



# Jerrold Holdings

## **Q3 2014/15 Results**

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## Highlights

- **Increased Turnover** Turnover has increased 8.7% to £43.7m for the quarter to March 31, 2015, compared to £40.2m for the quarter to December 31, 2014. This increase primarily relates to higher interest income earned due to growth in the size of the loan book.
- **Bad debts maintained at very low levels** The net bad debt charge to the Profit and Loss account was £0.4m in the quarter to March 31, 2015 and compares to a credit of £0.6m for the quarter to December 31, 2014, representing 0.2% credit for the rolling 12 months to March, 2015, primarily as a function of the group's continued low loan to value ('LTV') policy and favorable movements in the indexation and Incurred but not reported provisions.
- **Continually high EBITDA** The group continues to be consistently highly profitable, with EBITDA at £31.9m for the quarter to March 31, 2015, up from £30.5m for the quarter to December 31, 2014. EBITDA margin has remained at above 70% at 73.0% for the quarter to March 31, 2015, compared to 75.8% for the quarter to December 31, 2014.
- **Continually high Profit before tax** Profit before tax increased to £18.3m for the quarter to March 31, 2015, compared to £17.6m for the quarter to December 31, 2014.
- **Continually high cash generation** The group continues to be highly cash generative, with cash receipts in the quarter to March 31, 2015 of £126.9m compared to cash debt service of £17.1m, includes 6 monthly bond coupon of £9.75m and £0.4m related to fees to refinance the securitisation facility, and other cash expense payments of £13.9m. Additionally, £0.8m of interest payable, relating to the senior secured notes, has accrued and becomes payable in September 2015. During the quarter, the Group's borrowing increased by £100m comprised of a £70m increase in the issue of Securitisation variable funding notes (total issued £575m at March 31, 2015) and a £30m increase in the Revolving Credit Facility (RCF). Drawn balance on the RCF totaled £80.0m at March 31, 2015)
- **Increased lending volumes** Lending volumes increased on the prior period, with the group advancing £186.0m of loans in the quarter to March 31, 2015, compared to £182.4m in the quarter to December 31, 2014. Key underwriting metrics remained fairly consistent in the period, with the weighted average LTV of loans written in the quarter to March 31, 2015 being 56.2%, compared to 56.4% in the quarter to December 31, 2014 and 55.8% in the quarter to March 31, 2014.
- **Improving LTV of loan portfolio - Total Group** The indexed weighted average LTV of the loan portfolio for the total group remained fairly stable at 59.0% at March 31, 2015 compared to 59.9% at December 31, 2014, showing an improvement on the position as at March 31, 2014 of 62.8%.
- **Improving LTV of loan portfolio - Borrower Group** The indexed weighted average LTV of the loan portfolio for the borrower group remained fairly stable at 70.4% at March 31, 2015 compared to 71.5% at December 31, 2014, showing an improvement on the position as at March 31, 2014 of 73.2%.

## An Introduction to Jerrold Holdings

We are a specialist UK mortgage loan provider, established in 1974 and have successfully operated throughout our 41 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 81.9% 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 March 31, 2015, 40.2% of our loan portfolio was classified as retail purpose, 53.9% of our loan portfolio was classified as commercial purpose and 5.9% 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, prior to March 31, 2014, the Office of Fair Trading (“OFT”) after which date responsibility for consumer credit regulation transferred from the OFT to the FCA. 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 March 31, 2015, was 59.0% and the LTV on a weighted average basis of new loans underwritten by us in the quarter ended March 31, 2015 was 56.2%. 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 March 31, 2015, 89.5% of our total loan portfolio and 82.0% 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 March 31, 2014 and 2015 and for the nine months ended March 31, 2015. 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 US GAAP. You should consult your own professional advisors for an understanding of the differences between UK GAAP, IFRS and US 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 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 March 31, 2014 and 2015 and for the nine months ended March 31, 2015 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 99.8% of our total loan book balances by value as of March 31, 2015. 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 March 31, 2015 subsequent lien loans amounted to approximately £4.6 million after suspended income and after provisions for bad and doubtful debts, representing 0.3% 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

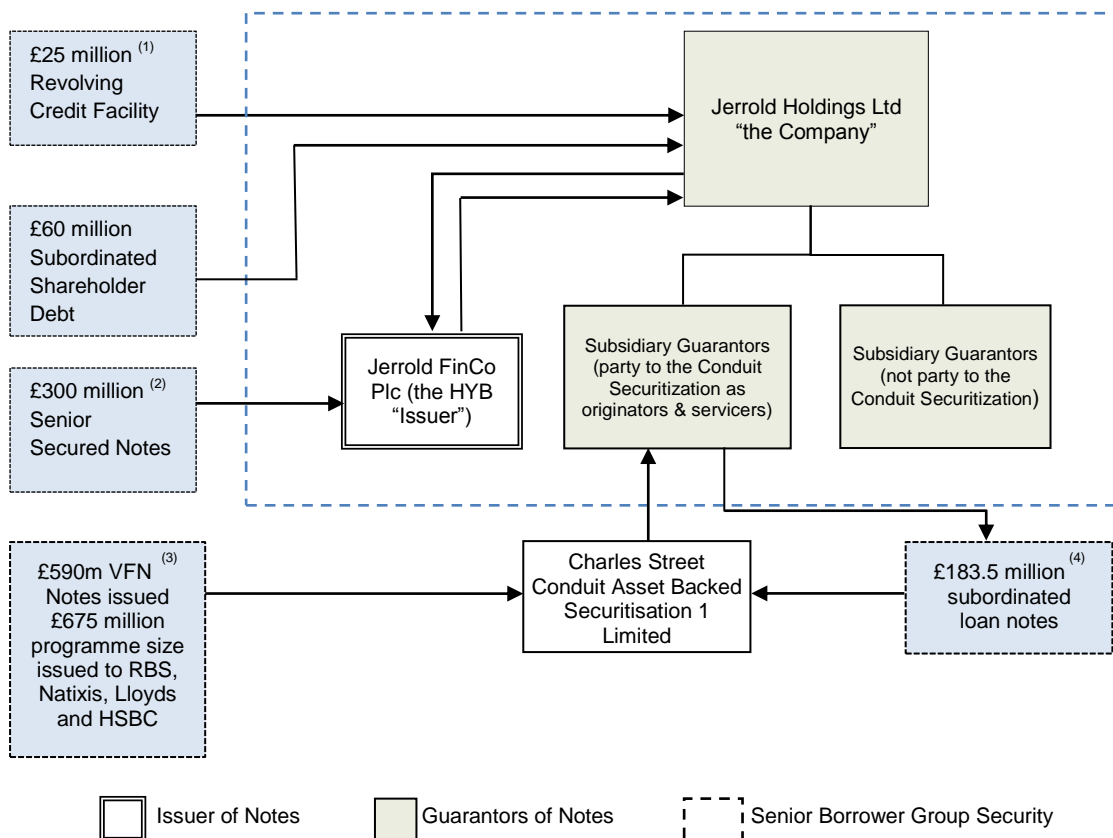
valuation has been undertaken) of the property securing the loan.

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 March 31, 2015. The diagram does not include all entities in our group, nor does it show all our liabilities in our group.

### Group Legal & Finance Structure (post Senior Notes Tap)



- (1) 31 March 2015 drawn balance was £80m, with drawn balance reduced to zero and commitments reduced from £100m to £25m on 24 April 2015
- (2) 31 March 2015 balance was £200m with an additional £100m of Senior Secured Notes issued at 108.5 on 24 April 2015
- (3) 31 March 2015 VFN balance was £575m with an additional £15m drawn since end of the quarter
- (4) 31 March 2015 subordinated loan notes balance was £180.5m with an additional £3m since end of the quarter



## Key Performance Indicators

The following table summarises 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 March 31,		Unaudited 9 months ended or as at March 31,
	2014	2015	2015
<b>Group</b>			
Turnover.....	31,674	43,668	120,799
Movement in bad debt provisions.....	(1,155)	(441)	236
EBITDA.....	22,687	31,889	90,148
EBITDA margin.....	71.6%	73.0%	74.6%
Profit on ordinary activities before tax.....	11,083	18,290	51,321
Supplemental cash flow information:			
Cash receipts.....	100,137	126,906	385,066
New advances.....	(104,474)	(186,014)	(520,321)
LTV of loan portfolio (on a weighted average basis, based on LTV of loans at origination)....	57.8%	57.5%	57.5%
LTV of loan portfolio (on a weighted average indexed basis).....	62.8%	59.0%	59.0%
<b>Borrower Group</b>			
LTV of loan portfolio (on a weighted average basis, based on LTV of loans at origination)....	61.7%	59.0%	59.0%
LTV of loan portfolio (on a weighted average indexed basis).....	73.2%	70.4%	70.4%

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

The key performance indicators above for three months ended March 31, 2014 and 2015 and nine months ended March 31, 2015, 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 March 31, 2015 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 56.2%, compared to 56.4% in the quarter to December 31, 2014 and 55.8% in the quarter to March 31, 2014.

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 number of loans experiencing arrears greater than three months contractual installments within 12 months of funding decreasing from 10.1% for loans funded in the year ended December 31, 2008, to 0.7% for loans funded in the year ended December 31, 2013. We expect that a continued focus on such policies will help us maintain lower delinquency levels. An analysis of our loan portfolio as at March 31, 2014, December 31, 2014 and March 31, 2015, by arrears banding, for the group and borrower group is as follows:

	Group Loan Portfolio Arrears Analysis			Borrower Group Loan Portfolio Arrears Analysis		
	Mar 31, 2014	Dec 31, 2014	Mar 31, 2015	Mar 31, 2014	Dec 31, 2014	Mar 31, 2015
<b>Nil Arrears &amp; Arrears ≤ 1 month.</b>	<b>68.2%</b>	<b>76.0%</b>	<b>77.3%</b>	<b>45.5%</b>	<b>55.2%</b>	<b>55.9%</b>
Performing Arrears						
1-3 months	7.5%	6.0%	6.1%	8.6%	6.9%	7.4%
3-6 months	2.2%	1.5%	1.3%	4.0%	2.9%	2.6%
>6 months	2.5%	1.8%	1.4%	4.8%	3.9%	3.3%
<b>Total Performing Arrears.....</b>	<b>12.2%</b>	<b>9.3%</b>	<b>8.9%</b>	<b>17.4%</b>	<b>13.7%</b>	<b>13.3%</b>
Non-Performing Arrears						
3-6 months	1.8%	1.4%	1.4%	2.7%	2.3%	2.6%
>6 months	3.6%	2.6%	2.5%	7.0%	5.7%	5.7%
Past due (term loans)	1.3%	0.9%	0.8%	2.5%	1.9%	1.8%
LPA Rent	1.2%	0.8%	0.7%	2.3%	1.7%	1.6%
<b>Total Non-Performing Arrears.</b>	<b>7.9%</b>	<b>5.6%</b>	<b>5.5%</b>	<b>14.6%</b>	<b>11.6%</b>	<b>11.7%</b>
<b>Development Loans.....</b>	<b>8.4%</b>	<b>6.4%</b>	<b>5.9%</b>	<b>16.4%</b>	<b>14.1%</b>	<b>13.4%</b>
<b>Repossessions.....</b>	<b>3.2%</b>	<b>2.6%</b>	<b>2.6%</b>	<b>6.2%</b>	<b>5.5%</b>	<b>5.7%</b>
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

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 March 31, 2015 was 56.2%, compared to 56.4% in the quarter to December 31, 2014 and 55.8% in the quarter to March 31, 2014.

An analysis of our loan portfolio as at March 31, 2015, by indexed and origination LTV banding, for the group and borrower group is as follows:

<b>Group Loan Portfolio Indexed LTV Analysis £m</b>	<b>Performing Loans</b>	<b>Non - Performing Loans</b>	<b>Development Loans</b>	<b>Repossessions</b>	<b>Total Loan Portfolio</b>
<= 60%.....	771.2	27.0	12.1	5.7	816.0
>60% <=85%.....	364.4	21.6	9.8	9.3	405.1
>85% <=100%.....	18.8	13.5	40.5	12.2	85.0
>100%.....	2.9	11.2	16.3	7.2	37.7
<b>Total.....</b>	<b>1,157.4</b>	<b>73.3</b>	<b>78.6</b>	<b>34.4</b>	<b>1,343.8</b>

<b>Borrower Group Loan Portfolio Indexed LTV Analysis £m</b>	<b>Performing Loans</b>	<b>Non - Performing Loans</b>	<b>Development Loans</b>	<b>Repossessions</b>	<b>Total Loan Portfolio</b>
<= 60%.....	221.9	23.2	12.0	5.0	262.1
>60% <=85%.....	165.6	20.6	9.8	8.7	204.7
>85% <=100%.....	15.5	13.5	40.5	12.2	81.6
>100%.....	1.5	11.2	16.3	7.2	36.3
<b>Total.....</b>	<b>404.5</b>	<b>68.5</b>	<b>78.6</b>	<b>33.1</b>	<b>584.7</b>

<b>Group Loan Portfolio Origination LTV Analysis £m</b>	<b>Performing Loans</b>	<b>Non - Performing Loans</b>	<b>Development Loans</b>	<b>Repossessions</b>	<b>Total Loan Portfolio</b>
<= 60%.....	662.2	28.8	24.2	15.7	730.9
>60% <=85%.....	481.4	36.9	29.3	13.0	560.6
>85% <=100%.....	8.0	5.4	15.8	4.0	33.2
>100%.....	5.8	2.3	9.2	1.8	19.1
<b>Total.....</b>	<b>1,157.4</b>	<b>73.3</b>	<b>78.6</b>	<b>34.4</b>	<b>1,343.8</b>

<b>Borrower Group Loan Portfolio Origination LTV Analysis £m</b>	<b>Performing Loans</b>	<b>Non - Performing Loans</b>	<b>Development Loans</b>	<b>Repossessions</b>	<b>Total Loan Portfolio</b>
<= 60%.....	211.1	26.0	24.2	15.0	276.3
>60% <=85%.....	180.0	34.9	29.3	12.3	256.5
>85% <=100%.....	7.5	5.4	15.8	4.0	32.7
>100%.....	5.8	2.3	9.2	1.8	19.1
<b>Total.....</b>	<b>404.5</b>	<b>68.5</b>	<b>78.6</b>	<b>33.1</b>	<b>584.7</b>

**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 March 31, 2015 40.2% of our loan portfolio was classified as retail purpose, 53.9% of our loan portfolio was classified as commercial purpose and 5.9% of our loan portfolio was classified as development funding, calculated by value. This is relatively consistent with the position as at December 31, 2014 whereby, 42.4% of our loan portfolio was classified as retail purpose, 51.2% of our loan portfolio was classified as commercial purpose and 6.4% of our loan portfolio was classified as development funding.

The proportion of our loan portfolio secured by residential security by value has remained relatively consistent at 81.9% as at March 31, 2015, compared to 82.9% as at December 31, 2014.

The proportion of our loan portfolio secured on first charges has also remained relatively consistent at 52.6% as at March 31, 2015, compared to 51.0% as at December 31, 2014 .

The slight increase in commercial purpose and first charge lien loans reflects the recent higher proportion of bridging loans in our business mix.

**Moderately grow our loan portfolio.**

We have continued to grow our loan portfolio using our well established distribution channels across the mainland UK. 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 March, 2015, including further advances, we have funded an average of £62.0m per month compared with £60.8m per month in the quarter to December 31, 2014 and £53.9m per month in the 12 months to March 31, 2015.

Our total loan portfolio stands at £1,343.8m as at March 31, 2015, compared to £1,240.5m as at December 31, 2014, 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 March 31, 2015 is due, in part, to the increased liquidity available given increased levels of redemption activity, the successful capital market transaction in September 2013 and the increases in our securitization facility in April and November 2014.

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 8.7% to £43.7m for the quarter to March 31, 2015, compared to £40.2m for the quarter to December 31, 2014. This increase primarily relates to higher interest income earned due to growth in the size of the loan book.

The net bad debt charge to the Profit and Loss account was £0.4m in the quarter to March 31, 2015 and compares to a credit of £0.6m for the quarter to December 31, 2014, representing 0.2% credit for the rolling 12 months to March, 2015, primarily as a function of the group's continued low loan to value ('LTV') policy and favorable movements in the indexation and incurred but not reported provisions.

The group continues to be consistently highly profitable, with EBITDA at £31.9m for the quarter to March 31, 2015, up from £30.5m for the quarter to December 31, 2014. EBITDA margin has remained at above 70% at 73.0% for the quarter to March 31, 2015, compared to 75.8% for the quarter to December 31, 2014.

Profit before tax increased to £18.3m for the quarter to March 31, 2015, compared to £17.6m for the quarter to December 31, 2014.

The group continues to be highly cash generative, with cash receipts in the quarter to March 31, 2015 of £126.9m compared to cash debt service of £17.1m, of which £0.4m related to fees to refinance the securitisation facility, and other cash expense payments of £13.9m.

Additionally, £0.8m of interest payable, relating to the senior secured notes, has accrued and becomes payable in September 2015. During the quarter, the Group's borrowing increased by £100m comprised of a £70m increase in the issue of Securitisation variable funding notes (total issued £575m at March 31, 2015) and a £30m increase in the Revolving Credit Facility (RCF). Drawn balance on the RCF totaled £80.0m at March 31, 2015)

Lending volumes increased on the prior period, with the group advancing £186.0m of loans in the quarter to March 31, 2015, compared to £182.4m in the quarter to December 31, 2014. Key underwriting metrics remained fairly consistent in the period, with the weighted average LTV of loans written in the quarter to March 31, 2014 being 56.2%, compared to 56.4% in the quarter to December 31, 2014 and 55.8% in the quarter to March 31, 2014.

The indexed weighted average LTV of the loan portfolio for the total group remained fairly stable at 59.0% at March 31, 2015 compared to 59.9% at December 31, 2014, showing an improvement on the position as at March 31, 2014 of 62.8%.

The indexed weighted average LTV of the loan portfolio for the borrower group remained fairly stable at 70.4% at March 31, 2015 compared to 71.5% at December 31, 2014, showing an improvement on the position as at March 31, 2014 of 73.2%.

## Recent Developments

### **Upsizing of Senior Secured Notes Funding**

On 24 April, 2015, we successfully issued an additional £100 million of Senior Secured Notes at 108.5, under which we previously issued £200 million in 2013.

The proceeds of the additional notes were used to repay the RCF of £80m, used to pay fees of £2.2m with the balance used for general corporate purpose. The undrawn commitments of the RCF were subsequently reduced from £100m to £25m.

## 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, our issued Capital Market instrument, Revolving Credit Facility and through our Securitization facility. 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. Our residential business operations are regulated by the FCA (full permissions for first charge mortgages and interim permissions for second charge mortgages with application for full permissions expected to be submitted in the quarter to September 2015. 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 nine month periods to and as at March 31, 2015.

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 March 31, 2014; and
- Consolidated Balance Sheet has comparatives of March 31, 2014 and December 31, 2014.



**JERROLD HOLDINGS LIMITED**
**UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**Period ended March 31, 2015**

	Note	9 months to March 31, 2015 £'000	3 months to March 31, 2015 £'000	3 months to March 31, 2014 £'000
<b>TURNOVER</b>		120,799	43,668	31,674
Cost of sales		(8,023)	(2,856)	(1,630)
<b>GROSS PROFIT</b>		<u>112,776</u>	<u>40,812</u>	<u>30,044</u>
Administrative expenses		(23,438)	(9,149)	(7,081)
Other operating income		122	-	-
<b>OPERATING PROFIT</b>		<u>89,460</u>	<u>31,663</u>	<u>22,963</u>
Gain on sale of investment properties		37	(1)	-
Interest payable and similar charges	2	(38,218)	(13,379)	(11,906)
Interest receivable and similar income	2	43	9	26
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>51,322</u>	<u>18,292</u>	<u>11,083</u>
Tax on profit in ordinary activities	3	(11,321)	(4,085)	(2,638)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u>40,001</u>	<u>14,207</u>	<u>8,445</u>
Minority interests		-	-	-
<b>RETAINED PROFIT FOR THE PERIOD</b>	10	<u><u>40,001</u></u>	<u><u>14,207</u></u>	<u><u>8,445</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 either period other than the result for that year 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 March 31, 2015**

		As at March 31, 2015 £'000	As at December 31, 2014 £'000	As at March 31, 2014 £'000
	<b>Note</b>			
<b>FIXED ASSETS</b>				
Investment properties		45	45	228
Tangible assets	4	5,250	5,061	4,467
Investments		13	13	13
		<u>5,308</u>	<u>5,119</u>	<u>4,708</u>
<b>CURRENT ASSETS</b>				
Stocks		1,262	1,381	1,381
Debtors				
- Due within one year	5	529,794	451,593	333,809
- Due after one year	5	804,661	780,370	695,599
Investments		110	110	110
Cast at bank and in hand		7,948	811	8,151
		<u>1,343,775</u>	<u>1,234,265</u>	<u>1,039,050</u>
<b>CREDITORS: Amounts falling due within one year</b>	6	<u>(108,334)</u>	<u>(82,084)</u>	<u>(140,304)</u>
<b>NET CURRENT ASSETS</b>		<u>1,235,441</u>	<u>1,152,181</u>	<u>898,746</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,240,749</u>	<u>1,157,300</u>	<u>903,454</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	7	<u>(799,187)</u>	<u>(729,945)</u>	<u>(515,975)</u>
<b>NET ASSETS</b>		<u>441,562</u>	<u>427,355</u>	<u>387,479</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital	9	9,779	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
Profit and loss account	10	422,601	408,395	368,246
<b>SHAREHOLDERS' FUNDS</b>	11	<u>441,562</u>	<u>427,355</u>	<u>387,227</u>
Minority interests		-	-	252
<b>TOTAL CAPITAL EMPLOYED</b>		<u>441,562</u>	<u>427,355</u>	<u>387,479</u>

**JERROLD HOLDINGS LIMITED**

**UNAUDITED CONSOLIDATED CASH FLOW STATEMENT**

**Period ended March 31, 2015**

	Note	9 months to March 31, 2015 £'000	3 months to March 31, 2015 £'000	3 months to March 31, 2014 £'000
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>				
Returns on investments and servicing of finance	12a	(163,890)	(70,054)	(12,220)
Taxation		(8,957)	(3,400)	(2,500)
Capital expenditure and financial investments	12d	<u>(1,409)</u>	<u>(420)</u>	<u>(335)</u>
<b>CASH OUTFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING</b>		(217,372)	(90,989)	(32,958)
Management of liquid resources	12d	-	-	-
Financing	12d	<u>218,471</u>	<u>98,126</u>	<u>36,511</u>
<b>INCREASE IN CASH IN THE PERIOD</b>	12c	<u>1,099</u>	<u>7,137</u>	<u>3,553</u>

**JERROLD HOLDINGS LIMITED****NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****Period ended March 31, 2015****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 Jerrolld 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  
General Allied Properties Limited  
Heywood Finance Limited  
Heywood Leasing Limited  
Jerrolld FinCo PLC  
Manchester Property Investments Limited  
Proactive Lending Limited (formerly 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  
Jerrolld 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	10-15 years straight-line on cost
Motor vehicles	25% reducing balance
Office equipment	5 years straight-line on cost
Computer equipment	3-5 years 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

	9 months to March 31, 2015 £'000	3 months to March 31, 2015 £'000	3 months to March 31, 2014 £'000
<i>Interest payable and similar charges</i>			
Bank loan, senior secured notes and loan notes	(32,814)	(11,259)	(10,030)
Debt issue costs	(5,362)	(2,105)	(1,853)
Other interest	(42)	(15)	(23)
	<u>(38,218)</u>	<u>(13,379)</u>	<u>(11,906)</u>
	9 months to March 31, 2015 £'000	3 months to March 31, 2015 £'000	3 months to March 31, 2014 £'000
<i>Interest receivable and similar charges</i>			
Bank and other interest	43	9	26
	<u>43</u>	<u>9</u>	<u>26</u>

## 3. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:

	9 months to March 31, 2015 £'000	3 months to March 31, 2015 £'000	3 months to March 31, 2014 £'000
<b>Current tax</b>			
Corporation tax	11,321	4,085	2,678
<b>Total current tax</b>			
<b>Deferred tax</b>			
Origination and reversal of timing differences	-	-	(40)
Adjustment in respect of prior periods	-	-	-
<b>Total deferred tax (see note 8)</b>	<u>-</u>	<u>-</u>	<u>(40)</u>
<b>Total tax on profit on ordinary activities</b>	<u>11,321</u>	<u>4,085</u>	<u>2,638</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:

	9 months to March 31, 2015 £'000	3 months to March 31, 2015 £'000	3 months to March 31, 2014 £'000
<b>Profit on ordinary activities before tax</b>	<u>51,322</u>	<u>18,292</u>	<u>11,083</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 21% (2013: 23%)	10,777	3,841	2,549
Effects of:			
Expenses not deductible for tax purposes	544	244	129
Other timing differences	-	-	-
<b>Group current tax charge for period</b>	<u><u>11,321</u></u>	<u><u>4,085</u></u>	<u><u>2,678</u></u>

#### 4. TANGIBLE FIXED ASSETS

<b>Group</b>	<b>Fixtures, fittings and equipment £'000</b>	<b>Motor vehicles £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At July 1, 2014	4,779	1,069	5,848
Additions	1,364	213	1,577
Disposals	-	(204)	(204)
At March 31, 2015	<u>6,143</u>	<u>1,078</u>	<u>7,221</u>
<b>Depreciation</b>			
At July 1, 2014	1,015	448	1,463
Charge for the period	528	124	652
Disposals	-	(144)	(144)
At March 31, 2015	<u>1,543</u>	<u>428</u>	<u>1,971</u>
<b>Net book value</b>			
<b>At March 31, 2015</b>	<u><u>4,600</u></u>	<u><u>650</u></u>	<u><u>5,250</u></u>
At June 30, 2014	<u><u>3,764</u></u>	<u><u>621</u></u>	<u><u>4,385</u></u>

The net book value of tangible fixed assets includes £352,662 (June 30, 2014: £344,000) in respect of assets held under hire purchase contracts.



## 5. DEBTORS

	9 months to March 31, 2015 £'000	6 months to December 31, 2014 £'000	9 months to March 31, 2014 £'000
Amounts falling due within one year			
Trade debtors	527,334	449,448	331,334
Amounts owed by related companies	40	126	47
Other debtors	326	203	356
Prepayments and accrued income	2,094	1,816	2,072
	<u>529,794</u>	<u>451,593</u>	<u>333,809</u>
Amounts falling due after one year			
Trade debtors	804,661	780,370	694,289
Deferred taxation (see note 8)	-	-	1,310
	<u>804,661</u>	<u>780,370</u>	<u>695,599</u>
	<u>1,334,455</u>	<u>1,231,963</u>	<u>1,029,408</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 £296,205 (June 30, 2014: £296,180) loaned to August Blake Developments Limited, £3,579,773 (June 30, 2014: £3,770,286) loaned to Sunnywood Estates Limited and £9,041,811 (June 30, 2014: £11,537,741) 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, Sterling Property Co. Limited and Charles Street Commercial Investments Limited, companies in which H N Moser is a director and shareholder (see note 13).

## 6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	9 months to March 31, 2015 £'000	6 months to December 31, 2014 £'000	9 months to March 31, 2014 £'000
Bank loans	79,699	48,843	-
Loan notes	-	-	111,959
Obligations under hire purchase contracts	107	121	129
Trade creditors	1,545	1,078	1,363
Amounts owed to related companies	35	1,028	160
Corporation tax	7,775	7,090	6,382
Other taxation and social security	664	471	411
Other creditors	3,294	3,948	3,877
Accruals and deferred income	15,215	19,505	16,023
	<u>108,334</u>	<u>82,084</u>	<u>140,304</u>

The syndicated loan facility (Bank loans) of £100m, of which £80m was drawn as at March 31, 2015, expires on August 28, 2015. Bank loans are shown net of 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**

	9 months to March 31, 2015 £'000	6 months to December 31, 2014 £'000	9 months to March 31, 2014 £'000
Bank loans	-	-	27,598
Loan notes	544,219	475,345	234,854
Senior secured notes	194,873	194,482	193,415
Subordinated loans	60,000	60,000	60,000
Deferred Tax	31	31	-
Obligations under hire purchase contracts	64	87	108
	<u>799,187</u>	<u>729,945</u>	<u>515,975</u>

Borrowings are repayable as follows:

	9 months to March 31, 2015 £'000	6 months to December 31, 2014 £'000	9 months to March 31, 2014 £'000
Within one year	80,107	50,121	113,588
Between one and two years	54	69	268,081
Between two and five years	753,862	685,709	200,028
Greater than five years	60,000	60,000	60,000
Debt issue costs	(15,060)	(17,021)	(13,632)
	<u>878,963</u>	<u>778,878</u>	<u>628,065</u>

The loan notes consist of conventional Variable Funding Notes with interest accruing monthly and are provided through a rated listed securitization vehicle. They are secured on specific loan assets. The loan notes were extended on November 24, 2015 to January 31, 2019 with the facility being increased from £435m to £675m and no principle repayments due until 31 January 2018. The balance of £544.2m above is net of prepaid fees which are being amortized over the expected duration of the facility.

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.

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
<b>Deferred tax asset/(liability)</b>	
At July 1, 2014	(31)
Credited/charged to profit and loss account	-
Adjustment in respect of prior years	-
At March 31, 2015	<u>(31)</u>

The group has an unrecognized deferred tax liability of £nil (June 30, 2014: £4,763) on the revaluation of properties.

Deferred tax asset is recognised as follows:

	9 months to March 31, 2015 £'000	6 months to December 31, 2014 £'000	9 months to March 31, 2014 £'000
Depreciation in excess of capital allowances	(139)	(139)	(4)
Other timing differences	108	108	1,274
<b>Deferred tax asset/(liability)</b>	<b>(31)</b>	<b>(31)</b>	<b>1,270</b>

## 9. CALLED UP SHARE CAPITAL

	9 months to March 31, 2015 £'000	6 months to December 31, 2014 £'000	9 months to March 31, 2014 £'000
<b>Authorised</b>			
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
100,000 D ordinary shares of 1 pence each	1	-	-
10,000 E ordinary shares of 1 pence each	-	-	-
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>10,001</u>	<u>10,000</u>	<u>10,000</u>
<b>Issued, allotted and fully paid</b>			
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
100,000 D ordinary shares of 1 pence each	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>9,779</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
<b>Group</b>						
At July 1, 2014	17,527	(9,645)	1,300	21	382,578	391,781
Transfer to retained earnings	-	-	-	(22)	22	-
Transfer to profit and loss	-	-	-	1	-	1
Retained profit for the financial period	-	-	-	-	40,001	40,001
At March 31, 2015	<u>17,527</u>	<u>(9,645)</u>	<u>1,300</u>	<u>-</u>	<u>422,601</u>	<u>431,783</u>

**11. RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS**

	9 months to March 31, 2015 £'000	6 months to December 31, 2014 £'000	9 months to March 31, 2014 £'000
Retained profit for the financial year to date	40,002	25,796	26,312
Share capital issued	1	-	-
Opening shareholders' funds at the start of the financial period	401,559	401,559	360,915
Closing shareholders' funds	<u>441,562</u>	<u>427,355</u>	<u>387,227</u>

**12. CASH FLOW INFORMATION**

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

	9 months to March 31, 2015 £'000	3 months to March 31, 2015 £'000	3 months to March 31, 2014 £'000
Operating profit	89,460	31,663	22,963
Depreciation of tangible fixed assets	651	228	(277)
Loss on disposal of tangible fixed assets	13	3	1
Profit on disposal of current asset investments	(122)	-	-
Decrease in stocks	119	119	-
Increase in debtors	(255,805)	(102,494)	(35,413)
Increase in creditors	1,794	427	506
Net cash outflow from in operating activities	<u>(163,890)</u>	<u>(70,054)</u>	<u>(12,220)</u>

## b) Analysis of net debt

	As at July 1, 2014 £'000	Cash flow £'000	Other non- cash changes £'000	As at March 31, 2015 £'000
Cash at bank and in hand	6,849	1,099	-	7,948
Finance leases	(203)	111	(80)	(172)
Debt due within 1 year	-	(45,000)	(34,699)	(79,699)
Debt due after 1 year	(659,131)	(173,582)	33,619	(799,094)
Current asset investments	110	-	-	110
	<u>(659,224)</u>	<u>(218,471)</u>	<u>(1,160)</u>	<u>(878,855)</u>
<b>Net debt</b>	<u>(652,375)</u>	<u>(217,372)</u>	<u>(1,160)</u>	<u>(870,907)</u>

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

	9 months to March 31, 2015 £'000	3 months to March 31, 2015 £'000	3 months to March 31, 2014 £'000
<b>Increase in cash in period</b>	(1,099)	(7,137)	(3,553)
Cash outflow from movement in debt and lease financing	218,470	98,125	36,511
Cash inflow from movements in current asset investments	-	-	-
<b>Change in net debt resulting from cash flows</b>	<u>217,371</u>	<u>90,988</u>	<u>32,958</u>
New finance leases	80	-	-
Non-cash movements	<u>1,082</u>	<u>1,961</u>	<u>(1,097)</u>
<b>Movement in net debt in period</b>	<u>218,533</u>	<u>92,949</u>	<u>31,861</u>
<b>Net debt, beginning of period</b>	<u>652,374</u>	<u>777,958</u>	<u>587,941</u>
<b>Net debt, end of period</b>	<u><u>870,907</u></u>	<u><u>870,907</u></u>	<u><u>619,802</u></u>

d) Analysis of cash flows

	9 months to March 31, 2015 £'000	3 months to March 31, 2015 £'000	3 months to March 31, 2014 £'000
<b>Returns on investments and servicing of finance</b>			
Interest received	42	8	25
Refinancing costs	(5,824)	(619)	(3,515)
Interest paid	<u>(37,334)</u>	<u>(16,504)</u>	<u>(14,413)</u>
<b>Net cash outflow from returns on investments and servicing of finance</b>	<u>(43,116)</u>	<u>(17,115)</u>	<u>(17,903)</u>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets	(1,498)	(431)	(357)
Sales of tangible fixed assets	48	11	22
Sale of investment properties	172	-	-
Purchase of investments	<u>(131)</u>	<u>-</u>	<u>-</u>
<b>Net cash outflow from capital expenditure and financial investments</b>	<u>(1,409)</u>	<u>(420)</u>	<u>(335)</u>
<b>Management of liquid resources</b>			
Sale of current asset investments	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financing</b>			
Proceeds from borrowings	218,582	98,161	36,545
Share capital issued	1	1	-
Capital element of finance lease payments	<u>(112)</u>	<u>(36)</u>	<u>(34)</u>
<b>Net cash inflow from financing</b>	<u><u>218,471</u></u>	<u><u>98,126</u></u>	<u><u>36,511</u></u>

**13. RELATED PARTY TRANSACTIONS**

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:

<b>Group</b>	<b>Balances due to</b>		<b>Balances due from</b>	
	<b>March 31, 2015 £'000</b>	<b>March 31, 2014 £'000</b>	<b>March 31, 2015 £'000</b>	<b>March 31, 2014 £'000</b>
Sproston Green Limited	7	7	-	-
Centrestand Limited	-	-	15	29
Charles Street Commercial Investments Ltd	28	153	9	-
Sterling Property Co. Limited	-	-	16	18
Bracken House Properties LLP	-	-	-	-
	<u>35</u>	<u>160</u>	<u>40</u>	<u>47</u>

Group transactions with related parties were as follows:

	<b>9 months to March 31, 2015 £'000</b>	<b>3 months to March 31, 2015 £'000</b>	<b>3 months to March 31, 2014 £'000</b>
<b><i>Bracken House Properties LLP</i></b>			
Operating lease costs – Land and buildings due to Bracken House Properties LLP	523	-	276
Insurance costs due to Bracken House Properties LLP	13	-	18
Payments from the Group to Bracken House Properties LLP	(536)	-	(294)
<b><i>Charles Street Commercial Investments Ltd</i></b>			
Introduction fees due from Charles Street Commercial Investments Ltd	(12)		(12)
Introduction fees paid by Charles Street Commercial Investments Ltd	12		12
Amounts received by Charles Street Commercial Investments Ltd relating to the Group	(190)	(1)	-
Repayments by Charles Street Commercial Investments Ltd to the Group	102	102	-
Amounts received by the Group relating to Charles Street Commercial Investments Ltd	986	47	5
Repayments by the Group to Charles Street Commercial Investments Ltd	(1,129)	(1,060)	-
<b><i>Centrestand Limited</i></b>			
Service charges and costs paid on behalf of Centrestand Limited	9	3	(14)
<b><i>Sterling Property Co. Ltd</i></b>			
Service charges and costs paid on behalf of Sterling Property Co. Ltd	(1)	-	-
Repayments to the Group from Sterling Property Co. Ltd	1	-	21
	<u>(222)</u>	<u>(912)</u>	<u>12</u>

### 13. RELATED PARTY TRANSACTIONS (continued)

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 £296,205 loaned to August Blake Developments Limited, £3,579,773 loaned to Sunnywood Estates Limited and £9,041,811 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.

## 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 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://www.jerroldholdings.co.uk/investors.aspx>