



Jerrold Holdings

Q2 2013/14 Results

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Highlights

- **Increased Turnover** Turnover has increased when compared with the prior comparable period at £31.2m for the quarter to December 31, 2013, compared to £29.7m for the quarter to December 31, 2012. This is due to both an increase in the return earned from the loan book and an increase in arrangement fees, reflecting increased funding levels
- **Bad debts maintained at very low levels** The bad debt expensed to the Profit and Loss account in the quarter (£1.0m to December 31, 2013) has continued to be maintained at low levels when compared to the loan portfolio, at 0.4% for the quarter (annualized) to December 31, 2013, and 0.6% for the 12 months to December 31, 2013, primarily as a function of the group's continued low loan to value ('LTV') policy and stringent underwriting policies
- **Continued high profitability** The group continues to be consistently highly profitable, with improved EBITDA of £23.1m for the quarter to December 31, 2013, compared to £20.9m for the quarter to December 31, 2012. The consistent profitability of the group is also reflected in the EBITDA margin which has remained at above 70% at 73.9% for the quarter to December 31, 2013, compared to 70.5% for the quarter to December 31, 2012
- **Improved profit before tax** Profit before tax has improved on the prior comparable period at £10.8m for the quarter to December 31, 2013, compared to £9.4m for the quarter to December 31, 2012, reflecting, in part, improved turnover and lower bad debt charges. Profit before tax for the quarter has, however been impacted, as expected, by higher interest costs relating to the Senior Notes
- **Continued high cash generation** The group continues to be highly cash generative, with cash receipts in the quarter to December 31, 2013 of £91.1m compared to cash debt service and principal repayments of £10.9m and other cash expense payments of £11.1m. Debt service and principal repayments were significantly lower than the prior quarter (£22.2m for the quarter to September 30, 2013) due to the cessation of amortization of the syndicated facility, following the bond transaction in September 2013. Additionally it should be noted that during the quarter, the Group has drawn £5.0m on its revolving credit facility and £4.9m of interest payable, relating to the senior secured notes, has accrued and becomes payable in March 2014
- **Increased lending volumes** Lending volumes increased on the prior comparable period, with the group advancing £66.3m of loans in the quarter to December 31, 2013, compared to 57.2m in the quarter to September 30, 2013. Key underwriting metrics remained consistent in the period, with the weighted average LTV of loans written in the quarter to December 31, 2013 being 53.5%, compared to 52.4% in the quarter to September 30, 2013 and 51.4% in the quarter to December 31, 2012
- **Improving LTV of loan portfolio - Total Group** The indexed weighted average LTV of the loan portfolio for the total group, as at December 31, 2013 is 64.7%, showing an improvement on the position as at September 30, 2013, of 65.6%
- **Improving LTV of loan portfolio - Borrower Group** The indexed weighted average LTV of the loan portfolio for the borrower group, as at December 31, 2013 is 76.6%, showing an improvement on the position as at September 30, 2013, of 79.1%
- **Strengthened management team** The group management team has been further strengthened in the quarter with further senior appointments, most notable of which is the appointment of Simon Carter who joins the group as Director of IT

An Introduction to Jerrold Holdings

We are a specialist UK mortgage loan provider, established in 1974 and have successfully operated throughout our 40 year history. We focus on low loan to value lending and offer retail and commercial purpose mortgage loans to niche market segments underserved by mainstream lenders. Our loans include secured first and second lien loans, of which 85.0% are secured by residential properties, with the balance secured by commercial and semi-commercial properties, all within the United Kingdom. We specialize in offering individually underwritten loans to niche market segments, thereby minimizing competition from retail (“high street”) banks and other lenders. We offer our loans through a number of different brands and distribute them through brokers across the United Kingdom (which we refer to as the “broker network”), professional firms and auction houses and, with respect to repeat business, through our sales team. We originate and service all our mortgage loans directly.

As of December 31, 2013, 50.1% of our loan portfolio was classified as retail purpose, 40.4% of our loan portfolio was classified as commercial purpose and 9.5% of our loan portfolio was classified as development funding, calculated by value. We classify mortgages as “retail purpose” where the borrower resides in the property (or in at least 40% of the property) securing the loan and which include loans for purchasing a new home, making home improvements, debt consolidation and large personal purchases. Retail purpose loans include loans that are regulated by the Financial Conduct Authority (the “FCA”) or the Office of Fair Trading (“OFT”). We classify mortgages as “commercial purpose” where the borrower does not reside in the property (or resides in less than 40% of the property) securing the loan and which include loans for investing in property, including in order to lease that property (“buy-to-let”), raising capital against a property, including for general business use, or to renovate a property, or to bridge a transaction against a property.

Commercial purpose loans are unregulated. Our classification of a mortgage as either retail or commercial purpose is unrelated to the collateral securing it.

Our underwriting process consists of a detailed and individualized credit and affordability assessment, as well as a security assessment which includes an independent valuation, which we believe provides us with a thorough understanding of each loan application. In the underwriting process, we primarily focus on affordability, being the ability of the loan applicant to make loan payments in line with agreed terms (“affordability”), and security, being the adequacy of the property which will serve as security for the loan (“security”). To ensure strict compliance with our underwriting guidelines, we have in place mandate and authorization controls, a staff training and competency program and comprehensive quality assurance sampling procedures.

The LTV ratio is a ratio (reflected as a percentage) of the aggregate of (i) the principal amount of a mortgage loan, (ii) any higher ranking charge mortgage loans secured on the same property and (iii) the accrued interest and fees thereon (after suspended income) compared to the latest appraised value of the property securing the loan. The LTV of our loan portfolio on a weighted average indexed basis as of December 31, 2013, was 64.7% and the LTV on a weighted average basis of new loans underwritten by us in the quarter ended December 31, 2013 was 53.5%. We have historically lent at low LTVs compared to other lenders, including in the period leading up to the 2007 financial crisis during which many other lenders extended loans with LTVs equal to or in excess of 95%. As of December 31, 2013, 86.6% of our total loan portfolio and 77.0% of the Borrower Group loan portfolio, calculated by value, consisted of loans with LTVs at origination equal to or less than 75%. This fundamental, long-standing principle of our group has provided us with significant protection in times of falling house prices and economic downturns, thereby minimizing our levels of provisions.

Presentation of Financial and Other Information

Financial Statements

This quarterly report presents the unaudited interim consolidated financial statements of Jerrold Holdings Limited as of and for the three months ended December 31, 2012 and 2013 and for the six months ended December 31, 2013. The consolidated interim financial statements of Jerrold Holdings have been prepared in accordance with generally accepted accounting principles in the United Kingdom ("UK GAAP"), are unaudited and are derived from internal management reporting.

We have not included financial information prepared in accordance with IFRS or U.S. GAAP. UK GAAP differs in certain significant respects from IFRS and U.S. GAAP. You should consult your own professional advisors for an understanding of the differences between UK GAAP, IFRS and U.S. GAAP and how those differences could affect the financial information contained in this quarterly report.

Charles Street Asset Backed Conduit Securitisation 1 Limited ("Charles Street ABS"), the bankruptcy-remote special purpose vehicle established for purposes of our Conduit Securitization, is consolidated into our interim consolidated financial statements in accordance with UK GAAP. Mortgage loans sold to Charles Street ABS are maintained on our consolidated balance sheet as assets due by our debtors and the associated interest receivable credited to our profit and loss account. The loan notes issued by Charles Street ABS to certain lenders to finance its purchase of the loans and any interest and fees accrued but not yet paid in respect thereof, are maintained on our balance sheet as liabilities due to creditors with interest and transaction expenses expensed through our profit and loss account.

The results of operations for prior years or interim periods are not necessarily indicative of the results to be expected for the full year or for any future period.

Other Financial Information (Non-UK GAAP)

We have included in this quarterly report and related presentation, certain financial measures and ratios, including EBITDA, EBITDA margin and certain leverage and coverage ratios that are not presented in accordance with UK GAAP.

In this quarterly report and related presentation, references to "EBITDA" for the three months ended December 31, 2012 and 2013 and for the six months ended December 31, 2013 for Jerrold Holdings, can be extracted from the unaudited consolidated financial statements of Jerrold Holdings, by taking profit on ordinary activities after taxation and adding back interest payable and similar charges (including finance charges) interest receivable and similar income, tax on profit on ordinary activities and depreciation.

We are not presenting EBITDA-based measures as measures of our results of operations. EBITDA-based measures have important limitations as an analytical tool, and you should not consider them in isolation or as substitutes for analysis of our results of operations. Our management believes that the presentation of EBITDA-based measures is helpful to investors, securities analysts and other parties to measure our operating performance and ability to service debt. Our EBITDA-based measures may not be comparable to similarly titled measures used by other companies.

EBITDA, EBITDA margin and certain leverage and coverage ratios are not measurements of financial performance under UK GAAP and should not be considered as alternatives to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with UK GAAP.

We have included in this quarterly report and related presentation, certain supplemental cash flow information for the purpose of analyzing the cash available for debt service and surplus funds available for new advances. The supplemental cash flow information is not in accordance with UK GAAP and should not be considered as an alternative cash flow measure. Management uses this information to monitor the cash flow of the business and believes that such measures are useful to users of the financial information in assessing the funds available to write new loans. A proportion of the turnover we earn each year is through arrangement fees, renewal fees and collection fees. Fees are usually capitalized into the customer's loan balance and collected during the life of the loan or upon its redemption. When presenting supplemental cash flow information, we include the cash received from fees, within principal collection receipts.

Terms Relating to Our Loan Analysis

We do not reschedule our loans by capitalizing arrears. In this quarterly report and related presentation, arrears data is based on the original contractual position, using actual cash received to identify performing and non-performing arrears loans, and does not take into account either payment plans or agreed changes to payment dates.

Reposessed properties, Law of Property Act ("LPA") receivership in sale status and development loans are excluded from arrears numbers. LPA receiverships in rental status, which may return to being performing assets, are included in arrears numbers.

Reposessed properties are properties in respect of which a court order has been actioned by a charge holder to the security, or in respect of which the borrower has surrendered ownership of the property. An LPA receivership is typically used to exercise security over property that is used for commercial purposes, which enables us to sell the property ("sale status"), or divert income streams from properties directly to ourselves ("rental status") which may not lead to an eventual sale process if the borrower is able to recover his position.

Development loans are commercial purpose loans that we historically extended to finance the development of land or property into residential units, with repayments being made out of the sale of property units. We continue to support a small number of funding commitments already agreed or required to complete existing developments, but underwrite relatively few new development loans. Development loans are reported as a separate category of loans within this analysis.

In this quarterly report and related presentation, data referring to our loan portfolio analysis is in reference to our core operating subsidiaries: Blemain Finance Limited, Bridging Finance Limited, Cheshire Mortgage Corporation Limited, Lancashire Mortgage Corporation Limited, Auction Finance Limited and Harpmanor Limited, which represent 99.7% of our total loan book balances by value as of December 31, 2013. Data referring to our loan portfolio analysis is presented after suspended income but before provisions for bad and doubtful debts.

In this quarterly report and related presentation, a loan is considered performing (or a "performing

loan") if it has (i) nil arrears or arrears less than or equal to one month's contractual installment or (ii) "performing arrears loans," being loans with arrears greater than one month's but less than or equal to three months' contractual installments or where cash receipts collected in the prior three months are equal to or greater than 90% of the contractual installments due. The balance of loans are classified as (i) non-performing arrears loans, where such loans have arrears of greater than three months' contractual installments due and where receipts collected in the prior three months are less than 90% of contractual installments due, (ii) loans for which the security is subject to a repossession order or for which an LPA receiver has been appointed and is under sale status and (iii) development loans.

In this quarterly report and related presentation, the term "performing loans" refers to the aggregate of (i) the principal amount of performing loans outstanding and (ii) accrued interest and fees (after suspended income and before provisions for bad and doubtful debts) in respect of such loans, as of the date presented. The term "non-performing arrears loans" refers to the aggregate of (i) the principal amount of non-performing arrears loans outstanding and (ii) accrued interest and fees (after suspended income and before provisions for bad and doubtful debts) in respect of such loans, as of the date presented. Non-performing arrears loans do not take into account loans for which the security is subject to a repossession order or for which an LPA receiver has been appointed and is under sale status or development loans, all of which are reported as separate categories and are also calculated based on the principal amount plus accrued interest and fees (after suspended income and before provisions for bad and doubtful debts) in respect of such loans. Our loan analysis excludes loans with carrying values of nil for which full provisions are in place. Our provisions analysis also excludes provisions in respect of loans with carrying values of nil for which full provisions are in place.

In this quarterly report and related presentation, the term "total loan assets" refers to the total balance of loans provided to our customers as included within our balance sheet, stated after suspended income and after provisions for bad and doubtful debts.

In this quarterly report and related presentation, the term "second lien loans" includes second lien

loans and also subsequent lien loans. As of December 31, 2013 subsequent lien loans amounted to approximately £2.2 million after suspended income and after provisions for bad and doubtful debts, representing 0.2% of our loan portfolio.

The LTV ratio is a ratio (reflected as a percentage) of the aggregate of (i) the principal amount of a mortgage loan, (ii) any higher ranking charge mortgage loans secured on the same property and (iii) the accrued interest and fees thereon (after suspended income) compared to the latest appraised value (the assessed value of real property in the opinion of a qualified appraiser or valuer during the mortgage origination process or the reappraised valuation of the property if a later

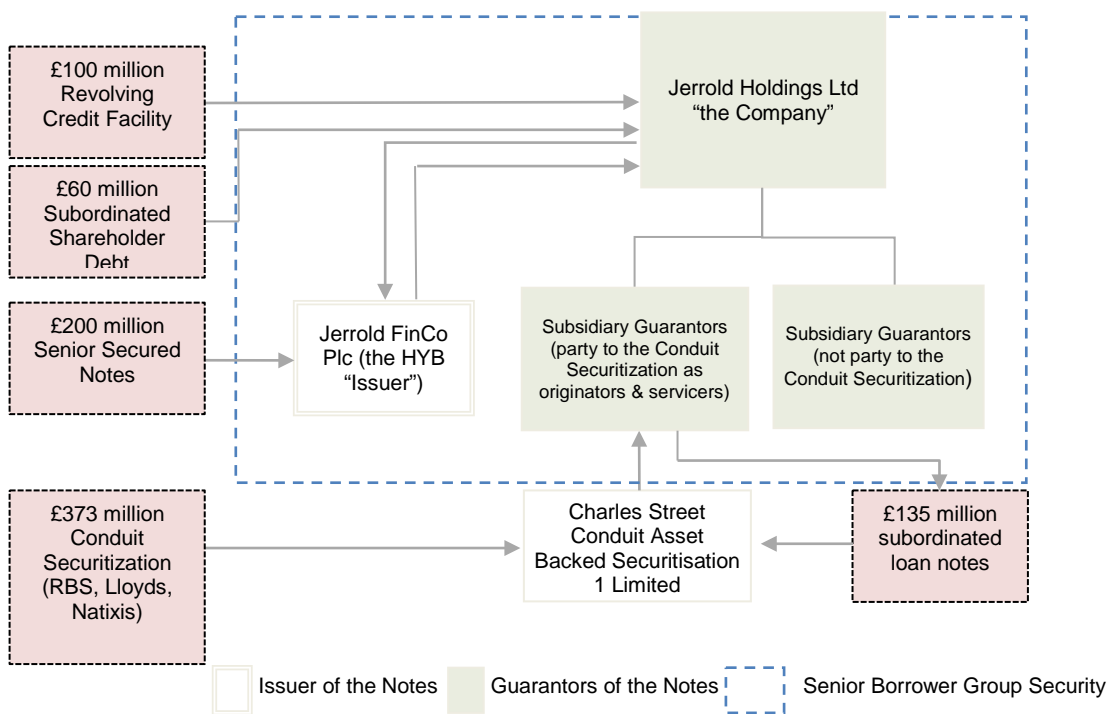
valuation has been undertaken) of the property securing the loan.

In this quarterly report and related presentation, the average LTV of our loan portfolio is calculated on a “weighted average basis,” pursuant to which LTV is calculated by multiplying each LTV by the respective loan amount and then dividing the sum of the weighted LTVs by the total amount of loans. The weighted average LTV of our loan portfolio is also presented on an “indexed basis,” pursuant to which the value of the properties securing our loans are reviewed quarterly and adjusted for movements in property prices since the latest appraised valuation in accordance with the relevant regional property indices.

Summary Corporate and Financing Structure

The diagram below provides a simplified overview of our corporate and financing structure on a consolidated basis as at December 31, 2013. The diagram does not include all entities in our group, nor does it show all our liabilities in our group.

Group Legal & Finance Structure as at December 2013



Key Performance Indicators

The following table summarizes key financial data and key performance indicators as of the dates and for the periods indicated.

| (£ in thousands, except for percentages and ratios or unless otherwise noted) | Unaudited 3 months ended or as at December 31, | | Unaudited 6 months ended or as at December 31, |
|---|---|----------|---|
| | 2012 | 2013 | 2013 |
| Group | | | |
| Turnover..... | 29,656 | 31,173 | 62,092 |
| Movement in bad debt provisions..... | (1,556) | (1,001) | (2,519) |
| EBITDA..... | 20,893 | 23,053 | 45,664 |
| EBITDA margin..... | 70.5% | 73.9% | 73.5% |
| Profit on ordinary activities before tax..... | 9,399 | 10,819 | 23,740 |
| Supplemental cash flow information: | | | |
| Cash receipts..... | 83,202 | 91,111 | 170,937 |
| New advances..... | (42,356) | (66,330) | (123,541) |
| LTV of loan portfolio (on a weighted average basis, based on LTV of loans at origination).... | 55.8% | 61.9% | 61.9% |
| LTV of loan portfolio (on a weighted average indexed basis)..... | 69.4% | 64.7% | 64.7% |
| Borrower Group | | | |
| LTV of loan portfolio (on a weighted average basis, based on LTV of loans at origination).... | 58.5% | 56.2% | 56.2% |
| LTV of loan portfolio (on a weighted average indexed basis)..... | 82.9% | 76.6% | 76.6% |

For definitions please see sections: “Terms Relating to our Loan Analysis” and “Key Definitions”.

The key performance indicators above for three months ended December 31, 2012 and 2013 and six months ended December 31, 2013, have been derived from unaudited consolidated interim financial statements and management information, which have been prepared on a basis consistent with annual audited consolidated financial statements. In the opinion of management, such unaudited financial data reflect all adjustments

necessary for a fair presentation of the results for those periods and have been prepared in accordance with UK GAAP.

The key performance indicators for prior years or the interim periods are not necessarily indicative of the results to be expected for the full year or any future period. This financial information should be read in conjunction with the historic consolidated financial statements of Jerrold Holdings Limited.

Operating and Financial Review

The section below provides a more detailed overview of performance in relation to a number of the key metrics that management use when assessing the performance of the business.

Continued focus on prudent underwriting policies, LTVs and traditional security

During the quarter to December 31, 2013 the group has continued to focus on prudent underwriting policies and LTVs, as well as traditional security such as residential housing stock, in providing its mortgage loans. The average LTV of new mortgage loans funded in the quarter was 53.5%, compared to 52.4% in the quarter to September 30, 2013 and 51.4% in the quarter to December 31, 2012.

The group has continued to use stringent affordability metrics to ensure our customers are able to service their loans. This focus on affordability continues to correlate with a decline in vintage delinquency levels, with the amount of loans experiencing arrears greater than three months contractual installments within 12 months of funding decreasing from 9.4% for loans funded in the year ended December 31, 2007, to 1.1% for loans funded in the year ended December 31, 2012. We expect that a continued focus on such policies will help us maintain lower delinquency levels.

An analysis of our loan portfolio as at December 31, 2012, September 30, 2013 and December 31, 2013, by arrears banding, for the group and borrower group is as follows:

| | Group Loan Portfolio Arrears Analysis | | | Borrower Group Loan Portfolio Arrears Analysis | | |
|---|--|------------------|-----------------|---|------------------|-----------------|
| | Dec 31, 2012 | Sept 30, 2013 | Dec 31, 2013 | Dec 31, 2012 | Sept 30, 2013 | Dec 31, 2013 |
| Nil Arrears & Arrears ≤ 1 month. | 59.2% | 63.5% | 65.1% | 27.4% | 35.1% | 40.5% |
| Performing Arrears | | | | | | |
| 1-3 months | 8.9% | 8.2% | 8.3% | 9.1% | 9.1% | 9.0% |
| 3-6 months | 2.6% | 2.8% | 2.4% | 4.6% | 5.1% | 4.2% |
| >6 months | 2.7% | 2.9% | 2.7% | 5.7% | 6.0% | 5.3% |
| Total Performing Arrears..... | 14.2% | 13.9% | 13.4% | 19.5% | 20.2% | 18.5% |
| Non-Performing Arrears | | | | | | |
| 3-6 months | 3.3% | 2.2% | 1.9% | 5.0% | 3.4% | 2.9% |
| >6 months | 6.3% | 4.6% | 4.2% | 13.2% | 9.5% | 8.2% |
| Past due (term loans) | 1.1% | 1.4% | 1.2% | 1.8% | 2.2% | 2.3% |
| LPA Rent | 1.7% | 1.3% | 1.3% | 3.5% | 2.7% | 2.6% |
| Total Non-Performing Arrears. | 12.4% | 9.5% | 8.6% | 23.4% | 17.9% | 16.0% |
| Development Loans..... | 10.2% | 9.7% | 9.5% | 21.2% | 20.1% | 18.8% |
| Repossessions..... | 4.1% | 3.3% | 3.3% | 8.4% | 6.7% | 6.2% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

We continue to target an average of origination LTVs of between 50% and 60% for new loans and continue to focus principally on residential security. The average LTV of new mortgage loans funded in the quarter to December 31, 2013 was 53.5%, compared to 52.4% in the quarter to September 30, 2013 and 51.4% in the quarter to December 31, 2012.

An analysis of our loan portfolio as at December 31, 2013, by indexed and origination LTV banding, for the group and borrower group is as follows:

| Group Loan Portfolio Indexed LTV Analysis £m | Performing Loans | Non - Performing Loans | Development Loans | Repossessions | Total Loan Portfolio |
|---|-------------------------|-------------------------------|--------------------------|----------------------|-----------------------------|
| <= 60%..... | 477.7 | 23.3 | 2.0 | 4.5 | 507.5 |
| >60% <=85%..... | 267.2 | 28.7 | 8.1 | 6.8 | 310.8 |
| >85% <=100%..... | 39.3 | 18.2 | 55.0 | 14.5 | 127.0 |
| >100%..... | 5.6 | 16.6 | 30.7 | 7.3 | 60.3 |
| Total..... | 789.9 | 86.8 | 95.8 | 33.1 | 1,005.5 |

| Borrower Group Loan Portfolio Indexed LTV Analysis £m | Performing Loans | Non - Performing Loans | Development Loans | Repossessions | Total Loan Portfolio |
|--|-------------------------|-------------------------------|--------------------------|----------------------|-----------------------------|
| <= 60%..... | 151.9 | 19.9 | 2.0 | 3.5 | 177.2 |
| >60% <=85%..... | 114.1 | 26.9 | 8.1 | 6.5 | 155.7 |
| >85% <=100%..... | 30.7 | 18.2 | 55.0 | 14.5 | 118.4 |
| >100%..... | 4.5 | 16.6 | 30.7 | 7.3 | 59.2 |
| Total..... | 301.2 | 81.6 | 95.8 | 31.8 | 510.5 |

| Group Loan Portfolio Origination LTV Analysis £m | Performing Loans | Non - Performing Loans | Development Loans | Repossessions | Total Loan Portfolio |
|---|-------------------------|-------------------------------|--------------------------|----------------------|-----------------------------|
| <= 60%..... | 481.3 | 36.3 | 22.8 | 15.3 | 555.7 |
| >60% <=85%..... | 299.9 | 41.4 | 29.4 | 13.2 | 383.9 |
| >85% <=100%..... | 5.3 | 5.4 | 34.5 | 4.4 | 49.6 |
| >100%..... | 3.4 | 3.6 | 9.2 | 0.2 | 16.4 |
| Total..... | 789.9 | 86.8 | 95.8 | 33.1 | 1,005.5 |

| Borrower Group Loan Portfolio Origination LTV Analysis £m | Performing Loans | Non - Performing Loans | Development Loans | Repossessions | Total Loan Portfolio |
|--|-------------------------|-------------------------------|--------------------------|----------------------|-----------------------------|
| <= 60%..... | 161.4 | 32.6 | 22.8 | 14.1 | 230.9 |
| >60% <=85%..... | 132.6 | 40.0 | 29.4 | 13.1 | 215.0 |
| >85% <=100%..... | 4.1 | 5.4 | 34.5 | 4.4 | 48.4 |
| >100%..... | 3.2 | 3.6 | 9.2 | 0.2 | 16.2 |
| Total..... | 301.2 | 81.6 | 95.8 | 31.8 | 510.5 |

Maintenance of loan portfolio mix and continued differentiation of our offerings

We continue to intend to maintain a diversified loan portfolio mix between retail purpose and commercial purpose lending, security types and first and second lien mortgages over the medium term.

As at December 31, 2013 50.1% of our loan portfolio was classified as retail purpose, 40.4% of our loan portfolio was classified as commercial purpose and 9.5% of our loan portfolio was classified as development funding, calculated by value. This is relatively consistent with the position as at September 30, 2013 whereby, 51.4% of our loan portfolio was classified as retail purpose, 38.9% of our loan portfolio was classified as commercial purpose and 9.7% of our loan portfolio was classified as development funding.

The proportion of our loan portfolio secured by residential security by value has remained consistent at 85.0% as at December 31, 2013, compared to 84.5% as at September 30, 2013.

The proportion of our loan portfolio secured on first charges has marginally increased to 46.5% as at December 31, 2013, compared to 46.0% as at September 30, 2013 reflecting a slightly higher proportion of bridging loans in our new business mix in the quarter.

Moderately grow our loan portfolio.

We have continued to moderately grow our loan portfolio using our well established distribution channels across the United Kingdom. We continue to focus on niche markets where we can offer products by identifying customer groups that are underserved by mainstream lenders.

In the quarter to December 31, 2013, including further advances we have funded an average of £22.1m per month compared with £19.1m per month in the quarter to September 30, 2013 and £17.9m per month in the 12 months to December 31, 2013.

Our total loan portfolio stands at £1,005.3m as at December 31, 2013, compared to £999.7m as at September 30, 2013, representing less than 1.0% of the total mortgage market. We believe that historically the volume of loans we were able to originate was primarily limited by the amount of funding available to us, as well as the level of redemption activity. The increase in new business levels in the quarter to December 31, 2013 is due, in part to; increased levels of redemption activity, lower levels of debt repayments and additional liquidity following the successful capital market transaction in September 2013.

We intend to grow our loan portfolio in a controlled manner, ensuring the quality of new loans is of an acceptable standard.

Financial Review

Turnover has increased when compared with the prior comparable period at £31.2m for the quarter to December 31, 2013, compared to £29.7m for the quarter to December 31, 2012. This is due to both an increase in the return earned from the loan book and an increase in arrangement fees, reflecting increased funding levels..

The bad debt expensed to the Profit and Loss account in the quarter (£1.0m to December 31, 2013) has continued to be maintained at low levels when compared to the loan portfolio, at 0.4% for the quarter (annualized) to December 31, 2013, and 0.6% for the 12 months to December 31, 2013, primarily as a function of the group's continued low loan to value ('LTV') policy and stringent underwriting policies.

The group continues to be consistently highly profitable, with improved EBITDA of £23.1m for the quarter to December 31, 2013, compared to £20.9m for the quarter to December 31, 2012. The consistent profitability of the group is also reflected in the EBITDA margin which has remained at above 70% at 73.9% for the quarter to December 31, 2013, compared to 70.5% for the quarter to December 31, 2012.

Profit before tax has improved on the prior comparable period at £10.8m for the quarter to December 31, 2013, compared to £9.4m for the quarter to December 31, 2012, reflecting, in part, improved turnover and lower bad debt charges. Profit before tax for the quarter has, however been impacted, as expected, by higher interest costs relating to the Senior Notes.

The group continues to be highly cash generative, with cash receipts in the quarter to December 31, 2013 of £91.1m compared to cash debt service and principal repayments of £10.9m and other cash expense payments of £11.1m. Debt service and principal repayments were significantly lower than the prior quarter (£22.2m for the quarter to September 30, 2013) due to the cessation of amortization of the syndicated facility, following the bond transaction in September 2013. Additionally it should be noted that during the quarter, the Group has drawn £5.0m on its revolving credit facility and £4.9m of interest payable, relating to the senior secured notes, has accrued and becomes payable in March 2014..

Recent Developments

New Director of Information Technology

Simon Carter joined Jerrold Holdings in Jan 2014 as Director of IT. He has over 25 years experience in the IT industry, predominantly in Financial Services. In the last fifteen years Simon has operated at Director level in a number of blue chip organizations including Lex Vehicle Leasing, RAC Motoring Services and Cooperative Financial Services, specializing in shaping and leading large programmes of IT enabled change. Simon will be responsible for all aspects of IT including the implementation of improved Business Systems to support the ambitious business growth plans.

New participants in Conduit

In December 2013 Natixis became a Conduit Securitisation lender with a £128.0m commitment, replacing National Australia Bank who had

confirmed their strategic desire to withdraw from the UK market.

Following the introduction of Natixis, both RBS and Natixis waived their right to receive amortisation repayments of £4.5m in February 2014.

Extension to the Conduit

The securitization facility and its associated liquidity lines are scheduled to expire on 31 July 2015. We are currently finalizing the terms of an extension to this facility and expect this process to complete during April 2014. We envisage that the facility will be extended until 31 January 2017 and will require that a credit rating is in place by 31 December 2014. In addition this will allow for some additional facility headroom (in parallel with a smaller partial reduction in the size of the Revolving Credit Facility) and improved margins.

Significant Factors Which May Affect Results of Operations

Loan Assets Performance

The performance of our total loan assets depends on our ability to collect each expected loan installment, including interest and principal payments, on a timely basis. This, in turn, depends in part on the strength of our underwriting process to ensure the affordability of the loan installments and to assess the sustainability of such payments based upon known factors at the time of origination, and, where relevant, the marketability and value of the underlying security. Our underwriting criteria, processes, controls and systems have been developed and refined using many years of experience. For each loan application, a detailed individualized assessment is made of the customer including, among other checks, an assessment of the financial position of the customer to ensure that the loan is both affordable and sustainable and an assessment of the underlying security and its valuation. In addition, the performance of our total loan assets is impacted by our continued investment in our collections infrastructure, which impacts our ability to collect expected loan installments.

Macroeconomic Conditions

Our business is impacted by general business and economic conditions in the United Kingdom. In an economic downturn, customers may be less able to pay their debts as a result of a reduction in income, which could impact our levels of arrears. In an economic downturn, customers are also less likely to redeem their mortgage loans, as a result of banks and other lenders having reduced levels of liquidity with which customers can refinance their mortgages, lenders tightening their lending criteria and customers being less likely to meet lending criteria. Redemption levels impact the levels of new business we are able to underwrite and thus the amount that we earn in redemption and upfront fees, as well as the rates at which we replace existing loans with new loans with potentially better credit quality and higher nominal interest rates.

Our results of operations are also affected by changes in prevailing interest rates in the United Kingdom. An increase in prevailing interest rates increases the cost of servicing some of our borrowings. Although our total loan assets consists primarily of variable rate mortgage loans and we have the right to increase pricing if our own funding costs increase, our level of arrears and ultimately cash flows may be adversely affected if we increase the pricing of our customers' mortgages in relation to any potential increases in our funding costs. An

increase in interest rates can also adversely affect the interest rates charged by first charge holders; the credit quality of the customers to whom we lend; as well as our loan origination volumes, as loans become less attractive to customers.

Property Market

Our business is impacted by levels of activity in the property market as well as property prices, both of which are influenced by, among other things, general business and economic conditions. Growing levels of activity in the property market (independent of property prices) are likely to increase demand for our mortgage loans, and, conversely, lower levels of activity are likely to reduce demand. Property prices also impact the LTV of our loans. As property prices increase, the amount of equity that mortgage borrowers hold in their home increases, and as property prices decrease, equity levels also decrease. Increased levels of equity provide borrowers with greater financial flexibility, which they may use to refinance or borrow additional amounts, which results in increased redemption and new business levels.

Competition

Competition levels could impact the acquisition cost of obtaining business along with the interest rates and fees that we can charge for our mortgage loans as well as the credit quality of the customers to which we lend.

Funding

We currently fund our total loan assets from cash provided by operations, shareholder reserves, the Subordinated Shareholder Loan Notes and amounts available under our issued Capital Market instrument, Revolving Credit Facility and through our Conduit Securitization. The volume of loans we are able to originate is limited, in part, by the amount and terms of funding available to us.

Regulatory Considerations

Our results of operations are affected by a number of laws and regulations. Certain of our business operations are regulated by the FCA and the OFT. We have invested, and continue to invest, in quality assurance, compliance and our risk management framework. We also use third party regulatory specialist advisors to support our business operations. If we fail to comply with regulatory requirements, we may not be able to conduct our business or may be subject to sanctions or substantial fines that may have a material adverse effect on our reputation, results of operations and financial condition.

Unaudited Consolidated Interim Financial Statements

The unaudited consolidated interim financial statements below show the financial performance for the three and six month periods to and as at December 31, 2013.

Comparatives for these financial results included in the interim financial statements are as follows:

- Consolidated Profit and Loss Account and Consolidated Cash Flow Statement have comparatives of three months to December 31, 2012; and
- Consolidated Balance Sheet has comparatives of December 31, 2012 and September 30, 2013.

JERROLD HOLDINGS LIMITED
UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT
Period ended December 31, 2013

| | Note | 6 months to December 31, 2013 £'000 | 3 months to December 31, 2013 £'000 | 3 months to December 31, 2012 £'000 |
|--|------|--|--|--|
| TURNOVER | | 62,092 | 31,173 | 29,656 |
| Cost of sales | | (2,159) | (1,167) | (850) |
| GROSS PROFIT | | <u>59,933</u> | <u>30,006</u> | <u>28,806</u> |
| Administrative expenses | | (14,819) | (7,231) | (8,130) |
| OPERATING PROFIT | | <u>45,114</u> | <u>22,775</u> | <u>20,676</u> |
| Gain on sale of investment properties | | - | - | - |
| Interest payable and similar charges | 2 | (21,443) | (12,002) | (11,302) |
| Interest receivable and similar income | 2 | 68 | 46 | 25 |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | <u>23,739</u> | <u>10,819</u> | <u>9,399</u> |
| Tax on profit on ordinary activities | 3 | (5,866) | (2,600) | (2,184) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | <u>17,873</u> | <u>8,219</u> | <u>7,215</u> |
| Minority interests | | (6) | (2) | (1) |
| RETAINED PROFIT FOR THE PERIOD | 10 | <u><u>17,867</u></u> | <u><u>8,217</u></u> | <u><u>7,214</u></u> |

No consolidated note of historical cost profits and losses has been prepared as there is no material difference between the retained profits in either period if an historical cost basis had been adopted.

All activities arose from continuing operations.

There were no recognised gains or losses in any period other than the result for that period shown above. Accordingly, a separate consolidated statement of total recognised gains and losses has not been presented.

The notes on pages 20 to 30 form part of the interim financial statements.

JERROLD HOLDINGS LIMITED
UNAUDITED CONSOLIDATED BALANCE SHEET
As at December 31, 2013

| | | 6 months to December 31, 2013 £'000 | 3 months to September 30, 2013 £'000 | 6 months to December 31, 2012 £'000 |
|--|-------------|--|---|--|
| | Note | £'000 | £'000 | £'000 |
| FIXED ASSETS | | | | |
| Investment properties | | 228 | 228 | 232 |
| Tangible assets | 4 | 3,856 | 3,913 | 4,172 |
| Investments | | 13 | 13 | 13 |
| | | <u>4,097</u> | <u>4,154</u> | <u>4,417</u> |
| CURRENT ASSETS | | | | |
| Stocks | | 1,381 | 1,381 | 1,381 |
| Debtors | | | | |
| - Due within one year | 5 | 304,835 | 299,992 | 291,634 |
| - Due after one year | 5 | 688,991 | 689,843 | 697,492 |
| Investments | | 110 | 110 | 111 |
| Cast at bank and in hand | | 4,599 | 8,253 | 10,113 |
| | | <u>999,916</u> | <u>999,579</u> | <u>1,000,731</u> |
| CREDITORS: Amounts falling due within one year | 6 | <u>(93,158)</u> | <u>(64,533)</u> | <u>(73,884)</u> |
| NET CURRENT ASSETS | | <u>906,758</u> | <u>935,046</u> | <u>926,847</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>910,855</u> | <u>939,200</u> | <u>931,264</u> |
| CREDITORS: Amounts falling due after more than one year | 7 | <u>(531,821)</u> | <u>(568,384)</u> | <u>(588,971)</u> |
| NET ASSETS | | <u>379,034</u> | <u>370,816</u> | <u>342,293</u> |
| CAPITAL AND RESERVES | | | | |
| Called up share capital | 9 | 9,778 | 9,778 | 9,778 |
| Share premium account | 10 | 17,527 | 17,527 | 17,527 |
| Merger reserve | 10 | (9,645) | (9,645) | (9,645) |
| Capital redemption reserve | 10 | 1,300 | 1,300 | 1,300 |
| Revaluation reserve | 10 | 21 | 21 | 21 |
| Profit and loss account | 10 | 359,801 | 351,585 | 323,075 |
| SHAREHOLDERS' FUNDS | 11 | <u>378,782</u> | <u>370,566</u> | <u>342,056</u> |
| Minority interests | | 252 | 250 | 237 |
| TOTAL CAPITAL EMPLOYED | | <u>379,034</u> | <u>370,816</u> | <u>342,293</u> |

JERROLD HOLDINGS LIMITED
UNAUDITED CONSOLIDATED CASH FLOW STATEMENT
Period ended December 31, 2013

| | Note | 6 months to December 31, 2013 £'000 | 3 months to December 31, 2013 £'000 | 3 months to December 31, 2012 £'000 |
|--|------|--|--|--|
| NET CASH INFLOW FROM OPERATING ACTIVITIES | 12a | 32,913 | 16,543 | 31,548 |
| Returns on investments and servicing of finance | 12d | (19,548) | (6,350) | (13,604) |
| Taxation | | (5,211) | (2,211) | (3,998) |
| Capital expenditure and financial investments | 12d | <u>(131)</u> | <u>(125)</u> | <u>(430)</u> |
| CASH INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING | | 8,023 | 7,857 | 13,516 |
| Management of liquid resources | 12d | - | - | - |
| Financing | 12d | <u>(16,016)</u> | <u>(11,511)</u> | <u>(18,266)</u> |
| (DECREASE) IN CASH IN THE PERIOD | 12c | <u><u>(7,993)</u></u> | <u><u>(3,654)</u></u> | <u><u>(4,750)</u></u> |

JERROLD HOLDINGS LIMITED**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****Period ended December 31, 2013****1. ACCOUNTING POLICIES**

The principal accounting policies are summarized below. They have all been applied consistently throughout the current and the preceding financial periods.

Accounting convention and going concern

The interim financial statements have been prepared under the historical cost convention (as modified by the revaluation of investment properties), on the going concern basis and in accordance with applicable law and United Kingdom accounting standards. The directors continue to adopt the going concern basis.

Basis of consolidation

The group interim financial statements consolidate the financial statements of Jerrold Holdings Limited and all its subsidiary undertakings drawn up to the end of each reporting period. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. The acquisition method of accounting has been adopted for the consolidation of the following subsidiaries:

Auction Finance Limited
Bridging Finance Limited
Bridgingfinance.co.uk Limited
Classic Car Finance Limited
Finance Your Property Limited (formerly Privileged Properties (Northern) Limited)
General Allied Properties Limited
Heywood Finance Limited
Heywood Leasing Limited
Jerrold FinCo PLC (formerly Finance Your Property Limited)
Manchester Property Investments Limited
Northwestern Properties & Developments Limited
Phone-a-loan Limited
Privileged Estates Limited
Proactive Bridging Limited
Provincial & Northern Properties Limited
Spot Finance Limited

Goodwill arising on acquisitions in the year ended 30 June 1998 and earlier periods was written off to reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard the goodwill previously written off has not been reinstated in the balance sheet. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

Merger accounting has been used for the consolidation of the following subsidiaries:

Blemain Finance Limited
Briar Hill Court Limited
Cheshire Mortgage Corporation Limited
Factfocus Limited
Harpmanor Limited
Jerrold Mortgage Corporation Limited
Lancashire Mortgage Corporation Limited
Monarch Recoveries Limited
Supashow Limited

Under this method any difference arising on consolidation is treated as a reduction in reserves.

In the company's interim financial statements, investments in subsidiary undertakings are stated at cost less provision for any impairment. Dividends received and receivable are credited to the company's profit and loss account.

Investment properties

A valuation of investment properties is made as at the balance sheet date by the directors, at open market value based on previous valuations conducted by external chartered surveyors. A full valuation by an external valuer is made on a periodic basis. Changes in the market value of investment properties are accounted for by way of a movement in the revaluation reserve and are included in the statement of total recognised gains and losses unless a deficit (or its reversal) on an individual investment property is expected by the directors to be permanent, in which case the change in market value is charged/(credited) to the profit and loss account. On disposal, the cumulative revaluation surpluses or deficits are transferred from the revaluation reserve to the profit and loss account reserve.

In accordance with SSAP 19 “Accounting for Investment Properties”, no depreciation or amortization is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run. The requirement of the Companies Act 2006 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, as these properties are not held for consumption but for investment to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view. If this departure from the Act had not been made the profit for the financial year would have been decreased by depreciation. However, the amount of depreciation cannot reasonably be quantified, because of the lack of analysis of the cost/value as between land and buildings.

Other tangible fixed assets

Tangible fixed assets are shown at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life as follows:

| | |
|-----------------------|---------------------------|
| Fixtures and fittings | 15% straight-line on cost |
| Motor vehicles | 25% reducing balance |
| Office equipment | 20% straight-line on cost |
| Computer equipment | 33% straight-line on cost |

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

Investments

Fixed asset investments are stated at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realizable value.

Stocks

Stock properties are valued at the lower of cost and estimated net realizable value. Net realizable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalized as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Pension benefits

During the period the group operated a defined contribution scheme and made contributions to employees' personal pension schemes.

The amounts charged to the profit and loss account in respect of pension costs and other post-retirement benefits are the contributions payable in the year to personal pension schemes. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Provisions for bad and doubtful debts

Specific provisions are made when the directors consider that the recoverability of the advance is in part or in whole doubtful. Incurred but not reported loss provisions are raised to cover losses that are judged to be present in loans and advances at the balance sheet date but which have not been specifically identified as such. Provisions for bad and doubtful debts, along with bad debt write-offs, are charged to operating profit as part of administrative expenses.

Loan notes

Loan notes are recognized at amortized cost net of debt issue costs. Interest and fees payable to the loan note holders during the financial period are recognised in the profit and loss account over the term of the notes using the effective interest rate method.

Bank loans and senior secured notes

Interest-bearing bank loans and senior secured notes are recorded at amortized cost net of direct issue costs. Finance charges are accounted for on an accruals basis in the profit and loss account and are included in Accruals and Deferred Income to the extent that they are not settled in the period in which they arise.

Turnover and cost of sales

Turnover consists of interest recoverable on loans, fee and commission income, proceeds of stock properties disposed of, rental income and the invoiced value (excluding VAT) for goods and services supplied to third parties.

Interest income is recognised on an accruals basis. Other finance related fees receivable are credited to income when they are earned.

Income from disposal of stock properties is recognised at completion of the sale, with the related cost recognised within cost of sales.

Cost of sales includes the cost of stock properties sold during the year and direct costs of the financing business, including fees and commissions payable.

2. FINANCE CHARGES

| | 6 months to December 31, 2013 £'000 | 3 months to December 31, 2013 £'000 | 3 months to December 31, 2012 £'000 |
|--|--|--|--|
| <i>Interest payable and similar charges</i> | | | |
| Bank loans and overdrafts | (21,412) | (11,985) | (11,276) |
| Other interest | (31) | (17) | (26) |
| | <u>(21,443)</u> | <u>(12,002)</u> | <u>(11,302)</u> |
| | | | |
| | 6 months to December 31, 2013 £'000 | 3 months to December 31, 2013 £'000 | 3 months to December 31, 2012 £'000 |
| <i>Interest receivable and similar charges</i> | | | |
| Bank and other interest | 68 | 46 | 25 |
| | <u>68</u> | <u>46</u> | <u>25</u> |

3. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:

| | 6 months to December 31, 2013 £'000 | 3 months to December 31, 2013 £'000 | 3 months to December 31, 2012 £'000 |
|---|--|--|--|
| Current tax | | | |
| Corporation tax | 5,879 | 2,613 | 2,155 |
| Total current tax | <u>5,879</u> | <u>2,613</u> | <u>2,112</u> |
| | | | |
| Deferred tax | | | |
| Origination and reversal of timing differences | (13) | (13) | (22) |
| Adjustment in respect of prior periods | - | - | 51 |
| Total deferred tax (see note 8) | <u>(13)</u> | <u>(13)</u> | <u>29</u> |
| Total tax on profit on ordinary activities | <u>5,866</u> | <u>2,600</u> | <u>2,184</u> |

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

| | 6 months to December 31, 2013 £'000 | 3 months to December 31, 2013 £'000 | 3 months to December 31, 2012 £'000 |
|---|--|--|--|
| Profit on ordinary activities before tax | <u>23,739</u> | <u>10,819</u> | <u>9,399</u> |
| Tax on profit on ordinary activities at standard UK corporation tax rate of 23% (2012: 24%) | 5,460 | 2,488 | 2,257 |
| Effects of: | | | |
| Expenses not deductible for tax purposes | 406 | 112 | (90) |
| Capital allowances in excess of depreciation | - | - | - |
| Adjustments in respect of prior periods | | | 9 |
| Other timing differences | <u>13</u> | <u>13</u> | <u>(21)</u> |
| Group current tax charge for period | <u>5,879</u> | <u>2,613</u> | <u>2,155</u> |

4. TANGIBLE FIXED ASSETS

| Group | Fixtures, fittings and equipment £'000 | Motor vehicles £'000 | Total £'000 |
|-----------------------------|---|----------------------------|----------------|
| Cost | | | |
| At July 1, 2013 | 4,557 | 887 | 5,444 |
| Additions | 168 | 140 | 308 |
| Disposals | <u>(79)</u> | <u>(166)</u> | <u>(245)</u> |
| At December 31, 2013 | <u>4,646</u> | <u>861</u> | <u>5,507</u> |
| Depreciation | | | |
| At July 1, 2013 | 807 | 503 | 1,310 |
| Charge for the period | 497 | 53 | 550 |
| Disposals | <u>(79)</u> | <u>(130)</u> | <u>(209)</u> |
| At December 31, 2013 | <u>1,225</u> | <u>426</u> | <u>1,651</u> |
| Net book value | | | |
| At December 31, 2013 | <u>3,421</u> | <u>435</u> | <u>3,856</u> |
| At June 30, 2013 | <u>3,750</u> | <u>384</u> | <u>4,134</u> |

The net book value of tangible fixed assets includes £359,358 (June 30, 2013: £262,000) in respect of assets held under hire purchase contracts.

5. DEBTORS

| | 6 months to December 31, 2013 £'000 | 3 months to September 30, 2013 £'000 | 6 months to December 31, 2012 £'000 |
|-------------------------------------|--|---|--|
| Amounts falling due within one year | | | |
| Trade debtors | 303,035 | 297,447 | 289,777 |
| Amounts owed by related companies | 53 | 54 | 82 |
| Other debtors | 145 | 888 | 293 |
| Prepayments and accrued income | 1,602 | 1,603 | 1,482 |
| | <u>304,835</u> | <u>299,992</u> | <u>291,634</u> |
| Amounts falling due after one year | | | |
| Trade debtors | 687,721 | 688,586 | 696,302 |
| Deferred taxation (see note 8) | 1,270 | 1,257 | 1,190 |
| | <u>688,991</u> | <u>689,843</u> | <u>697,492</u> |
| | <u>993,826</u> | <u>989,835</u> | <u>989,126</u> |

Trade debtors include amounts due in respect of loans provided during the normal course of business. Also included in trade debtors is an amount of £602,703 (June 30, 2013: £602,703) loaned to August Blake Developments Limited, £3,718,609 (June 30, 2013: £4,273,203) loaned to Sunnywood Estates Limited and £8,092,824 (June 30, 2013: £7,627,824) loaned to Edgworth Developments Limited, companies in which H N Moser is a director and shareholder. These loans are on a commercial basis secured on certain assets of these companies. Amounts owed by related companies are in respect of Centrestand Limited, Charles Street Commercial Investments Limited and Sterling Property Co. Limited, companies in which H N Moser is a director and shareholder (see note 13).

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 6 months to December 31, 2013 £'000 | 3 months to September 30, 2013 £'000 | 6 months to December 31, 2012 £'000 |
|---|--|---|--|
| Bank loans | (1,712) | (1,697) | 48,051 |
| Loan notes | 62,406 | 35,514 | - |
| Obligations under hire purchase contracts | 134 | 102 | 20 |
| Trade creditors | 636 | 1,098 | 520 |
| Amounts owed to related companies | 155 | 35 | 26 |
| Corporation tax | 6,203 | 5,801 | 4,137 |
| Other taxation and social security | 457 | 359 | 454 |
| Other creditors | 3,938 | 3,815 | 4,075 |
| Accruals and deferred income | 20,941 | 19,506 | 16,601 |
| | <u>93,158</u> | <u>64,533</u> | <u>73,884</u> |

On 27 September 2013, the drawn bank loans were repaid in full and the available facility was reduced from £191m to £100m, of which £5m was drawn as at December 31, 2013. Bank loans are shown net of prepaid fees which are being amortized over the expected duration of the facility.

The loan notes are provided through a securitisation vehicle. They are transacted at market value and carry a fixed rate discount. They are secured on specific loan assets. The securitisation facility and its associated liquidity lines expiry date is 31 July 2015. The loans notes drawn as at 31 December 2013 amounted to £373.0m. The balance of £62.4m above is net of cash at bank within Charles Street Conduit Asset Backed Securitisation 1 Limited of £33.1m and prepaid fees which are being amortized over the expected duration of the facility.

Amounts due to related companies are in respect of Sproston Green Limited and Charles Street Commercial Investments Limited, companies in which H.N. Moser is a director and shareholder (see note 13).

7. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 6 months to December 31, 2013 £'000 | 3 months to September 30, 2013 £'000 | 6 months to December 31, 2012 £'000 |
|---|--|---|--|
| Bank loans | 3,884 | (1,544) | 172,302 |
| Loan notes | 274,760 | 317,097 | 356,649 |
| Senior secured notes | 193,041 | 192,728 | - |
| Subordinated loans | 60,000 | 60,000 | 60,000 |
| Obligations under hire purchase contracts | 136 | 103 | 20 |
| | <u>531,821</u> | <u>568,384</u> | <u>588,971</u> |

Borrowings are repayable as follows:

| | 6 months to December 31, 2013 £'000 | 3 months to September 30, 2013 £'000 | 6 months to December 31, 2012 £'000 |
|----------------------------|--|---|--|
| Within one year | 60,829 | 33,919 | 48,071 |
| Between one and two years | 278,738 | 315,634 | 409,818 |
| Between two and five years | 193,083 | 192,750 | 179,153 |
| Greater than five years | 60,000 | 60,000 | - |
| | <u>592,650</u> | <u>602,303</u> | <u>637,042</u> |

On 27 September 2013, the drawn bank loans were repaid in full and the available facility was reduced from £191m to £100m, of which £5m was drawn as at December 31, 2013. Bank loans and senior secured notes are shown net of prepaid fees which are being amortized over the expected duration of the facility and term of the notes respectively.

The loan notes are provided through a securitisation vehicle. They are transacted at market value and carry a fixed rate discount. They are secured on specific loan assets. The securitisation facility and its associated liquidity lines expiry date is 31 July 2015. The loans notes drawn as at 31 December 2013 amounted to £373.0m. The balance of £274.8m above is net prepaid fees which are being amortized over the expected duration of the facility.

Of the subordinated loans, £40m is due to 'D.L. Moser Family Settlement Trust', £8m is due to H.N. Moser, £9.9m is due to Equistone Partners Europe Limited and £2.1m is due to Standard Life Investments. These parties are all related to the Group by way of shareholdings in Jerrold Holdings Limited. All amounts are repayable on 15 September 2021. Interest is charged at a rate of 3% above base rate per annum.

8. DEFERRED TAXATION

| | £'000 |
|--------------------------------------|--------------|
| Deferred tax asset | |
| At July 1, 2013 | 1,257 |
| Charged to profit and loss account | 13 |
| Adjustment in respect of prior years | - |
| At December 31, 2013 | <u>1,270</u> |

The group has an unrecognized deferred tax liability of £4,869 (June 30, 2013: £5,028) on the revaluation of properties.

Deferred tax asset is recognised as follows:

| | 6 months to December 31, 2013 £'000 | 3 months to September 30, 2013 £'000 | 6 months to December 31, 2012 £'000 |
|--|--|---|--|
| Depreciation in excess of capital allowances | (4) | (4) | 52 |
| Other timing differences | 1,274 | 1,261 | 1,138 |
| Deferred tax asset | <u>1,270</u> | <u>1,257</u> | <u>1,190</u> |

9. CALLED UP SHARE CAPITAL

| | 6 months to December 31, 2013 £'000 | 3 months to September 30, 2013 £'000 | 6 months to December 31, 2012 £'000 |
|---|--|---|--|
| Authorised | | | |
| 2,744,974 B1 ordinary shares of 49.9 pence each | 1,370 | 1,370 | 1,370 |
| 6,404,938 B2 ordinary shares of 49.9 pence each | 3,196 | 3,196 | 3,196 |
| 154,690 C1 ordinary shares of 1 pence each | 1 | 1 | 1 |
| 696,049 C2 ordinary shares of 1 pence each | 7 | 7 | 7 |
| 64,250 C3 ordinary shares of 1 pence each | 1 | 1 | 1 |
| 22 A deferred ordinary shares of 0.1 pence each | - | - | - |
| 10,850,092 A preferred ordinary shares of 50 pence each | 5,425 | 5,425 | 5,425 |
| | <u>10,000</u> | <u>10,000</u> | <u>10,000</u> |
| Issued, allotted and fully paid | | | |
| 2,744,974 B1 ordinary shares of 49.9 pence each | 1,370 | 1,370 | 1,370 |
| 6,404,938 B2 ordinary shares of 49.9 pence each | 3,196 | 3,196 | 3,196 |
| 131,202 C1 ordinary shares of 1 pence each | 1 | 1 | 1 |
| 696,049 C2 ordinary shares of 1 pence each | 7 | 7 | 7 |
| 64,250 C3 ordinary shares of 1 pence each | 1 | 1 | 1 |
| 13 A deferred ordinary shares of 0.1 pence each | - | - | - |
| 10,405,653 A preferred ordinary shares of 50 pence each | 5,203 | 5,203 | 5,203 |
| | <u>9,778</u> | <u>9,778</u> | <u>9,778</u> |

10. RESERVES

| | Share premium £'000 | Merger reserve £'000 | Capital redemption reserve £'000 | Revaluation reserve £'000 | Profit and loss accounts £'000 | Total £'000 |
|---|---------------------------|----------------------------|---|---------------------------------|---|----------------|
| Group | | | | | | |
| At July 1, 2013 | 17,527 | (9,645) | 1,300 | 21 | 341,934 | 351,137 |
| Retained profit for the financial period | - | - | - | - | 17,867 | 17,867 |
| At December 31, 2013 | <u>17,527</u> | <u>(9,645)</u> | <u>1,300</u> | <u>21</u> | <u>359,801</u> | <u>369,004</u> |

11. RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

| | 6 months to December 31, 2013 £'000 | 3 months to September 30, 2013 £'000 | 6 months to December 31, 2012 £'000 |
|--|--|---|--|
| Retained profit for the financial period | 17,867 | 9,651 | 15,100 |
| Opening shareholders' funds | 360,915 | 360,915 | 326,956 |
| Closing shareholders' funds | <u>378,782</u> | <u>370,566</u> | <u>342,056</u> |

12. CASH FLOW INFORMATION

a) Reconciliation of operating profit to net cash inflow from operating activities

| | 6 months to December 31, 2013 £'000 | 3 months to December 31, 2013 £'000 | 3 months to December 31, 2012 £'000 |
|--|--|--|--|
| Operating profit | 45,114 | 22,775 | 20,676 |
| Depreciation of tangible fixed assets | 550 | 277 | 217 |
| (Profit) / loss on disposal of tangible fixed assets | 1 | - | (3) |
| Profit on disposal of current asset investments | - | - | - |
| Decrease in stocks | - | - | - |
| (Increase)/Decrease in debtors | (10,052) | (4,503) | 13,889 |
| Decrease in creditors | (2,700) | (2,006) | (3,231) |
| Net cash inflow from operating activities | <u>32,913</u> | <u>16,543</u> | <u>31,548</u> |

b) Analysis of net debt

| | As at July 1, 2013 £'000 | Cash flow £'000 | Other non- cash changes £'000 | As at December 31, 2013 £'000 |
|---------------------------|--------------------------------|--------------------|-------------------------------------|--|
| Cash at bank and in hand | 12,592 | (7,993) | - | 4,559 |
| Finance leases | (183) | 54 | (142) | (271) |
| Debt due within 1 year | (52,713) | 15,962 | (23,943) | (60,694) |
| Debt due after 1 year | (558,427) | - | 26,742 | (531,685) |
| Current asset investments | 110 | - | - | 110 |
| | <u>(611,213)</u> | <u>16,016</u> | <u>2,657</u> | <u>(592,540)</u> |
| Net debt | <u>(598,621)</u> | <u>8,023</u> | <u>2,657</u> | <u>(587,941)</u> |

c) Reconciliation of net cash flow to movement in net debt

| | 6 months to December 31, 2013 £'000 | 3 months to December 31, 2013 £'000 | 3 months to December 31, 2012 £'000 |
|---|--|--|--|
| Decrease in cash in period | 7,993 | 3,654 | 4,750 |
| Cash outflow from decrease in debt and lease financing | (16,016) | (11,511) | (18,266) |
| Cash inflow from movements in current asset investments | - | - | - |
| Change in net debt resulting from cash flows | <u>(8,023)</u> | <u>(7,857)</u> | <u>(13,516)</u> |
| New finance leases | 142 | 96 | - |
| Non-cash movements | (2,799) | 1,762 | 1,099 |
| Movement in net debt in period | <u>(10,680)</u> | <u>(5,999)</u> | <u>(12,417)</u> |
| Net debt, beginning of period | <u>598,621</u> | <u>593,940</u> | <u>639,233</u> |
| Net debt, end of period | <u>587,941</u> | <u>587,941</u> | <u>626,816</u> |

d) Analysis of cash flows

| | 6 months to December 31, 2013 £'000 | 3 months to December 31, 2013 £'000 | 3 months to December 31, 2012 £'000 |
|--|--|--|--|
| Returns on investments and servicing of finance | | | |
| Interest received | 45 | 23 | 26 |
| Refinancing costs | (6,703) | (999) | (1,406) |
| Interest paid | (12,890) | (5,374) | (12,224) |
| Net cash outflow from returns on investments and servicing of finance | <u>(19,548)</u> | <u>(6,350)</u> | <u>(13,604)</u> |
| Capital expenditure and financial investment | | | |
| Purchase of tangible fixed assets | (166) | (157) | (433) |
| Sales of tangible fixed assets | 35 | 32 | 3 |
| Purchase of investment properties | - | - | - |
| Net cash outflow from capital expenditure and financial investments | <u>(131)</u> | <u>(125)</u> | <u>(430)</u> |
| Management of liquid resources | | | |
| Sale of current asset investments | - | - | - |
| Financing | | | |
| Repayment of borrowings | (15,962) | (11,480) | (18,261) |
| Capital element of finance lease payments | (54) | (31) | (5) |
| Net cash outflow from financing | <u>(16,016)</u> | <u>(11,511)</u> | <u>(18,266)</u> |

13. RELATED PARTY TRANSACTIONS

H.N. Moser, a director and shareholder of the company and director of Blemain Finance Limited, a wholly owned subsidiary of the company, is the principal employer of The Blemain Finance Pension Fund, of which he is a trustee and beneficiary. During the periods, Blemain Finance Limited entered into transactions, in the ordinary course of business, with The Blemain Finance Pension Fund as follows:

| | 6 months to December 31, 2013 £'000 | 3 months to December 31, 2013 £'000 | 3 months to December 31, 2012 £'000 |
|---|--|--|--|
| Operating lease costs – Land and Buildings | - | - | 176 |
| Payments to The Blemain Finance Pension Fund | - | - | (176) |
| Amounts due from The Blemain Finance Pension Fund | - | - | - |

The companies listed below are deemed to be related parties with the Group as they are owned by H.N. Moser or the Moser family. The following balances with related parties existed at the period ends:

| Group | Balances due to | | Balances due from | |
|--|--|--|--|--|
| | December 31, 2013 £'000 | December 31, 2012 £'000 | December 31, 2013 £'000 | December 31, 2012 £'000 |
| Sproston Green Limited | 7 | 7 | - | - |
| Centrestand Limited | - | - | 14 | 21 |
| Charles Street Commercial Investments Ltd | 147 | 19 | 1 | 30 |
| Sterling Property Co. Limited | - | - | 38 | 29 |
| Bracken House Properties LLP | - | - | - | 2 |
| | <u>154</u> | <u>26</u> | <u>53</u> | <u>82</u> |

Group transactions with related parties were as follows:

| | 6 months to December 31, 2013 £'000 | 3 months to December 31, 2013 £'000 | 3 months to December 31, 2012 £'000 |
|---|--|--|--|
| Operating lease costs – Land and buildings due to Bracken House Properties LLP | 553 | 276 | 286 |
| Insurance costs due to Bracken House Properties LLP | 13 | 7 | 5 |
| Payments from the Group to Bracken House Properties LLP | (566) | (283) | (291) |
| Introduction fees due from Charles Street Commercial Investments Ltd | (88) | (10) | (25) |
| Introduction fees paid by Charles Street Commercial Investments Ltd | 88 | 10 | 25 |
| Loan related receipts due from Charles Street Commercial Investments Ltd | (430) | (430) | - |
| Service charges and costs paid on behalf of Sterling Property Co. Ltd | - | - | (6) |
| Payments from the Group to Charles Street Commercial Investments Ltd | (57) | (57) | - |
| Repayments to the Group from Charles Street Commercial Investments Ltd | 430 | 430 | - |
| Repayments to the Group from Centrestand Limited | 5 | 2 | 7 |
| Receipts in Charles Street Commercial Investments on behalf of group | (1) | (1) | - |
| Receipts on behalf of Charles Street Commercial Investments Ltd | 204 | 177 | 8 |
| | <u>151</u> | <u>121</u> | <u>9</u> |

Prepayments and accrued income (see note 5) include an amount of £282,000 relating to a prepayment of operating lease rentals and insurance costs.

Sterling Property Co. Limited provide property management services for properties repossessed or placed into LPA receivership by the Group.

Included in trade debtors (see note 5) is an amount of £602,703 loaned to August Blake Developments Limited, £3,718,609 loaned to Sunnywood Estates Limited and £8,092,824 loaned to Edgworth Developments Limited, companies in which H N Moser is a director and shareholder. These loans are on a commercial basis secured on certain assets of these companies.

| Company | Balances due from | |
|-------------------------------|--|--|
| | December 31, 2013 £'000 | December 31, 2012 £'000 |
| Sterling Property Co. Limited | <u>9</u> | <u>9</u> |

There were no company transactions with related parties during the current or previous year.

Key Definitions

Except as otherwise specified, as used in this quarterly report:

- “Borrower Group” means the Company and its subsidiaries and does not include Charles Street ABS.
- “Charles Street ABS” means Charles Street Conduit Asset Backed Securitization 1 Limited, a special purpose vehicle that purchases certain of our mortgage loans as part of the Conduit Securitization.
- “Company” means Jerrold Holdings Limited.
- “Conduit Securitization” means the series of agreements, dated November 12, 2007, as amended and restated on August 28, 2012 and from time to time, among, among others, the Company, the Subsidiary Guarantors and Charles Street ABS, establishing a conduit securitization program of certain of our mortgage loans.
- “Equistone” means certain funds managed by and affiliates of Equistone Partners Europe, which are minority shareholders of Jerrold Holdings Limited.
- “Investors” means Equistone and Standard Life Investments.
- “Issuer” means Jerrold FinCo plc.
- “Jerrold Holdings,” “group,” “we,” “us” and “our” mean the Company and its consolidated subsidiaries, except where the context otherwise requires.
- “Revolving Credit Facility” means the £245.0 million syndicated revolving credit loan facility, dated November 9, 2007, as amended and restated on August 28, 2012 and from time to time, between, among others, the Company, the Subsidiary Guarantors and certain lenders.
- “Standard Life Investments” means certain funds managed by Standard Life Investments and certain of its affiliates, which are minority shareholders of Jerrold Holdings Limited.
- “Subordinated Shareholder Loan Notes” means the £60.0 million in outstanding subordinated shareholder loan notes issued to our shareholders.

Contact Information and Financial Calendar

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Details of future results will be made available on the Jerrold Holdings investor website:

<http://jerroldholdings.co.uk/investors.aspx>