

Preferred Holdings Limited

Report and financial statements

30 November 2013

Registered No: 04191096

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COMPANIES HOUSE

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 and the financial statements for Preferred Holdings Limited for the year ended 30 November 2013.

Business review

The Company has not traded during the year. In the year ended 30 November 2013 the Company's expenses were paid by a subsidiary company, Preferred Mortgages Limited.

On 2 April 2008 Preferred Mortgages Limited announced a suspension of its 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 Resetfan Limited. The Company used the additional capital to invest in further £25,000,000 £1 ordinary shares in Preferred Group Limited.

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

The Company received no dividend from Preferred Group Limited (2012:£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.

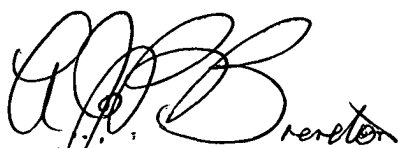
Liquidity risk

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.

The Director of Preferred Mortgages Limited has confirmed that he has no active intention to demand payment of the debt as of 30th October 2014 however no assurance can be given that this intention will not change and all legal rights are retained by Preferred Mortgage Limited. 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 11 November 2014

Company registration no: 04191096

Directors' Report

The Directors present this report and financial statements for Preferred Holdings Limited for the year ended 30 November 2013.

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 Company's group is the provision of loans secured on properties in the United Kingdom.

Results and dividend

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 (2012:£nil).

Directors

The Directors, who held office during the year, and after the year end, 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 the Directors's 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 Resefan 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 main subsidiary undertaking of the Company, received cash payments from its Affiliated Debtors.

Moreover, as at 30 November 2013, the Company is dependent on the support of group undertakings. The Company continues to have amounts owed to group and related undertakings that are payable on demand. These amounts are primarily owed to its subsidiary company, Preferred Mortgages Limited, which in turn is funded from other group undertakings, primarily Storm Funding Limited (in administration). As at date of sign-off, Preferred Mortgages Limited has sufficient cash to repay its obligations.

The Director of Preferred Mortgages Limited has confirmed that he has no current intention to demand payment of the debt that the Company owes Preferred Mortgages Limited, however no assurance can be given that the intention will not change and all legal rights to repayment are retained by Preferred Mortgages Limited. The Director of Preferred Mortgages Limited has also confirmed that Preferred Mortgages Limited will continue to fund the ongoing operating expenses of the Company in order for the Company to continue on a going concern basis.

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 Resetfan 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 Resetfan 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).

Whilst the Directors recognise there is a material uncertainty over whether Preferred Mortgages Limited will demand repayment of the debt, the Directors believe that Preferred Mortgages Limited will continue to provide the above support given that it is in a net solvent asset position and has sufficient resources to fund its operating expenses and those of its dependent subsidiaries and parents. In addition, based on enquiries, with joint administrators of Mable Commercial Funding Limited (in administration), there is a reasonable expectation that there is no intention to put the entities within the Resetfan Group into an insolvency process.

The Directors have concluded that there is 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 Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future and therefore continues to prepare the financial statements on a going concern basis. 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 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 fellow Directors and the Company's auditors, 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 11 November 2014

Company registered no: 04191096

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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping 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 2013 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 2013, and its results 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.

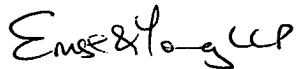
Independent auditors' report

to the members of Preferred Holdings 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 13 NOVEMBER 2014

Profit and loss account

for the year ended 30 November 2013

	<i>Notes</i>	<i>2013</i> <i>£000</i>	<i>2012</i> <i>£000</i>
Operating expenses		<u>-</u>	<u>-</u>
<i>Profit/ (loss) on ordinary activities before taxation</i>	2	-	-
Tax on profit/ (loss) on ordinary activities	4	<u>-</u>	<u>-</u>
<i>Profit/ (loss) on ordinary activities after taxation</i>	9	<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 those stated in the profit and loss account.

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

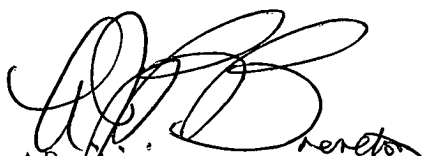
Balance sheet

at 30 November 2013

	Notes	2013 £000	2012 £000
Fixed assets			
Investments	5	25,000	25,000
Current assets			
Debtors:			
Amounts falling due within one year	6	368	368
Total current assets		368	368
Creditors: amounts falling due within one year	7	(323)	(323)
Net current assets		45	45
Total assets less current liabilities		25,045	25,045
Net assets		25,045	25,045
Capital and reserves			
Called up share capital	8	25,005	25,005
Share premium	9	490	490
Profit and loss account	9	(450)	(450)
Shareholder's funds	10	25,045	25,045

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

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


 A Brexton
 Director

Date 11 November 2014

Notes to the financial statements

at 30 November 2013

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.

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 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 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 these, distributions were made and Preferred Mortgages Limited, the main subsidiary undertaking of the Company, received cash payments from its Affiliated Debtors.

Moreover, as at 30 November 2013, the Company is dependent on the support of group undertakings. The Company continues to have amounts owed to group and related undertakings that are payable on demand. These amounts are primarily owed to its subsidiary company, Preferred Mortgages Limited, which in turn is funded from other group undertakings, primarily Storm Funding Limited (in administration). As at date of sign-off, Preferred Mortgages Limited has sufficient cash to repay its obligations.

The Director of Preferred Mortgages Limited has confirmed that he has no current intention to demand payment of the debt that the Company owes Preferred Mortgages Limited, however no assurance can be given that the intention will not change and all legal rights to repayment are retained by Preferred Mortgages Limited. The Director of Preferred Mortgages Limited has also confirmed that Preferred Mortgages Limited will continue to fund the ongoing operating expenses of the Company in order for the Company to continue on a going concern basis.

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 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 Resetfan 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 the Directors' Report and all legal rights are retained by the joint administrators of Mable Commercial Funding Limited (in administration).

Whilst the Directors recognise there is a material uncertainty over whether Preferred Mortgages Limited will demand repayment of the debt, the Directors believe that Preferred Mortgages Limited will continue to provide the above support given that it is in a net solvent asset position and has sufficient resources to fund its operating expenses and those of its dependent subsidiaries. In addition, based on enquiries, with joint administrators of Mable Commercial Funding Limited (in administration), there is a reasonable expectation that there is no intention to put the entities within the Resetfan Group into an insolvency process.

Notes to the financial statements

at 30 November 2013

1. Accounting policies (continued)

Going concern (continued)

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 undertaking, 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).

The Directors have concluded that there is 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 Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future and therefore continues to prepare the financial statements on a going concern basis. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

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 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.

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. 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.

Deferred 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.

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 immediate 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.

Notes to the financial statements

at 30 November 2013

2. Profit/ (loss) on ordinary activities before taxation

The auditors' remuneration for the audit of financial statements of £11,236 (2012: £10,600) is borne by the Company's subsidiary undertaking, Preferred Mortgages Limited, and is disclosed in the financial statements of that company.

3. Information regarding directors and employees

The Company has no employees (2012: 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 £15k (2012: £14k) 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.

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

(a) Analysis of tax profit in the year

	2013 £000	2012 £000
<i>Current tax:</i>		
UK corporation tax on profit/ (loss) in the year	-	-
Total current tax (note 4(b))	<u>-</u>	<u>-</u>

(b) Factors affecting the tax charge in the year

The tax assessed for the year equals the standard rate for current corporation tax in the UK of 23.33% (2012: 24.67%). The differences are explained below:

	2013 £000	2012 £000
Profit / (loss) on ordinary activities before tax	-	-
Profit /(loss) on ordinary activities multiplied by the standard rate of corporation tax of 23.33% (2012: 24.67%)	-	-
<i>Effects of:</i>		
Other	-	-
Expenses not deductible for tax purposes	-	-
Current tax charge for the year (note 4(a))	<u>-</u>	<u>-</u>

The Finance Act 2013 enacted reductions in the rate of UK corporation tax rate to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015.

Notes to the financial statements

at 30 November 2013

5. Investments

Cost:	2013	2012
	£	£
At beginning of year	25,000,000	25,000,000
Cost at the end of the year	<u>25,000,000</u>	<u>25,000,000</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 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	Warehousing company	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

	2013	2012
	£000	£000
Amounts owed by group undertakings	368	368
	<u>368</u>	<u>368</u>

7. Creditors: amounts falling due within one year

	2013	2012
	£000	£000
Amounts owed to group undertakings	323	323
	<u>323</u>	<u>323</u>

Notes to the financial statements

at 30 November 2013

8. Issued share capital

	2013	2012
	£	£
<i>Issued:</i>		
16,868 Deferred shares of 1p each	169	169
250,031,929 Ordinary shares of 10p each	25,003,193	25,003,193
159,178 Ordinary shares of 1p each	1,592	1,592
	25,004,954	25,004,954

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

9. Movements on reserves

	<i>Share premium account £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
Balance at 1 December 2012	490	(450)	40
Retained profit/ (loss) for the year	–	–	–
Balance at 30 November 2013	490	(450)	40

10. Reconciliation of shareholder's funds

	2013	2012
	£000	£000
Profit/ (loss) for the financial year	–	–
Net decrease to shareholder's funds	–	–
Opening shareholder's funds	25,045	25,045
Closing shareholder's funds	25,045	25,045

Notes to the financial statements

at 30 November 2013

11. Ultimate parent undertaking

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

The ultimate parent undertaking of Preferred Holdings Limited is Lehman Brothers Holdings Inc., which is incorporated in the State of Delaware in the United States of America. On 15 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.