at the end of the year	<u>—</u>	<u>—</u>
Investment carrying value	<u>40,704</u>	<u>40,704</u>

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 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	Residual Financing	Ordinary £1	100%
Preferred Mortgages Residuals 2 Limited*	England and Wales	Residual Financing	Ordinary £1	100%

*held indirectly

Notes to the financial statements

at 30 November 2014

6. Debtors: amounts falling due within one year

	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>
Amounts owed by group undertakings	9,776	9,790
Other receivable	<u>1</u>	<u>4</u>
	<u>9,777</u>	<u>9,794</u>

7. Creditors: amounts falling due within one year

	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>
Amounts owed to group undertakings	394	380
	<u>394</u>	<u>380</u>

8. Issued share capital

	<i>2014</i>	<i>2013</i>
	<i>£</i>	<i>£</i>
Authorised: 25,000,001 ordinary shares of £1 each	<u>25,000,001</u>	<u>25,000,001</u>
Allotted, called up and fully paid: 25,000,001 ordinary share of £1	<u>25,000,001</u>	<u>25,000,001</u>

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 at which they were issued.

9. Movement on reserves

	<i>Share Capital account £000</i>	<i>Share Capital Contribution £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
Balance at 1 December 2013	25,000	24,287	831	50,118
Retained loss for the year	<u>–</u>	<u>–</u>	<u>(31)</u>	<u>(31)</u>
Balance at 30 November 2014	<u>25,000</u>	<u>24,287</u>	<u>800</u>	<u>50,087</u>

Notes to the financial statements

at 30 November 2014

10. Reconciliation of shareholder's funds

	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>
(Loss)/profit for the financial year	<u>(31)</u>	<u>24,311</u>
Net decrease/(increase) to shareholder's funds	(31)	24,311
Opening shareholder's funds	<u>50,118</u>	<u>25,807</u>
Closing shareholder's funds	<u>50,087</u>	<u>50,118</u>

11. Ultimate parent undertaking

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

The ultimate parent undertaking of Preferred Group Limited is Lehman Brothers Holdings Inc. which is incorporated in the state of Delaware in the United States of America. On September 2008, Lehman Brothers Holdings Inc., filed for Chapter 11 bankruptcy protection.

On 6 December 2011, the United States Bankruptcy Court for the Southern District of New York 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 have emerged from bankruptcy.

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 financial statements of the Resetfan Limited group will be available from 23rd Floor, 25 Canada Square, London E14 5LQ.