Loans, mortgages & finance.

Jerrold Holdings Limited

Q1 2015/16 Results

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Highlights

The numbers included within this report, including comparatives, are prepared in accordance with IFRS unless stated otherwise. Previously the numbers were reported under UK GAAP. Our Auditors, Deloitte LLP, have undertaken an independent review of the condensed interim financial statements of Jerrold Holdings Limited group of companies, trading as Together ('the Group') for the three months ended 30 September 2014 and 30 September 2015 which have been prepared in accordance with IFRS, and have concluded that nothing has come to their attention that causes them to believe that the condensed consolidated interim financial statements for the three months ended 30 September 2014 and 30 September 2015 is not prepared, in all material respects, in accordance with the Accounting Standards Board Statement: Quarterly Financial Reports.

The significant differences between UK GAAP and IFRS in respect of Jerrold Holdings Limited financial statements include: income is now recognized using an Effective Interest Rate (EIR) over the expected life of the loan incorporating fees and expenses directly attributable to the origination of the loan whereas previously these were recognized on origination; interest is no longer suspended where it is considered unrecoverable but is instead recognized as interest at the EIR on the impaired carrying value of the loan; and the impairment charge is calculated as the difference between the carrying amount (including income that is now recognized but was previously suspended under UK GAAP) and the present value of estimated future cash flows using the loans EIR. Under UK GAAP such cash flows were not discounted to the present value.

- **Increased interest receivable and similar income** Interest receivable and similar income has increased when compared with the prior period at £49.0m for the quarter to September 30, 2015, compared to £44.0m for the quarter to June 30, 2015. This increase primarily relates to interest earned on increased loan book levels.
- **Bad debts maintained at very low levels** The net bad debt charged to the Profit and Loss account in the quarter of £3.2m to September 30, 2015 compares to a release of £400k in the quarter to June 2015. The 3.6m increase is due in part to changes to default assumptions processed in June 2015 (where the time taken to dispose of commercial loans security was amended form 16 to 12 months) resulting in a write back of the impairment discount. In addition a further write back was recorded in June 2015 as a result of favorable movements in house price indices.
- **Continually high EBITDA** The group continues to be consistently highly profitable, with EBITDA at £38.1m for the quarter to September 30, 2015, (£36.3m for the quarter to June 30, 2015). The increase of £1.8m reflects the net effect of an increase in turnover of £5.1m, reduced overheads of £0.3m given higher year-end accruals in the prior quarter, and a £3.6m adverse movement in bad debt charges in the prior quarter as referred to above. EBITDA margin has remained at above 70% at 72.6% for the quarter to September 30, 2015, compared to 76.2% for the quarter to June 30, 2015.
- **Continually high Profit before tax** Profit before tax is £22.4m for the quarter to September 30, 2015, (£21.9m for the quarter to June 30, 2015). In addition to the EBITDA factors detailed above, interest costs increased by £1.3m as our borrowings increased.
- **Continually high cash generation** The group continues to be highly cash generative, with cash receipts in the quarter to September 30, 2015 of £188.8m compared to cash debt service of £22.9m (including six monthly bond coupon of £14.6m) and other cash expense payments of £8.5m. In addition, £4.3m of transaction fees were incurred on the execution of the Lakeside Asset Backed Securitisation on August 13, 2015 and refinancing of the Revolving Credit Facility on August 28, 2015, and £0.8m of interest payable, relating to the senior secured notes, has accrued and becomes payable in March 2016. During the quarter, the Group has drawn £nil on its revolving credit facility (total drawn £nil at September 30, 2015), issued £15m of Securitisation variable funding notes under the Charles Street program (total issued £645m at September 30, 2015) and £90m under the Lakeside

program (total issued £90m at September 30, 2015).

- **Increased lending volumes** Lending volumes increased on the prior period, with the group advancing £237.5m of loans in the quarter to September 30, 2015, compared to £203.9m in the quarter to June 30, 2015. Key underwriting metrics remained fairly consistent in the period, with the weighted average LTV of loans written in the quarter to September 30, 2015 being 56.4%, compared to 54.2% in the quarter to June 30, 2015 and 54.7% in the quarter to September 30, 2014.
- **Improving LTV of loan portfolio - Total Group** The indexed weighted average LTV of the loan portfolio for the total group improved to 54.1% at September 30, 2015 compared to 54.7% at June 30, 2015, also showing an improvement on the position as at September 30, 2014 of 58.0%.
- **Improving LTV of loan portfolio - Borrower Group** The indexed weighted average LTV of the loan portfolio for the borrower group, as at September 30, 2015 is 62.5%, showing an improvement on the position as at June 30, 2015, of 63.4% and on the position at September 30, 2014 of 67.6%.

An Introduction to Jerrold Holdings trading as Together

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 80.0% 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 September 30, 2015, 36.7% of our loan portfolio was classified as retail purpose, 58.9% of our loan portfolio was classified as commercial purpose and 4.4% 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. 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 (iii) the accrued interest and fees thereon and (iv) less provisions for impairments 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 September 30, 2015, was 54.1% and the LTV on a weighted average basis of new loans underwritten by us in the quarter ended September 30, 2015 was 56.4%. 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 September 30, 2015, 91.4% of our total loan portfolio and 85.0% 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 condensed consolidated financial statements of Jerrold Holdings Limited as of and for the three months ended September 30, 2014 and 2015 and for the twelve months ended June 30, 2015. The interim condensed consolidated financial statements of Jerrold Holdings have been prepared, for the first time, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), are unaudited and are derived from internal management reporting.

Our Auditors, Deloitte LLP, have undertaken an independent review of the condensed interim financial statements of Jerrold Holdings Limited group of companies ('the Group') for the three months ended 30 September 2014 and 30 September 2015 which have been prepared in accordance with IFRS, and have concluded that nothing has come to their attention that causes them to believe that the condensed interim financial statements for the three months ended 30 September 2014 and 30 September 2015 is not prepared, in all material respects, in accordance with the Accounting Standards Board Statement: Quarterly Financial Reports.

Our accounting policies have therefore changed to be compliant with IFRS, and our key accounting policies can be found in Note 2 to the interim consolidated financial statements and a summary of the main changes on the conversion to IFRS can be found in Note 19 to the interim consolidated financial statements.

The significant differences between UK GAAP and IFRS in respect of Jerrold Holdings Limited financial statements include the following: income is now recognized using an Effective Interest Rate (EIR) over the expected life of the loan incorporating fees and expenses directly attributable to the origination of the loan whereas previously these were recognized on origination, interest is no longer suspended where it is considered unrecoverable but is instead recognized as interest at the EIR on the impaired carrying value of the loan, and the impairment charge is calculated as the difference between the carrying amount (including income that is now recognized but was previously suspended) and the present value of estimated future cash flows using the loans EIR whereas such cash flows were not discounted to the present value under UK GAAP.

The Group has no material contingencies as at the 30 September 2015 and the only notable commitment is with regards to the operating lease we hold for our head office building.

During the period the Group made transactions with affiliated companies. Details of these transactions can be found in Note 14 of the financial statements in this report.

We have not included financial information prepared in accordance with FRS 102 or U.S. GAAP. IFRS differs in certain significant respects from FRS 102 and US GAAP. You should consult your own professional advisors for an understanding of the differences between IFRS, FRS 102 and US GAAP and how those differences could affect the financial information contained in this quarterly report.

Charles Street Asset Backed Conduit Securitization 1 Limited ("Charles Street ABS"), and Lakeside Asset Backed Securitization 1 Limited ("Lakeside ABS"), the bankruptcy-remote special purpose vehicles established for purposes of our Securitizations, are consolidated into our interim consolidated financial statements in accordance with IFRS. Mortgage loans sold to Charles Street ABS and Lakeside 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 and Lakeside ABS to certain lenders to finance their 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.

Other Financial Information (Non-IFRS)

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 IFRS.

In this quarterly report and related presentation, references to "EBITDA" for the three months ended September 30, 2014 and 2015 and for the twelve months ended June 30, 2015 for Jerrold Holdings, can be extracted from the unaudited consolidated interim financial statements of Jerrold Holdings, by taking profit on ordinary activities after taxation and adding back interest payable and similar charges (including finance charges) bank interest received (included in interest receivable and similar income), tax on profit on ordinary activities and depreciation and amortisation.

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 IFRS 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 IFRS.

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.

Repossessed 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.

Repossessed 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 99.9% of our total loan book balances by value as of September 30, 2015. Data referring to our loan portfolio analysis is presented after provisions for impairments.

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 (iii) provisions for impairments , 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 (iii) provisions for impairments, 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 provisions for impairments, 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 provisions for impairments and fees and commissions spread over the behavioral life of the loan. .

In this quarterly report and related presentation, the term "second lien loans" includes second lien loans and also subsequent lien loans. As of September 30, 2015 subsequent lien loans amounted to approximately £5.8 million after provisions for impairments, representing 0.4% 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, (iii) the accrued interest and fees thereon and (iv) provisions for impairments 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.

The LTV ratio is calculated after impairment provisions under IFRS. Under UK GAAP this was calculated after suspended interest but before principal impairment provisions.

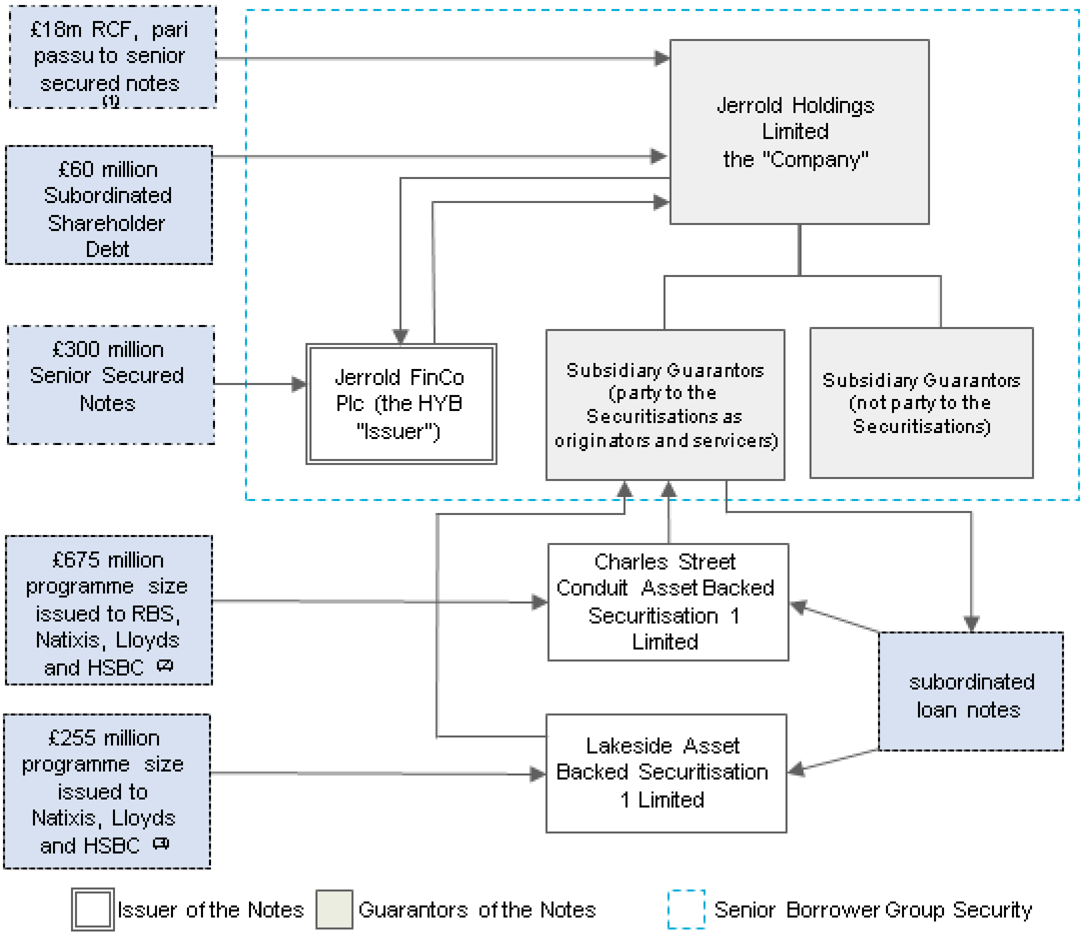
In this quarterly report and related presentation, the average LTV of our loan portfolio is calculated on a “weighted average basis,” pursuant to which LTV is calculated by multiplying each LTV by the respective loan amount and then dividing the sum of the weighted LTVs by the total amount of loans. 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 October 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 as at 31 October 2015



(1) 30 September 2015 drawn balance was nil, and as at 31 October 2015 drawn balance was nil
(2) 30 September 2015 balance was £630m and as at 31 October 2015 £645m notes issued
(3) 30 September 2015 balance was £90m and as at 31 October 2015 £120m notes issued

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 September 30, 2015	2014	Unaudited 12 months ended or as at June 30, 2015
Group			
Turnover	52,445	39,841	176,336
Movement in bad debt provisions	3,199	1,148	7,499
EBITDA	38,064	29,918	127,923
EBITDA margin	72.6%	75.1%	72.5%
Profit on ordinary activities before tax	22,408	17,753	74,764
Supplemental cash flow information:			
Cash receipts	188,840	116,559	526,082
New advances	(237,470)	(151,930)	(724,193)
LTV of loan portfolio (on a weighted average basis, based on LTV of loans at origination)	57.6%	57.4%	57.2%
LTV of loan portfolio (on a weighted average indexed basis)	54.1%	58.0%	54.7%
Borrower Group			
LTV of loan portfolio (on a weighted average basis, based on LTV of loans at origination)	62.2%	61.2%	60.8%
LTV of loan portfolio (on a weighted average indexed basis)	62.5%	67.6%	63.4%

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

The key performance indicators above for three months ended September 30, 2014 and 2015 and twelve months ended June 30, 2015, have been derived from unaudited condensed consolidated interim financial statements and management information. 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 IFRS.

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, the new accounting policies described in Note 2 of the consolidated interim financial statements and a summary of the main changes between UK GAPP and IFRS described in Note 19 of the consolidated interim financial statements.

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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 September 30, 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 56.4%, compared to 54.2% in the quarter to June 30, 2015 and 54.7% in the quarter to September 30, 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 10.3% for loans funded in the year ended December 31, 2008, to 0.8% for loans funded in the year ended September 30, 2014. We expect that a continued focus on such policies will help us maintain lower delinquency levels.

An analysis of our loan portfolio as at September 30, 2015, June 30, 2015 and September 30, 2014, by arrears banding, for the group and borrower group is as follows:

	Group Loan Portfolio Arrears Analysis			Borrower Group Loan Portfolio Arrears Analysis		
	Sept 30, 2014	June 30, 2015	Sept 30, 2015	Sept 30, 2014	June 30, 2015	Sept 30, 2015
Nil Arrears & Arrears ≤ 1 month.	**74.0%**	**80.0%**	**82.7%**	**53.4%**	**60.2%**	**61.5%**
Performing Arrears						
1-3 months	6.7%	5.2%	4.7%	7.9%	6.4%	6.0%
3-6 months	1.9%	1.2%	1.1%	3.4%	2.4%	2.5%
>6 months	2.3%	1.3%	1.2%	4.8%	3.1%	3.2%
Total Performing Arrears.........	**10.9%**	**7.7%**	**6.9%**	**16.1%**	**11.9%**	**11.7%**
Non-Performing Arrears						
3-6 months	1.5%	1.3%	1.1%	2.5%	2.4%	2.0%
>6 months	2.9%	2.2%	1.8%	5.9%	5.2%	4.7%
Past due (term loans)	1.0%	0.8%	0.8%	2.0%	1.8%	2.2%
LPA Rent	0.8%	0.7%	0.6%	1.6%	1.5%	1.5%
Total Non-Performing Arrears.	**6.1%**	**5.0%**	**4.4%**	**11.9%**	**10.9%**	**10.4%**
Development Loans....................	**6.7%**	**5.2%**	**4.4%**	**13.8%**	**12.3%**	**11.6%**
Repossessions.............................	**2.3%**	**2.1%**	**1.8%**	**4.7%**	**4.7%**	**4.7%**
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 September 30, 2015 was 56.4%, compared to 54.2% in the quarter to June 30, 2015 and 54.7% in the quarter to September 30, 2014.

An analysis of our loan portfolio as at September 30, 2015, 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%..........................	963.7	31.4	11.2	7.5	1,013.8
>60% <=85%.....................	385.6	26.1	23.3	12.5	447.4
>85% <=100%..................	10.3	2.8	25.0	1.2	39.3
>100%.............................	5.1	4.6	7.4	5.9	23.0
Total.................................	1,364.7	64.9	67.0	27.0	1,523.6

Borrower Group Loan Portfolio Indexed LTV Analysis £m	**Performing Loans**	**Non - Performing Loans**	**Development Loans**	**Repossessions**	**Total Loan Portfolio**
<=60%...........................	240.0	27.1	11.2	7.5	285.8
>60% <=85%................	169.4	25.3	23.3	12.5	230.5
>85% <=100%...............	8.7	2.8	25.0	1.2	37.7
>100%...........................	3.3	4.6	7.4	5.9	21.2
Total.................................	421.4	59.8	66.9	27.0	575.2

Group Loan Portfolio Origination LTV Analysis £m	**Performing Loans**	**Non - Performing Loans**	**Development Loans**	**Repossessions**	**Total Loan Portfolio**
<=60%...........................	756.0	29.7	28.0	13.9	827.5
>60%<=85%.................	596.7	30.1	19.2	6.9	652.9
>85%<=100%...............	8.3	3.3	13.9	3.3	28.8
>100%...........................	3.7	1.8	6.0	2.9	14.4
Total.................................	1,364.7	64.9	67.0	27.0	1,523.6

Borrower Group Loan Portfolio Origination LTV Analysis £m	**Performing Loans**	**Non - Performing Loans**	**Development Loans**	**Repossessions**	**Total Loan Portfolio**
<=60%...........................	198.2	26.5	27.9	13.9	275.0
>60%<=85%.................	212.3	28.2	19.2	6.9	282.7
>85%<=100%...............	7.2	3.3	13.9	3.3	32.8
>100%...........................	3.7	1.8	6.0	2.9	17.5
Total.................................	421.4	59.8	66.9	27.0	575.2

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 September 30, 2015 36.7% of our loan portfolio was classified as retail purpose, 58.9% of our loan portfolio was classified as commercial purpose and 4.4% of our loan portfolio was classified as development funding, calculated by value. At June 30, 2015 38.3% of our loan portfolio was classified as retail purpose, 56.5% of our loan portfolio was classified as commercial purpose and 5.2% of our loan portfolio was classified as development funding.

The proportion of our loan portfolio secured by residential security by value has reduced slightly at 80.0% as at September 30, 2015, compared to 81.1% as at June 30, 2015.

The proportion of our loan portfolio secured on first charges has increased slightly at 55.5% as at September 30, 2015, compared to 54.2% as at June 30, 2015.

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 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 September, 2015, including further advances, we have funded an average of £79.0m per month compared with £68.0m per month in the quarter to June 30, 2015 and £65.3m per month in the 12 months to September 30, 2015.

Our total loan portfolio stands at £1,523.6m as at September 30, 2015, compared to £1,438.2m as at June 30, 2015, 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 September 30, 2015 is due, in part, to the increased liquidity available given increased levels of redemption activity, the successful capital market transaction in April 2015 and the execution of the Lakeside ABS1 securitization facility in August 2015.

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 10.1% to £52.4m for the quarter to September 30, 2015, compared to £47.6m for the quarter to June 30, 2015. This increase primarily relates to higher interest and loan set up income (recognised through EIR) earned due to growth in the size of the loan book.

The net impairment charge to the Profit and Loss account was £3.2m in the quarter to September 30, 2015 and compares to a credit of £0.4m for the quarter to June 30, 2015. The 3.6m increase is due in part to changes to default assumptions processed in June 2015 (where the time taken to dispose of commercial loans security was amended form 16 to 12 months) resulting in a write back of the impairment discount. In addition a further write back was recorded in June 2015 as a result of favorable movements in house price indices.

The group continues to be consistently highly profitable, with EBITDA at £38.1m for the quarter to September 30, 2015, up from £36.3m for the quarter to June 30, 2015. EBITDA margin has remained above 70% at 72.6% for the quarter to September 30, 2015, compared to 76.2% for the quarter to June 30, 2015.

Profit before tax increased to £22.4m for the quarter to September 30, 2015, compared to £21.9m for the quarter to June 30, 2015.

The group continues to be highly cash generative, with cash receipts in the quarter to September 30, 2015 of £188.8m compared to cash debt service of £22.9m, includes £14.6m interest payment relating to the senior secured notes, and other cash expense payments of £8.5m. In addition £4.3m of transactions fees were incurred on new facilities. During the quarter, the Group's borrowing increased by £85m comprised of a £5m reduction in the Charles Street ABS variable funding notes (total issued £630m at September 30, 2015), £90m issue of variable funding notes in the Lakeside ABS programme (total issued £90m at September 30, 2015).

Lending volumes increased on the prior period, with the group advancing £237.5m of loans in the quarter to September 30, 2015, compared to £203.9m in the quarter to June 30, 2015. Key underwriting metrics remained fairly consistent in the period, with the weighted average LTV of loans written in the quarter to September 30, 2015 being 56.4%, compared to 54.2% in the quarter to June 30, 2015 and 54.7% in the quarter to September 30, 2014.

The indexed weighted average LTV of the loan portfolio for the total group improved to 54.1% at September 30, 2015 compared to 54.7% at June 30, 2015, also showing an improvement on the position as at September 30, 2014 of 58.0%.

The indexed weighted average LTV of the loan portfolio for the borrower group improved to 62.5% at September 30, 2015 compared to 63.4% at June 30, 2015, showing an improvement on the position as at September 30, 2014 of 67.6%.

Recent Developments

Governance and changes to senior management

On September 30 2015, Mr. Gary Jennison stepped down from the position of Deputy CEO.

In line with good practice we have commenced a corporate governance review using external consultants to ensure that the governance structures remain robust and sufficient resource is established to support our growth plans and changes in the regulatory environment. Recruitment has commenced for a number of senior and middle management positions to help further support the delivery of our strategic plans.

New committed funding

On August 13, 2015 we successfully completed a new £255m revolving securitization program (Lakeside Asset Backed Securitisation 1 Limited). The facility will run until August 2018 and will support the groups commercial lending activity.

On August 27, 2015 the company successfully refinanced its revolving credit facility, securing funds of £18m. The facility will run until August 2017

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, a revolving Syndicated loan Facility and through our Securitization facilities. The volume of loans we are able to originate is limited, in part, by the amount and terms of funding available to us along with the level of our capital reserves.

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 residential second charge mortgages secured on land and hire purchase loans). Comprehensive applications have been submitted for full authorisations within the allocated time window and we are actively working with the FCA to progress these submissions through to full authorisation. 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 month period to and as at September 30, 2015.

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

- Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Cash Flow Statement have comparatives of three months to September 30, 2014; and the year to June 30, 2015

JERROLD HOLDINGS LIMITED

Unaudited Consolidated Statement Of Comprehensive Income
3 Months Ended 30 September 2015

Income Statement

CONTINUING OPERATIONS	Note	3 months to 30 Sept 2015 £'000	3 months to 30 Sept 2014 £'000	Year to 30 June 2015 £'000
Interest receivable and similar income		48,962	37,228	164,401
Interest payable and similar charges	5	(15,379)	(12,106)	(52,289)
NET INTEREST INCOME		33,583	25,122	112,112
Fees and commission income		1,054	972	4,048
Fees and commission expense		(377)	(383)	(1,378)
Other income		32	31	552
Other gains/(losses)		-	3	(504)
OPERATING INCOME		34,292	25,745	114,830
Administrative expenses		(8,393)	(6,759)	(31,732)
Depreciation and amortisation		(292)	(207)	(957)
OPERATING PROFIT/(LOSS)		25,607	18,779	82,141
Impairment losses		(3,199)	(1,148)	(7,499)
PROFIT/(LOSS) BEFORE NEGATIVE GOODWILL		22,408	17,631	74,642
Negative goodwill		-	122	122
PROFIT/(LOSS) BEFORE TAXATION		22,408	17,753	74,764
Income tax	6	(4,496)	(3,869)	(16,017)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		17,912	13,884	58,747

JERROLD HOLDINGS LIMITED

Unaudited Consolidated Statement Of Financial Position
As At 30 September 2015

	Note	30 Sept 2015 £'000	30 Sept 2014 £'000	30 June 2015 £'000
NON-CURRENT ASSETS				
Property, plant and equipment	7	4,390	4,454	4,205
Intangible assets	7	1,549	304	1,025
Investment property		45	145	45
Investments		122	122	123
Deferred tax asset	11	2,605	4,314	3,515
		8,711	9,339	8,913
CURRENT ASSETS				
Inventories		840	1,381	840
Loans and advances to customers	8	1,521,493	1,127,707	1,423,523
Trade and other receivables	9	1,732	2,205	2,357
Cash at bank and in hand		-	4,754	2,772
		1,524,065	1,136,047	1,429,492
TOTAL ASSETS		1,532,776	1,145,386	1,438,405
CURRENT LIABILITIES				
Trade and other payables	10	(22,642)	(19,896)	(30,988)
Current tax liabilities		(7,702)	(6,297)	(7,866)
Bank overdraft	12	(2,433)	-	-
Borrowings	12	(143)	(63,597)	(158)
		(32,920)	(89,790)	(39,012)
NET CURRENT ASSETS		1,491,145	1,046,257	1,390,480
NON-CURRENT LIABILITIES				
Borrowings	12	(1,039,955)	(658,471)	(957,404)
Deferred tax liabilities		-	-	-
		(1,039,955)	(658,471)	(957,404)
TOTAL LIABILITIES		(1,072,875)	(748,261)	(996,416)
NET ASSETS		459,901	397,125	441,989
EQUITY				
Share Capital	13	9,779	9,778	9,779
Share premium account		17,527	17,527	17,527
Merger reserve		(9,645)	(9,645)	(9,645)
Capital redemption reserve		1,300	1,300	1,300
Revaluation reserve		-	4	-
Retained earnings		440,940	378,161	423,028
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		459,901	397,125	441,989
NON-CONTROLLING INTERESTS		-	-	-
TOTAL EQUITY		459,901	397,125	441,989

Notes to the Financial Statements (continued)

As at 30 September 2015

	Called Up Share Capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
Group							
At 1 July 2015	9,779	17,527	(9,645)	1,300	-	423,028	441,989
Retained profit for the financial period	-	-	-	-	-	17,912	17,912
At 30 Sept 2015	9,779	17,527	(9,645)	1,300	-	440,940	459,901

As At 30 September 2014

	Called Up Share Capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
Group							
At 1 July 2014	9,778	17,527	(9,645)	1,300	21	364,260	383,241
Transfer to retained earnings	-	-	-	-	(17)	17	-
Retained profit for the financial year	-	-	-	-	-	13,884	13,884
At 30 Sept 2014	9,778	17,527	(9,645)	1,300	4	378,161	397,125

Notes to the Financial Statements (continued)

As at 30 June 2015

	Called Up Share Capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
Group							
At 1 July 2014	9,778	17,527	(9,645)	1,300	21	364260	383241
Transfer to retained earnings	-	-	-	-	(21)	21	-
Issue of share capital	1	-	-	-	-	58,747	58,747
Retained profit for the financial period	-	-	-	-	-	17,912	17,912
At 30 June 2015	9,779	17,527	(9,645)	1,300	-	423,028	441,989

JERROLD HOLDINGS LIMITED

Unaudited Consolidated Cash Flow Statement
3 Months Ended 30 September 2015

	Note	Unaudited 3 months to 30 Sept 2015 £'000	Unaudited 3 months to 30 Sept 2014 £'000	Unaudited Year to 30 June 2015 £'000
CASH OUTFLOW FROM OPERATING ACTIVITIES				
Cash outflow from operations	14	(60,973)	(44,243)	(237,835)
Taxation		(3,750)	(2,750)	(12,530)
Servicing of finance		(22,853)	(17,414)	(42,416)
Net cash outflow from operating activities		(87,576)	(64,407)	(292,781)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments		-	(131)	(131)
Purchase of property, plant and equipment		(433)	(328)	(1,787)
Purchase of intangible assets		(587)	-	-
Proceeds on disposal of investment properties		-	36	172
Proceeds on disposal of property, plant and equipment		12	-	97
Net cash outflow from investing activities		(1,008)	(423)	(1,649)
FINANCING ACTIVITIES				
Repayment of syndicate loan		-	-	(35,000)
Drawdown of facilities		83,427	62,690	325,239
Capital element of finance lease payments		(48)	44	(114)
Net cash inflow from financing activities		83,379	62,734	290,125
Net decrease in cash and cash equivalents		(5,205)	(2,095)	(4,077)
Cash and cash equivalents at beginning of year		2,772	6,849	6,849
CASH AND CASH EQUIVALENTS AT END OF YEAR		(2,433)	4,754	2,772

Notes to the Financial Statements

1. REPORTING ENTITY

Jerrold Holdings Limited (referred to as "the company") is incorporated and domiciled in the UK. The registered address of the company is Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW. The consolidated financial statements of the Group as at and for the period ended 30 September 2015 comprise Jerrold Holdings Limited and its subsidiaries (together referred to as "the Group" and individually as "subsidiaries"). The comparative figures for the year ended 30 June 2015 reported under IFRS are non-statutory figures; the UK GAAP statutory figures have been submitted to the registrar of company with an unqualified audit opinion. The Group is primarily involved in the financial services.

2. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the current period and the preceding period.

Basis of preparation

The financial statements have been prepared, for the first time, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The condensed set of financial statements has been prepared in accordance with IAS 34; Interim Financial Statements and the Companies Act 2006. No individual profit or loss account or related notes are presented for the Company as permitted by 408 (4) of the Companies Act 2006.

The date of transition to IFRS and the date of the opening IFRS statement of financial position was 1 July, 2014. All financial information since this date for both the Group and the Company has been restated from UK GAAP to IFRS. Reconciliations between previously reported UK GAAP results and IFRS are presented in note 19.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the individual accounting policies.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 July 2015 and not early adopted:

There are a number of standards, amendments and interpretations which have been issued by the International Accounting Standards Board ("IASB") but which have not yet been endorsed by the EU. The most significant of these is IFRS 9: "Financial Instruments", the planned replacement for IFAS 39: "Financial Instruments: Recognition and Measurement".

IFRS 9 introduces new requirements for the classification and measurement of financial assets, hedge accounting and the impairment of financial assets. Under IFRS 9 financial assets are classified and measured based on the business model under which they are held and the characteristic of their contractual cash flows. In addition, IFRS 9 is replacing the incurred loss approach to impairment of IAS 39 with one based on expected losses, and is replacing the rules based hedging requirements of IAS 39 with new requirements that align hedge accounting more closely with risk management activities.

IFRS 9, including the final version of the requirements in respect of impairment, was issued on 24 July 2014. The IASB has decided to apply IFRS 9 for annual periods beginning on or after 1 January 2018. IFRS 9 is required to be applied retrospectively, but prior periods need not be restated. IFRS 9, including its commencement date, will be subject to endorsement by the EU.

2. ACCOUNTING POLICIES (continued)

Going concern

The directors have assessed, in the light of current and anticipated economic condition, the Group's ability to continue as a going concern. The directors confirm they are satisfied that the Company and the Group have adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the 'going concern' basis for preparing accounts.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively*;* and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

2. ACCOUNTING POLICIES (continued)

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions in the year ended 30 June 1998 and earlier periods were 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 on transition to IFRS 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.

Investment properties

A valuation of investment properties is made annually as at the statement of financial position date by the directors, at fair value based on previous valuations conducted by external chartered surveyors. Changes in the fair value of investment properties are included in profit and loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the period in which the property is derecognised.

Property, plant and equipment

Property, plant and equipment is shown at cost, 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

2. ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis

Internally-generated intangible assets

Development expenditure incurred in respect of individual projects is capitalised when the future economic benefit of the project is probable and is recognised only if all of the following conditions are met:

- an intangible asset is created that can be separately identified; and
- it is probable that the intangible asset created will generate future economic benefits; and
- the development cost of the intangible asset can be measured reliably

This type of expenditure primarily relates to internally developed software and these are amortised on a straight-line basis over their respective useful lives.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Investments

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

Inventories

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

Leases

The Group as lessee

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised 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 income statement 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.

The Group as lessor

Rentals made under operating leases are recognised in the income statement on a straight line basis over the term of the lease.

2. ACCOUNTING POLICIES (continued)

Pension benefits

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

The amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year to personal pension schemes.

Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity.

Current tax is the expected tax payable on the taxable profit for the period. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income and expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of the assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probably that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis

Financial Assets & Liabilities

Classification

All the Group's financial assets are categorised as loans and receivables. All the group's financial liabilities are designated as financial liabilities at amortised cost. A financial asset is measured initially at fair value plus the transactions costs directly attributable to its acquisition. A financial liability is measured initially at fair value less the transaction costs that are directly attributable to its issue.

Loans & receivables

Loans and receivables are predominantly mortgage loans and advances to customers with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell in the near term. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method, less impairment losses.

2. ACCOUNTING POLCIES (continued)

Financial Assets & Liabilities (continued)

Derecognition of financial assets and liabilities

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset have expired or where substantially all the risks and rewards of ownership have been transferred.

Financial liabilities are derecognised when their contractual obligations are discharged, cancelled or have expired.

Impairment of financial assets

The Group regularly assess whether there is evidence that a financial asset, or a group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses incurred if, and only if, there is objective evidence of impairment as a result of one of more loss events that occurred after the initial recognition of the asset and prior to the reporting date ('a loss event') and that loss event or events has or have had an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Impairment losses are assessed individually for financial assets that are individually significant and individually or collectively for assets that are not individually significant. In making collective assessment of impairment, financial assets are grouped into portfolios on the basis of similar risk characteristics.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. In addition, the Group uses its experienced judgement to estimate the amount of an impairment loss. This incorporates amounts calculated to overcome model deficiencies and systemic risks where appropriate and supported by historic loss experience data. The use of such judgements and reasonable estimates is considered by management to be an essential part of the process and does not impact reliability.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure and any costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For loans and receivables, the amount of the loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the original effective interest rate. All impairment losses are reviewed at least at each reporting date. If subsequently the amount of the loss decreases as a result of a new event, the relevant element of the outstanding impairment loss is reversed.

Interest on impaired financial assets is recognised at the original effective interest rate applied to the carrying amount as reduced by an allowance for impairment.

Impairment losses and any subsequent reversals are recognised in the income statement. Following impairment, interest income is recognised using the original EIR which was used to discount the future cash flows for the purpose of measuring the impairment loss.

Where a loan is uncollectable, it is written off against the related provision. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are taken through the income statement.

2. ACCOUNTING POLCIES (continued)

Securitisation

Where the group securitises its own financial assets, this is achieved via the sale of these assets to a special purpose entity (SPE's), which in turn issues securities to investors. All financial assets and liabilities related to the SPE continue to be held on the group's consolidated balance sheet.

Special purpose entities (SPE's) used to raise funds through securitisation transactions are consolidated into the Groups operations under IAS 27 as if they were wholly owned subsidiaries. Financial assets transferred to SPE's under securitisation agreements are not derecognised by the Group because it retains the risks and rewards of ownership.

Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all instruments measured at amortised cost using the effective interest method. The effective interest method calculates the amortised cost of a financial asset or a financial liability and allocates the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset financial liability. When calculating the effective interest rate, the Group takes into account all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income and expense

Fees and commissions which are an integral part of the effective interest rate of a financial instrument are recognised as an adjustment to the contractual interest rate and recorded in interest income.

Fees and commissions which are not considered integral to the effective interest rate are generally recognised on an accruals basis when the service has been provided.

Fees and commissions expense consists primarily of legal and valuations fees and credit search fees.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash comprises of cash in hand, demand deposits and bank overdrafts. Cash equivalents comprise highly liquid investments which are convertible into cash with an insignificant risk of changes in value with a maturity of three months or less at the date of acquisition, including short-term highly liquid debt securities.

Borrowings

Borrowings are recognised at amortised cost net of debt issue costs. Interest and fees payable on the borrowings during the financial period are recognised in the profit and loss account over the term of the notes using the effective interest rate method.

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2. ACCOUNTING POLCIES (continued)

Provisions

Provisions are recognised when the group or company has a present obligation as a result of a past event, which is reliably measurable and when it is probable that the group or company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In applying the accounting policies set out above, the Group makes significant estimates and assumptions that affect the reported amounts of assets and liabilities as follows:

a) Loan impairment provisions

Allowances for loan impairment represent management's estimate of the losses incurred in the loan portfolios at the balance sheet date. Changes to the allowances for loan impairment are reported in the consolidated income statement as impairment losses on loans and advances. Impairment provisions are made if there is objective evidence of impairment as a result of one or more subsequent events regarding a significant loan or a portfolio of loans and its impact can be reliably estimated.

Individual impairment losses are determined as the difference between the carrying value and the present value of estimated future cash flows, discounted at the loan's original effective interest rate. Impairment losses determined on a portfolio basis are calculated using a formulaic approach which allocates a loss rate dependent on the overdue period. Loss rates are based on the discounted expected future cash flows and are regularly benchmarked against actual outcomes to ensure they remain appropriate.

Estimating the amount and timing of future recoveries involves significant judgement, and considers the level of arrears as well as the assessment of matters such as future economic conditions and the value of collateral. All impairment losses are reviewed at least annually.

b) Revenue

Interest income

The effective interest rate method applies a rate that discounts estimated future cash payments or receipts relating to a financial instrument to its net carrying amount. The estimated future cash flows take into account all contractual terms of the financial instrument including transaction costs and all other premiums or discounts but not future credit losses. Models are reviewed at least annually to assess expected lives of groups of assets based upon actual repayment profiles.

Fees and commission

Fee and commission income is recognised depending on the nature of service provided:

- Income which forms an integral part of the effective interest rate is recognised as an adjustment to the contractual interest rate and recorded in interest income;
- Income earned from provision of services is recognised as the services are provided; and
- Income earned on the execution of a significant act is recognised when the act is completed

4. SEGMENTAL INFORMATION

The Group's activity substantially consists of secured lending to the UK market. It does not currently analyse its results into separate reportable business segments in reporting to its board, and accordingly no further segmental analysis is provided in these financial statements

5. FINANCE CHARGES

	3 months to 30 Sept 2015 £'000	3 months to 30 Sept 2014 £'000	Year to 30 June 2015 £'000
Interest payable and similar charges			
Borrowings	(13,247)	(10,227)	(44,309)
Debt issue costs	(2,115)	(1,873)	(7,929)
Other interest	(17)	(6)	(51)
	(15,379)	(12,106)	(52,289)

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	3 months to 30 Sept 2015 £'000	3 months to 30 Sept 2014 £'000	Year to 30 June 2015 £'000
Current tax			
Corporation tax	3,586	3,634	14,959
Adjustment in respect of previous years	-	-	25
Total current tax	3,586	3,634	14,984
Deferred tax			
Origination and reversal of timing differences	910	244	1,074
Adjustment in respect of prior years	-	-	(2)
Effect of tax rates	-	(9)	(39)
Total deferred tax (see note 11)	910	235	1,033
Total tax on profit on ordinary activities	4,496	3,869	16,017

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

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:

	30 Sept 2015 £'000	30 Sept 2014 £'000	30 June 2015 £'000
Profit on ordinary activities before tax	22,408	17,753	74,763
Tax on profit on ordinary activities at standard UK corporation tax rate of 20.00%/20.75%/20.75%	4,482	3,684	15,530
Effects of:			
Expenses not deductible for tax purposes	32	212	810
Income not taxable	(18)	(18)	(307)
Adjustment in respect of previous years	-	-	23
Effect of changes in tax rate	-	(9)	(39)
Group current tax charge for period	4,496	3,869	16,017

7. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

As at 30 September 2015

Group	**Fixtures, fittings and equipment £'000**	**Motor vehicles £'000**	**Computer Software £'000**	**Total £'000**
Cost				
At 1 July 2015	5,292	1,028	1,093	7,413
Additions	357	76	587	1,020
Disposals	-	(33)	-	(33)
At 30 September 2015	5,649	1,071	1,680	8,400
Depreciation				
At 1 July 2015	1,723	392	68	2,183
Charge for the period	189	40	63	292
Disposals	-	(14)	-	(14)
At 30 September 2015	1,912	418	131	2,330
Net book value				
At 30 September 2015	3,737	653	1,549	5,939
At 30 June 2015	3,569	636	1,025	5,230

Notes to the Financial Statements (continued)

7. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (continued)

As at 30 September 2014

Group	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Computer Software £'000	Total £'000
Cost				
At 1 July 2014	4,772	1,067	7	5,846
Additions	194	89	297	580
At 30 September 2014	4,966	1,156	304	6,426
Depreciation				
At 1 July 2014	1,015	445	-	1,460
Charge for the period	168	39	-	207
At 30 September 2014	1,183	484	-	1,667
Net book value				
At 30 September 2014	3,783	672	304	4,759
At 30 June 2014	3,743	384	7	4,134

As at 30 June 2015

Group	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Computer Software £'000	Total £'000
Cost				
At 1 July 2014	4,772	1,069	7	5,848
Additions	544	297	1,181	2,022
Disposals	(8)	(338)	-	(346)
Reclassifications	(16)	-	(95)	(111)
At 30 June 2015	5,292	1,028	1,093	7,413
Depreciation				
At 1 July 2014	1,015	448	-	1,463
Charge for the period	716	173	68	957
Disposals	(8)	(229)	-	(237)
At 30 June 2015	1,723	392	68	2,183
Net book value				
At 30 June 2015	3,569	636	1,025	5,230
At 30 June 2014	3,743	384	7	4,134

Notes to the Financial Statements (continued)

8. LOANS AND ADVANCES TO CUSTOMERS

	30 Sept 2015 £'000	30 Sept 2014 £'000	30 June 2015 £'000
Aggregate gross loans and advances	1,590,689	1,200,446	1,492,848
Less: allowances for impairment on loans and advances	(69,196)	(72,739)	(69,325)
	1,521,493	1,127,707	1,423,523

9. TRADE RECEIVABLES

	30 Sept 2015 £'000	30 Sept 2014 £'000	30 June 2015 £'000
Current			
Amounts owed by related companies	27	138	35
Other debtors	100	104	166
Prepayments and accrued income	1,605	1,963	2,156
	1,732	2,205	2,357

Amounts owed by related companies are in respect of Centrestand Limited, Charles Street Commercial Investments Limited, and Sterling Property Co. Limited, companies in which HN Moser is a director and shareholder (see note 15).

10. TRADE AND OTHER PAYABLES

Amounts owed by related companies are in respect of Centrestand Limited and Sterling Property Co. Limited, companies in which H N Moser is a director and shareholder (see note 14)

	30 Sept 2015 £'000	30 Sept 2014 £'000	30 June 2015 £'000
Current			
Accruals and deferred income	18,027	14,318	25,692
Amounts owed to related parties	303	220	45
Trade creditors	1,216	1,182	1,326
Other creditors	2,606	3,749	3,304
Other taxation and social security	490	427	621
	22,642	19,896	30,988

Notes to the Financial Statements (continued)

11. DEFERRED TAX

Group	**£'000**
Deferred taxation asset	
As at 1 July 2015	3,515
Charge to income statement	(910)
At 30 September 2015	2,605
Analysed as:	
Accelerated capital allowances	(223)
Short-term temporarily deferred - trading	2,828
At 30 September 2015	2,605
As at 1 July 2014	4,549
Charge to income statement	(244)
Income Statement	9
At 30 September 2014	4,314
Analysed as:	
Accelerated capital allowances	(139)
Short-term temporarily deferred - trading	4,453
At 30 September 2014	4,314
Deferred taxation asset	
As at 1 July 2014	4,549
Charge to income statement	(1,073)
Effect of change in tax rate:	
Income Statement	39
At 30 June 2015	3,515
Analysed as:	
Accelerated capital allowances	(223)
Short-term temporarily deferred - trading	3,738
At 30 June 2015	3,515

Notes to the Financial Statements (continued)

12. BORROWINGS

	30 Sept 2015 £'000	30 Sept 2014 £'000	30 June 2015 £'000
Secured borrowing			
Bank overdrafts	2,433	-	-
Bank loans	-	65,000	-
Loan notes	690,829	411,362	605,423
Subordinated loans	60,000	60,000	60,000
Senior secured notes	307,035	200,000	307,879
Obligations under hire purchase contracts	270	249	317
	1,060,567	736,611	973,619
Debt issue costs	(18,036)	(14,543)	(16,057)
Total borrowings	1,042,531	722,068	957,562
Amount due for settlement within 12 months	2,576	63,597	158
Amount due for settlement after 12 months	1,039,955	658,471	957,404

Bank loans, loan notes and senior secured notes are shown net of prepaid fees which are being amortised over the expected duration of the facility and term of the notes respectively.

The loan notes are provided through two revolving securitisation vehicles, Charles Street Conduit Asset Backed Securitisation 1 Limited (Charles Street) established in 2007 and Lakeside Asset Backed Securitisation 1 Limited (Lakeside) established on 13 August 2015. Each of the facilities is secured on specific loan assets.

On 28 October 2014, the Charles Street facility was rated Aa2 by Moody's and AA by DBRS. The facility was subsequently increased on 24 November 2014 from £435m to £675m

In April 2015 Jerrold FinCo plc (a subsidiary of Jerrold Holdings Limited) issued and closed an additional £100 million of senior secured notes issued at a premium to par of 8.5%, taking the total notes in issue to £300 million. The proceeds were used to reduce the parent company's (i.e. Jerrold Holdings Limited) syndicated loan facility to £nil from £80 million drawn and the available commitments reduced to £25 million from £100 million.

On 13 August 2015 the company successfully completed a new £255m revolving securitisation programme (Lakeside). The facility will run until August 2018 and will support the group's commercial lending activity.

On 27 August 2015 the company successfully refinanced its revolving credit facility, securing funds of £18m. The facility will run until August 2017.

Of the subordinated loans, £40m is due to 'DL Moser Family Settlement Trust', £8m is due to HN 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.

12. BORROWINGS (continued)

Group	**30 September 2015**			
Maturity analysis	**<1 year**	**1-2 years**	**2-5 years**	**>5 years**
Bank overdrafts	2,433	-	-	-
Bank loans	-	-	-	-
Loan Notes	-	-	690,829	-
Subordinated loans	-	-	-	60,000
Senior secured notes	-	-	307,035	-
Hire Purchase	143	90	37	-
Debt issue costs	-	-	(18,036)	
	2,576	90	979,865	60,000

Group	**30 September 2014**			
Maturity analysis	**<1 year**	**1-2 years**	**2-5 years**	**>5 years**
Bank overdrafts	-	-	-	-
Bank loans	65,000	-	-	-
Loan Notes	-	-	411,362	-
Subordinated loans	-	-	-	60,000
Senior secured notes	-	-	200,000	-
Hire Purchase	141	80	28	-
Debt issue costs	(1,544)	-	(12,999)	-
	63,597	80	598,391	60,000

Group	**30 June 2015**			
Maturity analysis	**<1 year**	**1-2 years**	**2-5 years**	**>5 years**
Bank overdrafts	-	-	-	-
Bank loans	-	-	-	-
Loan Notes	-	-	605,423	-
Subordinated loans	-	-	-	60,000
Senior secured notes	-	-	307,879	-
Hire Purchase	157	102	58	-
Debt issue costs	-	-	(16,057)	-
	157	102	897,303	60,000

13. CALLED UP SHARE CAPITAL

	30 Sept 2015 £'000	30 Sept 2014 £'000	30 June 2015 £'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
100,000 D ordinary shares of 1 pence each	1	-	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
	10,001	10,000	10,001
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
100,000 D ordinary shares of 1 pence each	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
	9,779	9,778	9,779

Notes to the Financial Statements (continued)

14. CASH FLOW INFORMATION

Reconciliation of operating profit to net cash inflow from operating activities

	3 months to 30 Sept 2015 £'000	3 months to 30 Sept 2014 £'000	Year to 30 June 2015 £'000
Profit After Tax	17,912	13,884	58,747
Adjustments for:			
Taxation	4,496	3,869	16,017
Depreciation	292	207	957
Loss on sale of investments	6	-	139
Profit on sale of investment properties	-	(3)	(37)
Negative goodwill	-	(122)	(122)
	22,708	15,552	70,952
Increase in gross loan book	(97,970)	(74,157)	(369,973)
Decrease/(Increase) in prepayments	552	56	(137)
Decrease/(Increase) in other debtors	76	(58)	(20)
Increase in stock	-	-	541
(Decrease)/Increase in accruals	(1,035)	134	4,207
(Decrease)/Increase in trade creditors	(110)	80	5
Decrease in other creditors	(573)	(2,39)	(448)
	(99,058)	(74,184)	(365,825)
Interest receivable	-		
Interest expense	15,379	12,106	52,289
Cash outflow from operating activities	(60,973)	(43,938)	(238,574)

15. RELATED PARTY TRANSACTIONS

Group	Balances due to 30 Sept 2015 £'000	Balances due to 30 Sept 2014 £'000	Balances due to 30 June 2015 £'000	Balances due from 30 Sept 2015 £'000	Balances due from 30 Sept 2014 £'000	Balances due from 30 June 2015 £'000
Common Sense Lending Limited	7	7	7	-	-	-
Centrestand Limited	-	-	-	11	21	14
Charles Street Commercial Investments Ltd	28	202	29	-	100	1
Sterling Property Co. Limited	-	-	-	16	17	20
Bracken House Properties LLP	268	11	9	-	-	-
	303	220	45	27	138	35

Group transactions with related parties were as follows:

	3 months to 30 Sept 2015 £'000	3 months to 30 Sept 2014 £'000	Year to 30 June 2015 £'000
Bracken House Properties LLP			
Operating lease costs – Land and buildings due to Bracken House Properties LLP	261	271	1,055
Insurance costs due to Bracken House Properties LLP	7	7	25
Payments from the Group to Bracken House Properties LLP	-	(267)	(1,071)
Charles Street Commercial Investments Ltd			
Introduction fees due from Charles Street Commercial Investments Ltd	-	(2)	(12)
Introduction fees paid by Charles Street Commercial Investments Ltd	-	2	12
Amounts received by Charles Street Commercial Investments Ltd relating to the Group	757	(188)	(191)
Repayments by Charles Street Commercial Investments Ltd to the Group	(729)	-	103
Amounts received by the Group relating to Charles Street Commercial Investments Ltd	(77)	109	1,481
Repayments by the Group to Charles Street Commercial Investments Ltd	47	(69)	(1,614)
Centrestand Limited			
Service charges and costs paid on behalf of Centrestand Limited	(3)	3	8
Sterling Property Co. Ltd			
Service charges and costs paid on behalf of Sterling Property Co. Ltd	3	(1)	(4)
Repayments to the Group from Sterling Property Co. Ltd	(6)	1	4
	260	(134)	(204)

15. RELATED PARTY TRANSACTIONS (continued)

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

16. CONTINGENT LIABILITIES

As at 30 September 2015 the company's assets were subject to a fixed and floating charge in respect of £nil of bank borrowings of the group (2014: £35.0m) and £300m in respect of senior secured notes (2014: £200m).

17. SHARE-BASED PAYMENTS

In the year ended 30 June 2015 100,000 D shares were issued to senior management. The ability to dispose of such shares or a proportion thereof is conditional on sale of shares held by other shareholders amounting to 30% or more of the company's share capital. As there is currently no indication that this event will take place no profit and loss charge has been made.

In the year ended 30 June 2015 options were granted to senior management over 10,000 E shares. The ability to execute such options is conditional on sale of shares held by other shareholders amounting to 30% of more of the company's share capital. As there is currently no indication that this event will take place no profit and loss charge has been made.

18. CONTROLLING PARTY

Mr HN Moser, a director of Jerrold Holdings Limited, and members of his close family, control the company as a result of controlling directly or indirectly 70% of the voting rights of Jerrold Holdings Limited.

19. IFRS RECONCILIATIONS

The Group previously prepared its primary financial statements under UK GAAP, which differs in certain significant respects from IFRSs.

The statements of financial position below show the adjustments made to transition from UK GAAP to IFRSs.

Notes to the Financial Statements (continued)

19. IFRS RECONCILIATIONS (continued)

(i) As at date of transition to IFRS – 1 July 2014	Note	UK GAAP (as previously reported) £'000	Effect of transition to IFRSs £'000	Opening statement of financial position £'000
NON-CURRENT ASSETS				
Property, plant and equipment	c	4,385	(7)	4,378
Intangible assets	c	-	7	7
Investment property		179	-	179
Investments		123	-	123
Deferred tax asset		-	4,549	4,549
		4,687	4,549	9,236
CURRENT ASSETS				
Inventories		1,381	-	1,381
Loans and advances to customers	a, b	1,076,219	(22,670)	1,053,549
Trade and other receivables	a, b	2,432	(227)	2,205
Cash at bank and in hand		6,849	-	6,849
		1,086,881	(22,897)	1,063,984
TOTAL ASSETS		1,091,568	(18,348)	1,073,220
CURRENT LIABILITIES				
Trade and other payables		(24,981)	-	(24,981)
Current tax liabilities		(5,412)	-	(5,412)
Borrowings		(121)	-	(121)
		(30,514)	-	(30,514)
NET CURRENT ASSETS		1,056,367	(22,897)	1,033,470
NON-CURRENT LIABILITIES				
Borrowings		(659,212)	-	(659,212)
Deferred tax liabilities		(30)	30	-
		(659,242)	30	(659,212)
TOTAL LIABILITIES		(689,756)	30	(689,726)
NET ASSETS		401,812	(18,318)	383,494
EQUITY				
Share Capital		9,778	-	9,778
Share premium account		17,527	-	17,527
Merger reserve		(9,645)	-	(9,645)
Capital redemption reserve		1,300	-	1,300
Revaluation reserve		21	-	21
Retained earnings	a, b	382,578	(18,318)	364,260
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		401,559	(18,318)	383,241
NON-CONTROLLING INTERESTS		253	-	253
TOTAL EQUITY		401,812	(18,318)	383,494

Notes to the Financial Statements (continued)

19. IFRS RECONCILIATIONS (continued)

(ii) Following date of transition to IFRS – 30 June 2015	Note	UK GAAP (as previously reported) £'000	Effect of transition to IFRSs £'000	IFRS statement of financial position £'000
NON-CURRENT ASSETS				
Property, plant and equipment	c	5,230	(1,025)	4,205
Intangible assets	c	-	1,025	1,025
Investment property		45	-	45
Investments		123	-	123
Deferred tax asset		-	3,515	3,515
		5,398	3,515	8,913
CURRENT ASSETS				
Inventories		840	-	840
Loans and advances to customers	a, b	1,441,637	(18,114)	1,423,523
Trade and other receivables	a, b	2,478	(121)	2,357
Cash at bank and in hand		2,772	-	2,772
		1,447,727	(18,235)	1,429,492
TOTAL ASSETS		1,453,125	(14,720)	1,438,405
CURRENT LIABILITIES				
Trade and other payables		(30,988)	-	(30,988)
Current tax liabilities		(7,866)	-	(7,866)
Borrowings		(158)	-	158
		(39,012)	-	(39,012)
NET CURRENT ASSETS		1,408,715	(18,235)	1,390,480
NON-CURRENT LIABILITIES				
Borrowings		(957,364)	(40)	(957,404)
Deferred tax liabilities		(125)	125	-
		(957,489)	85	(957,404)
TOTAL LIABILITIES		(996,501)	85	(996,416)
NET ASSETS		456,624	(14,635)	441,989
EQUITY				
Share Capital		9,779	-	9,779
Share premium account		17,527	-	17,527
Merger reserve		(9,645)	-	(9,645)
Capital redemption reserve		1,300	-	1,300
Retained earnings	a, b	437,663	(14,635)	423,028
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		456,624	(14,635)	441,989
NON-CONTROLLING INTERESTS		-	-	-
TOTAL EQUITY		456,624	(14,635)	441,989

Notes to the Financial Statements (continued)

19. IFRS RECONCILIATIONS (continued)

(iii) Reconciliation of profit or loss

	Year ended 30 June 2015 £'000
As previously reported under UK GAAP	55,063
Measurement of financial instruments at amortised cost using EIR method	12,973
Calculation of impairment provisions in accordance with IAS 39	(8,351)
	4,622
Tax effect on the above	(939)
Total adjustments to profit or loss	3,683
Total profit under IFRS	58,746

(iv) Effect of IFRS adoption for statement of cash flows

The Group previously prepared its cash flow in accordance with UK Financial Reporting 1 'Cash Flow Statements' Its objectives and principles are similar to those set out in IAS 7 'Statement of Cash Flows', the standard under IFRS dealing with cash flow statements.

Under UK GAAP, the Group presented its cash flows by operating activities; returns on investments and servicing of finance; taxation; capital expenditure and financial investment; and financing. Under IFRS, only three categories are required. These are operating, investing and financing.

(v) Notes to the reconciliations

a) Accounting for interest income and expense using the effective interest rate method ("EIR"). Previously under UK GAAP, fee income and expenses directly attributable to the origination of financial assets were recognised on origination. Additionally, 'suspended' interest income on financial assets considered unrecoverable was not recognised. Under IFRS, fees and expenses relating to the origination of financial assets are included in the EIR over the expected lives of the assets. Income is no longer suspended but recognised at the EIR on the carrying value of the impaired financial asset.

Financial assets and liabilities held at amortised cost under IFRS include the amount of any cumulative amortisation calculated using the EIR method of any fees and costs which are included as part of interest income or expense under EIR

19. IFRS RECONCILIATIONS (continued)

(v) Notes to the reconciliations (continued)

b) Impairment of financial assets — The principal difference in the measurement of impairment provisions on the Group's loans and advances to customers under IFRS is that the estimated future cash flows used to determine the provisions are discounted at the loans' original EIRs, while under UK GAAP the future cash flows used are undiscounted. The additional initial provisions recognised under IFRS represented by the discount are then unwound as additional interest income over the period that the future cash flows are realised.

c) Computer systems — IAS 38 requires costs incurred in the development phase of a project to produce application software for internal use to be capitalised and amortised over the software's estimated useful life if the software will generate probable future economic benefits, and such costs can be measured reliably. Under UK GAAP these costs were capitalised with computer hardware as tangible fixed assets, under IFRS they are required to be reclassified as intangible assets.

(vi) The transition to IFRS has resulted in the following changes in accounting policies:

a) Interest income was previously recognised in the profit or loss account using the contractual rate of the loan to the extent that it was considered recoverable. Under IFRS interest income is now recognised using the EIR method on the unimpaired carrying value.

b) Internally developed computer systems costs were previously recognised as a tangible fixed asset and depreciated on a straight line basis over their useful economic lives. The policy is now that these costs are capitalised as intangible assets and amortised over their useful economic lives.

c) In accordance with IAS 39, all the Group's financial assets are classified as loans and receivables.

d) The Group's policy for providing for loan losses has changed. The most significant change is that impairment provisions on financial assets identified as impaired are calculated as the difference between the carrying amount (including the income now recognised in point "a" above) and the present value of estimated future cash flows discounted using the asset's EIR.

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