Jerrold Holdings Limited
2016 Annual Report

Company Registration No. 02939389

Contents

Highlights

The numbers included within this report, including comparatives, are prepared in accordance with IFRS.

- **Increased interest receivable and similar income** Interest receivable and similar income has increased when compared with the prior period at £210.8m for the year to June 30, 2016, compared to £164.4m for the year to June 30, 2016. This increase primarily relates to interest earned on increased loan book levels.

- **Impairment maintained at very low levels** The net impairment charge of £13.8m for the year to 30 June 2016 represented 0.76% of the loan book value at 30 June 2016 compared with a charge of £7.5m for year to 30 June 2015 representing 0.53% of the loan book value at 30 June 2015. The increase of 0.23% being £4.2m after adjusting proportionately for loan book growth, is primarily due to allowances made to reflect provisions for forbearance, further small write offs on historical loans and beneficial changes to default assumptions made in the prior year on the time taken to dispose of certain loan securities resulting in a release to impairment losses in the prior year.
- **Continually high EBITDA** The group continues to be consistently highly profitable, with EBITDA at £159.3m for the year to June 30, 2016, (£127.9m for the year to June 30, 2016). EBITDA margin has remained at above 70% at 74.0% for the year to June 30, 2016, compared to 75.7% for the year to June 30, 2015.
- **Continually high Profit before tax** Profit before tax is £90.3m for the year to June 30, 2016, (£74.8m for the year to June 30, 2015,). In addition to the EBITDA factors detailed above, interest costs increased by £15.3m as our borrowings increased.
- **Continually high cash generation** The group continues to be highly cash generative, with cash receipts in the year to June 30, 2016 of £833.0m compared to cash debt service of £61.7m (excluding debt issuance costs) and other cash expense payments of £61.2m. In addition, £12.2m of debt issuance costs were incurred on the extension of the Charles Street Asset Backed Securitisation from £675m to £1bn on March 7, 2016, the refinancing of the Revolving Credit Facility to £29m on August 28, 2015 and January 11, 2016, and the execution of the £255m Lakeside Asset Backed Securitisation on August 13, 2015. During the year, the group has drawn £29m on its revolving credit facility (total drawn £29.0m at June 30, 2016), issued £125m of Securitisation variable funding notes under the Charles Street program (total issued £760m at June 30, 2016) and £200m under the Lakeside program (total issued £200m at June 30, 2016).
- **Increased lending volumes** Lending volumes increased on the prior period, with the group advancing £1,011.5m of loans in the year to June 30, 2016, compared to £725.1m of loans in the year to June 30, 2015. Key underwriting metrics remained fairly consistent in the period, with the weighted average LTV of loans written in the year to June 30, 2016 being 57.1%, compared to 55.4% in the year to June 30, 2015.
- **Improving LTV of loan portfolio - Total Group** The indexed weighted average LTV of the loan portfolio for the total group at June 30, 2016 is 52.6% showing an improvement on the position at the June 30, 2015, of 54.7%.
- **Improving LTV of loan portfolio - Borrower Group** The indexed weighted average LTV of the loan portfolio for the borrower group, as at June 30, 2016 is 58.4%, showing an improvement on the position as at June 30, 2015, of 63.4%.

An Introduction to Jerrold Holdings

We are a specialist UK mortgage loan provider, established in 1974 and have successfully operated throughout our 42 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 80.8% 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 one consistent brand 'Together' and distribute them through brokers across the United Kingdom (which we refer to as the "broker network"), professional firms, auction houses and through our direct sales team. We originate and service all our mortgage loans directly.

As of June 30, 2016, 33.8% of our loan portfolio was classified as retail purpose, 62.0% of our loan portfolio was classified as commercial purpose and 4.2% of our loan portfolio was classified as development funding, calculated by value. We classify mortgages as retail purpose lending when the mortgage is regulated by the Financial Conduct Authority ("FCA") as well as certain loans written prior to the introduction of the relevant regulation which we consider would have been subject to regulation if underwritten as of the date of this annual report. Retail purpose loans include loans for purchasing a new home, making home improvements, debt consolidation and large personal purchases and since March 2016 also includes "consumer buy-to-let" loans ("CBTL") written post this date. We classify mortgages as "commercial purpose" where a loan is not defined as retail purpose. Commercial purpose loans include loans on which the proceeds of the loan or the property securing the loan is used for business purposes. Such loans could include; in order to lease a property ("buy to let" but excluding CBTL), raising capital against a property including for general business use or to renovate a property, or to bridge a transaction against a property. Commercial purpose loans are currently 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, affordability and repayment 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"), the repayment strategy where the loan will not be repaid from installments 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 June 30, 2016, was 52.6% and the LTV on a weighted average basis of new loans underwritten by us in the year ended June 30, 2016 was 57.1%. 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 June 30, 2016, 93.1% of our total loan portfolio and 87.9% 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 and losses.

Presentation of Financial and Other Information

Financial Statements

This annual report presents the audited consolidated financial statements of Jerrold Holdings Limited as of and for the twelve months ended June 30, 2015 and for the twelve months ended June 30, 2016. The consolidated financial statements of Jerrold Holdings have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), are audited and are derived from internal management reporting.

Financial statements prepared pursuant to UK GAAP for the years ended June 30, 2015 and 2014 are available in the bondholder report for 2015.

As at June 30, 2016 the company's non-securitised assets were subject to a fixed and floating charge in respect of £29m of bank borrowings and £300m of senior secured notes.

The only notable commitment not recognized within our statements of financial position is 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 27 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 annual 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 consolidated financial statements in accordance with IFRS. Mortgage loans sold to Charles Street ABS and Lakeside ABS are maintained on our consolidated statement of financial position as assets, within loans and advances to customers, and the associated interest receivable credited to our income statement. 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 statement of financial position as liabilities due to creditors with interest and debt issuance costs expensed through our income statement.

Other Financial Information (Non-IFRS)

We have included in this annual 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 annual report and related presentation, references to "EBITDA" for Jerrold Holdings, can be extracted from the audited consolidated financial statements of Jerrold Holdings, by taking profit on ordinary activities after taxation and adding back interest payable and similar charges, tax on profit on ordinary activities, depreciation, amortization and negative goodwill. EBITDA margin is calculated as EBITDA divided by the sum of interest receivable and similar income, fees and commissions received and other income.

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 annual 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 extend to finance the development of land or property primarily into residential units, with repayments typically being made out of the sale of property units. We underwrite relatively few new development loans each year and continue to support a small number of historical funding commitments already agreed or required to complete existing developments. Development loans are reported as a separate category of loans within this analysis.

In this annual 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 June 30, 2016. Data referring to our loan portfolio analysis is presented after provisions for impairments.

In this annual 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 where no contractual installment is due (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 annual report and related presentation, the term "performing loans" refers to the aggregate of (i) the principal amount of performing loans outstanding, (ii) accrued interest and fees and (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, (ii) accrued interest and fees and (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 annual report and related presentation, the term "total loan assets" refers to the total balance of loans provided to our customers as included within our statement of financial position, stated after provisions for impairments and fees and commissions spread over the behavioral life of the loan.

In this annual report and related presentation, the term "second lien loans" includes second lien loans and also subsequent lien loans. As of June 30, 2016 subsequent lien loans amounted to approximately £5.6m after provisions for impairments, representing 0.3% of our loan portfolio.

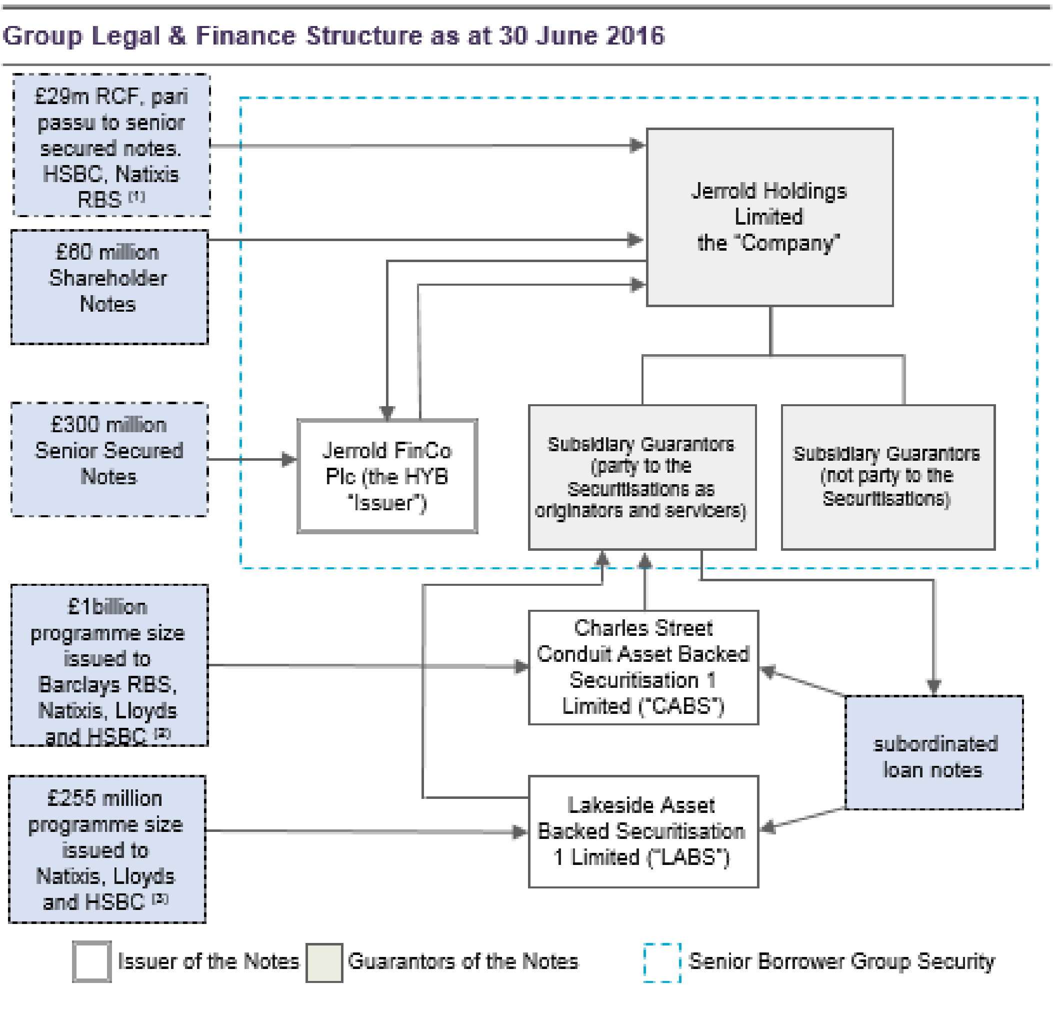
The LTV ratio is a ratio (reflected as a percentage) of the aggregate of (i) the principal amount of a mortgage loan, (ii) any higher ranking charge mortgage loans secured on the same property, (iii) the accrued interest and fees thereon and (iv) provisions for impairments compared to the latest appraised value (the assessed value of real property in the opinion of a qualified Appraiser, Valuer or automated valuation model 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 annual 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 June 30, 2016. The diagram does not include all entities in our group nor does it show all our liabilities in our group



(1) 30 June 2016 drawn balance was £29m
(2) 30 June 2016 £760m notes issued
(3) 30 June 2016 £200m 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.

	12 months ended or as at June 30,	
(£ in thousands, except for percentages and ratios or unless otherwise noted)	2016	2015
Group		
Interest receivable and similar income	210,837	164,401
Fee and commission income	4,219	4,048
Other Income	138	552
	215,194	169,001
Impairment losses	(13,766)	(7,499)
EBITDA	159,256	127,888
EBITDA margin	74.0%	75.7%
Profit on ordinary activities before tax	90,329	74,764
Supplemental cash flow information:		
Cash receipts	833,011	519,588
New advances	(1,011,455)	(725,095)
LTV of loan portfolio (on a weighted average basis, based on LTV of loans at origination)	57.4%	57.2%
LTV of loan portfolio (on a weighted average indexed basis)	52.6%	54.7%
Borrower Group		
LTV of loan portfolio (on a weighted average basis, based on LTV of loans at origination)	60.9%	60.8%
LTV of loan portfolio (on a weighted average indexed basis)	58.4%	63.4%

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

The key performance indicators above for the year ended June 30, 2016 and 2015 have been derived from audited financial statements and management information. In the opinion of management, such financial data reflects all adjustments necessary for a fair presentation of the results for those periods and have been prepared in accordance with IFRS. The financial information should be read in conjunction with the financial statements of Jerrold Holdings Limited and the accounting policies as at June 30, 2016.

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 twelve months to June 30, 2016 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 year was 57.1%, compared to 55.4% in the year June 30, 2015

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 11.7% for loans funded in the year ended December 31, 2008, to 1.0% for loans funded in the year ended December 31, 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 June 30, 2016, and June 30, 2015, by arrears banding, for the group and borrower group is as follows:

	Group Loan Portfolio Arrears Analysis		Borrower Group Loan Portfolio Arrears Analysis	
	June 30, 2016	**June 30, 2015**	**June 30, 2016**	**June 30, 2015**
Nil Arrears & Arrears ≤ 1 month.	**84.6%**	**80.0%**	**60.1%**	**60.2%**
Performing Arrears				
1-3 months	3.9%	5.2%	5.8%	6.4%
3-6 months	1.0%	1.2%	2.8%	2.4%
>6 months	0.9%	1.3%	2.6%	3.1%
Total Performing Arrears	**5.8%**	**7.7%**	**11.2%**	**11.9%**
Non-Performing Arrears				
3-6 months	1.3%	1.4%	3.2%	2.5%
>6 months	1.6%	2.6%	4.9%	6.2%
Past due (term loans)	0.9%	0.8%	2.6%	1.8%
LPA Rent	0.2%	0.2%	0.8%	0.3%
Total Non-Performing Arrears.	**4.0%**	**5.0%**	**11.5%**	**10.9%**
Development Loans	**4.2%**	**5.2%**	**12.8%**	**12.3%**
Repossessions	**1.4%**	**2.1%**	**4.4%**	**4.7%**
Total	**100%**	**100%**	**100%**	**100%**

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 year to June 30, 2016 was 57.1%, compared to 55.4% in the year to June 30, 2015.

An analysis of our loan portfolio as at June 30, 2016, 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%	1,189.5	36.8	7.7	6.5	1,240.5
>60% <=85%	422.8	26.3	34.5	12.1	495.7
>85% <=100%	12.9	8.7	33.3	7.2	62.1
>100%	4.6	0.5	0.5	-	5.6
Total	1,629.8	72.3	76.0	25.8	1,803.9

Borrower Group Loan Portfolio Indexed LTV Analysis £m	**Performing Loans**	**Non - Performing Loans**	**Development Loans**	**Repossessions**	**Total Loan Portfolio**
<=60%	277.8	32.1	7.6	6.5	324.0
>60% <=85%	125.6	25.6	33.1	12.1	196.4
>85% <=100%	9.5	8.7	33.3	7.2	58.7
>100%	1.7	0.5	0.5	-	2.7
Total	414.6	66.9	74.5	25.8	581.8

Group Loan Portfolio Origination LTV Analysis £m	**Performing Loans**	**Non - Performing Loans**	**Development Loans**	**Repossessions**	**Total Loan Portfolio**
<=60%	903.6	33.7	37.4	10.9	985.6
>60%<=85%	714.7	34.4	20.9	11.5	781.5
>85%<=100%	6.1	2.3	11.4	2.8	22.6
>100%	5.4	1.9	6.3	0.6	14.2
Total	1629.8	72.3	76.0	25.8	1,803.9

Borrower Group Loan Portfolio Origination LTV Analysis £m	**Performing Loans**	**Non - Performing Loans**	**Development Loans**	**Repossessions**	**Total Loan Portfolio**
<=60%	222.0	30.1	37.2	10.9	300.2
>60%<=85%	182.2	32.6	19.6	11.5	245.9
>85%<=100%	5.0	2.3	11.4	2.8	21.5
>100%	5.4	1.9	6.3	0.6	14.2
Total	414.6	66.9	74.5	25.8	581.8

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 June 30, 2016 33.8% of our loan portfolio was classified as retail purpose, 62.0% of our loan portfolio was classified as commercial purpose and 4.2% of our loan portfolio was classified as development funding, calculated by value. At June 30, 2015 37.9% of our loan portfolio was classified as retail purpose, 56.4% of our loan portfolio was classified as commercial purpose and 5.6% of our loan portfolio was classified as development funding.

The proportion of our loan portfolio secured by residential security by value has decreased slightly to 80.8% as at June 30 2016, when compared to 81.1% as at June 30, 2015.

The proportion of our loan portfolio secured on first charges has increased at 58.6% as at June 30, 2016, compared to 54.4% as at June 30, 2015.

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

Controlled growth of our loan portfolio.

We have continued to 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 year to June 30, 2016, including further advances, we have funded an average of £84.3m per month compared with £60.3m per month in the year to June 30, 2015.

Our total loan portfolio stands at £1,803.9m as at June 30, 2016, 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 year to June 30, 2016 is due, in part, to the increased liquidity available given increased levels of redemption activity, the increase in the Charles Street Securitisation Facility from £675m to £1bn in March 2016 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

Income has increased 27.3% to £215.2m for the year ended June 30, 2016, compared to £169.0m for the year to June 30, 2016.

The net impairment charge of £13.8m for the year to 30 June 2016 represented 0.76% of the loan book value at 30 June 2016 compared with a charge of £7.5m for year to 30 June 2015 representing 0.53% of the loan book value at 30 June 2015. The increase of 0.23% being £4.2m after adjusting proportionately for loan book growth, is primarily due to allowances made to reflect provisions for forbearance, further small write offs on historical loans and beneficial changes to default assumptions made in the prior year on the time taken to dispose of certain loan securities resulting in a release to impairment losses in the prior year.

The group continues to be consistently highly profitable, with EBITDA at £159.3m for the year to June 30, 2016, up from £127.9m for the year to June 30, 2015. EBITDA margin has remained above 70% at 74.0% for the year to June 30, 2016, compared to 75.7% for the year to June 30, 2015.

Profit before tax increased by 20.8% to £90.3m for the year to June 30, 2016, compared to £74.8m for the year to June 30, 2015.

The group continues to be highly cash generative, with cash receipts in the year to June 30, 2016 of £833.0m compared to cash debt service of £61.7m (excluding debt issuance costs); and other cash expense payments of £61.2m. In addition, £12.2m of transaction fees were incurred on the extension of the Charles Street Asset Backed Securitisation from £675m to £1bn on March 7, 2016, the refinancing of the £29m Revolving Credit Facility on August 28, 2015 and January 11, 2016, and the execution of the £255m Lakeside Asset Backed Securitisation on August 13, 2015. During the period, the group has drawn £29m on its revolving credit facility (total drawn £29m at June 30, 2016), issued £125m of Securitisation variable funding notes under the Charles Street program (total issued £760m at June 30, 2016) and issued £200m under the Lakeside program (total issued £200m at June 30, 2016).

Lending volumes increased from the prior period, with the group advancing £1,011.5m of loans in the year to June 30, 2016, compared to £725.1m in the year to June 30, 2016. Key underwriting metrics remained fairly consistent in the period, with the weighted average LTV of loans written in the year to June 30, 2016 being 57.1%, compared to 55.4% in the year to June 30, 2015.

The indexed weighted average LTV of the loan portfolio for the total group at June 30, 2016 is 52.6% showing an improvement on the position at June 30, 2015, of 54.7%.

The indexed weighted average LTV of the loan portfolio for the borrower group improved to 58.4% at June 30, 2016 compared to 63.4% at June 30, 2015.

Recent Developments

Governance and changes to senior management

In line with good practice we commenced a corporate governance review in 2015 using external consultants to ensure that the governance structures remain robust and sufficient resource is established to support our growth plans and anticipated changes in the regulatory environment.

We selected to strengthen our governance structure by introducing a Retail Board and a Commercial Board, providing greater bandwidth to support the existing Group Board. Concurrently we have also recruited a number of senior executives and non-executives. Nine new appointments have been made and they have commenced their roles and 1 appointment remains outstanding. There is naturally a transition period as the individuals acquaint themselves with the business and help to introduce further controls, reporting and committee structures to support both the divisional Boards.

These individuals bring an array of skills and significant experience to Jerrold Holdings, covering commercial, regulatory, operational, legal, and financial knowledge, and have been selected to complement the existing management team and the company's culture.

Details of the individuals and their roles within the Group are provided as follows:

Group Board

David Bennett has stepped down as Non-executive at Group Board and Chair of the Group Audit Risk and Compliance Committee (to become Chair of the Retail Board).

Wayne Bowser has joined the Group Board as Non-executive and Chair of the Group Audit Risk and Compliance Committee.

Stephen Baker has retired from his position as Group Operations Director.

Marcus Golby has been appointed Group Services Director.

Gary Beckett (Group CFO) has relinquished his role as Group Company Secretary

Nigel Dale has joined as Group Company Secretary and Group General Counsel.

Peter Ball has joined the Group Board as Retail Chief Executive Officer

Retail Board

David Bennett has been appointed Chair of the Retail Board.

Ron Baxter has joined the Retail Board as Non-executive.

Colin Kersley has joined the Retail Board as Non-executive and Chair of the Retail Audit Risk and Compliance Committee.

Peter Ball has joined the Retail Board as Chief Executive Officer.

John Hunt has joined the Retail Board as Chief Risk Officer

Brian Jackson has joined the Retail Board as Retail Operations Director

Additional appointments to be made to the Retail Board include the Retail Finance Director.

Commercial Board

Mike McTighe has been appointed Chair of the Commercial Board.

Wayne Bowser has joined the Commercial Board as Non-executive.

Marc Goldberg has been appointed Commercial Chief Executive Officer.

Helga Wright has been appointed Commercial Finance Director.

Regulatory approvals

On March 21, 2016 Blemain Finance successfully received its full FCA authorization to administer second charge regulated mortgage contracts.

New committed funding

On January 11, 2016 the revolving credit facility was further increased by £11m to £29m.

On March 7, 2016, the Charles Street ABS facility had its ratings re-confirmed as Aa2 by Moody's and AA by DBRS. The facility was further increased on March 7, 2016 from £675m to £1bn and the term extended to January 2021 on more favourable terms.

Shareholder update

Equistone Partners and Standard Life Investments (the “Funds”) have been supportive partners of Jerrold Holdings Limited (the “Company”) since they made their minority investment in 2006. In line with the typical tenure and nature of such investments and given the continued strong performance of the Company, the Funds have approached the Company and its shareholders to seek their assistance in exiting their investment.

Following a full review, a preferred option has been identified which would entail the Moser family increasing their current majority interest in the Company to a 100% interest, other than a continued small non-voting shareholding interest held by other members of the senior management team.

The Moser Family and the Funds have also reached an agreement in principle as to the valuation of the interest of the Funds and as to possible methods of financing the exit, which may include the raising of external debt possibly in the form of payment-in-kind notes by the Moser family acquisition vehicle.

Whilst agreement has been reached, the likelihood of the transaction proceeding will be dependent upon agreeing terms with the providers of such external debt which will be subject to the existence of appropriate market conditions. Any new debt instruments to finance the exit would be incurred by the Moser family acquisition vehicle, which would be an indirect holding company of the Company and would not be the Company’s debt, and the Company would not be providing any credit support for such debt instruments or committing to make any payments on such instruments.

Following the exit, the Company’s investor director, who is a non-executive director appointed by the Funds, will step down. A further announcement will be made if any transaction takes place

Recent New Appointments - Biographies

Wayne Bowser: Group Board Non-executive – joined Together in December 2015 as an independent Non-Executive Director and Chairman of the Audit Committee. Prior to joining Jerrold Holdings, Mr Bowser worked at HSBC where he was deputy head of commercial banking. Mr Bowser has held Non-Executive Directorships at various leading firms, in sectors including; house building, motor dealership and investments. Mr Bowser is a member of the Chartered Institute of Bankers.

Ronald Baxter: Retail Board Non-executive – joined Together in March 2016 as an Independent Non-Executive Director in the retail division. Mr Baxter is currently a senior advisor at the Prudential Regulation Authority; part of the Bank of England and has over 30 years' experience within the industry. Mr Baxter has also been a senior advisor at the Financial Conduct Authority for over 10 years and has been involved in a wide variety of regulatory initiatives. Mr Baxter is a Fellow of the Chartered Insurance Institute and has a Bachelor of Laws (LLB) degree. He is also an Associate of the Chartered Institute of Bankers and has a Bachelor of Science degree in Financial Services.

Colin Kersley: Retail Board Non-executive – joined Together in April 2016 as an Independent Non-Executive Director in the retail division. Prior to joining Jerrold Holdings, Mr Kersley spent the majority of his full-time career working in financial services in a number of senior positions within HSBC. His roles previously included Area Director, Regional Director and subsequently Chief Executive Officer at Marks & Spencer Bank. Mr Kersley is also an Associate Member of the Chartered Institute of Bankers.

Marcus Golby: Group Board Services Director – initially joined Together on a consultancy basis working closely with the Chief Financial Officer before assuming the role of Group Services Director in January 2016. Mr Golby has over 15 years' of experience in the financial services sector and has served as Chief Operating Office at RNM Financial, Interim Chief Operating Officer at Harrods Bank and Customer Services and HR Director at Lifestyle Services Group. He has worked extensively for the HSBC Group where he undertook a number of senior roles including Director of Customer Services & Operations for Marks & Spencer Financial Services Plc after starting his career at Coopers & Lybrand/PricewaterhouseCoopers. Mr Golby is also a qualified Chartered Accountant and has a Master of Business Administration (MBA) Degree.

Nigel Dale: Group Company Secretary and Group General Counsel - joined Together in April 2016 as Company Secretary and General Counsel. Mr Dale served as a partner at Eversheds for the past 20 years as head of the firm's banking team in Manchester and has nearly 30 years' experience since qualifying as a lawyer in 1996. Mr Dale has acted as senior relationship partner to Together for the past 10 years and holds a Bachelor of Law degree (LLB) from Nottingham University.

Helga Wright: Commercial Board Finance Director - joined Together in March 2016 as the Finance Director for the commercial division and has over 15 years experience in the financial services sector. Mrs Wright most recently worked at the Co-Operative Bank as Finance Director for 3 years and prior to joining the Co-Operative Bank, Mrs Wright served as Head of Finance at Lloyds Banking Group for 9 years. Mrs Wright is a qualified Chartered Accountant and holds a Bachelor of Arts Degree from Durham University.

Peter S. Ball: Retail Chief Executive Officer- joined Jerrold Holdings in August 2016 as Retail Chief Executive Officer. Mr. Ball has over 25 years' experience working within the financial services sector having previously served as CEO of Harrods Bank where he oversaw the rejuvenation of the bank. Mr. Ball's previous roles also include Product and Commercial Director of Virgin Money Group where he was responsible for sales and financial performance across the entire product range, and as Director of Partnerships at MBNA/Bank of America.

Brian Jackson: Operations Director for the Retail Division- joined Jerrold Holdings in July 2016 as Operations Director for the Retail division. Mr. Jackson joined the Group from British Gas where he held various roles, more latterly the Director of Collections and Recovery. Mr. Jackson has previously served in various senior positions at MBNA Bank of America, more recently as Head of Collection, Recovery, Fraud and Credit Operations.

John R Hunt: Chief Risk Officer- joined Jerrold Holdings in June 2016 as the Chief Risk Officer for the Retail division. Mr. Hunt joined Jerrold Holdings from Nationwide where he held various roles including Director of Compliance Advice, Head of Group Risk for redeveloping Enterprise Risk Management Framework and various credit risk roles. Mr Hunt has previously worked at GMAC RFC, Capital One and GE Capital. Mr. Hunt is also a Qualified Chartered Accountant.

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, an assessment of the repayment strategy, and 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, an assessment of the repayment strategy 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 order to mitigate the impact of adverse economic conditions we underwrite each loan application in detail undertaking affordability, repayment and property valuation assessments. We lend conservatively against property valuations to protect our security position should property prices move adversely.

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 such a 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 originate and thus the amount that we earn in upfront fees and pay in commissions. Our operational results are also affected by changes in prevailing interest rates in the UK. An increase in these 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 loan origination volumes, as loans become less attractive to customers. Conversely low and stable interest rates may increase origination volumes as loans are more affordable.

Economic conditions within the UK have improved since the financial crisis, with interest rates remaining stable and low, unemployment rates falling and property prices steadily increasing. The vote to leave the EU in June 2016 created some economic and, initially, political uncertainty with suggestions that it would lead to adverse economic conditions. Stock markets reacted negatively at first with significant falls albeit that these have now generally reversed. We believe it is too early to identify the implications of the Brexit vote as this will depend on the success of the forthcoming negotiations to determine the terms of the UK's future relationship with the EU.

Uncertain and adverse economic conditions may make it more difficult to raise external funding. To mitigate this risk the Group has a preference to raise debt with longer maturity periods, to refinance and extend existing facilities on a regular basis ahead of maturity dates and to ensure that sufficient facility headroom exists to support our planned growth objectives. Whilst uncertain and adverse economic conditions may present challenges, such conditions may also present opportunities for specialist lenders and reduce competition.

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 whereas reduced levels of equity restrict borrowers flexibility to obtain additional borrowings and is also likely to reduce redemption rates as the lower levels of equity may be insufficient to meet other lenders lending criteria.

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.

Funding

We currently fund our total loan assets from cash provided by operations, shareholder reserves, the 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 operations are affected by a number of laws and regulations. Our residential mortgage business and our pilot motor finance business are regulated by the FCA. Our motor finance business is currently authorised under interim permissions and we are awaiting the FCA response to our application for full permissions which was submitted on time in October 2015. We also have to comply with the relevant UK and EU regulations including anti-money laundering regulations and the Data Protection Act 1998.

We have invested, and continue to invest in a 'three lines of defence' governance model, described in more detail in the Risk report within the audited Consolidated Financial Statements, and in the continuous development of our enterprise risk management framework. We have an experienced team of professionals, executives and non-executives, who along with third party regulatory specialist advisers, provide oversight and support to the Group to ensure that we continue to meet regulatory and legal standards.

Risk Factors

This annual report contains statements that are, or may be deemed to be, forward-looking statements. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the words "aims," "believes," "estimates," "anticipates," "expects," "intends," "may," "will," "plans," "predicts," "assumes," "shall," "continue" or "should" or, in each case, their negative or other variations or comparable terminology or by discussions of strategies, plans, objectives, targets, goals, future events or intentions.

Many factors may cause our results of operations, financial condition, liquidity and the development of the industries in which we operate to differ materially from those expressed or implied by the forward-looking statements contained in this annual report. These factors include among others:

- the impact of economic conditions on our results of operations and financial condition;
- the impact of the United Kingdom's contemplated exit from the European Union;
- the impact of a downturn in the property market;
- our ability to accurately value properties;
- our ability to accurately identify the credit profile and behaviors of our customers;
- our ability to detect and prevent fraud during the loan underwriting process;
- the impact of the changing financial circumstances of our customers;
- our relationships with brokers and other distribution channels;
- the impact of competition;
- legislative, taxation and regulatory changes affecting our ability to operate or the profit generated from our activities;
- our exposure to potential regulatory sanctions and fines;
- interruption or loss of our information processing systems or failure to maintain secure information systems and technological changes;
- the impact of litigation;
- our ability to retain our senior management and our underwriters, account executives, sales personnel and other client-facing employees;
- changes in accounting standards;
- the impact of fluctuations in interest rates and our ability to obtain financing;
- the interests of our shareholders;
- our substantial debt; and
- financial covenants.

These risks are not exhaustive. Other sections of this annual report describe additional factors that could adversely affect our results of operations, financial condition, liquidity and the development of the industries in which we operate. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results.

Any forward-looking statements are only made as of the date of this annual report, and we do not intend, and do not assume any obligation, to update forward-looking statements set forth in this annual report. You should interpret all subsequent written or oral forward-looking statements attributable to us or to persons acting on our behalf as being qualified by the cautionary statements in this annual report. As a result, you should not place undue reliance on these forward-looking statements.

Audited Annual Report and Consolidated Financial Statements

The audited annual report and consolidated financial statements enclosed show the financial performance for the year ended June 30, 2016.

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

- Consolidated Income Statement and Consolidated Cash Flow Statement have comparatives for the fiscal years to June 30, 2015.

- Consolidated Statement of Financial Position has comparatives as at June 30, 2015 and June 30, 2014.

- Consolidated Statement of Changes in Equity has a comparative for the fiscal year to June 30, 2015.

Jerrold Holdings Limited Annual Report and Consolidated Financial Statements

For the year ended 30 June 2016

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Officers and professional advisers

DIRECTORS

RM McTighe*	Chairman
HN Moser	Chief Executive Officer
SP Baker	(Resigned 27 April 2016)
PS Ball	(Appointed 6 September 2016)
GD Beckett	
DJ Bennett*	(Resigned 22 February 2016)
W Bowser*	(Appointed 22 February 2016)
MJJR Golby	(Appointed 27 April 2016)
MR Goldberg	
SJ O'Hare*	
GA Jennison	(Resigned 30 September 2015)
JM Shaoul*	

* Non-Executives

SECRETARIES

GD Beckett	(Resigned 27 April 2016)
NA Dale	(Appointed 27 April 2016)

REGISTERED OFFICE

Lake View
Lakeside
Cheadle
Cheshire
SK8 3GW

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
2 Hardman Street
Manchester, M3 3HF

CORPORATE ADVISER

NM Rothschild & Sons
82 King St
Manchester, M2 4WQ

PRINCIPAL BANKERS

Barclays Bank
5 The North Colonnade
Canary Wharf
London
E14 4BB

HSBC Bank PLC
8 Canada Square
London
E14 5HQ

Lloyds Bank PLC
10 Gresham Street
London
EC2V 7AE

Natixis
Cannon Bridge House
25 Dowgate Hill
London
EC4R 2YA

The Royal Bank of Scotland PLC
135 Bishopsgate
London
EC2M 3UR

LEGAL ADVISERS

Clifford Chance LLP
10 Upper Bank Street
Canary Wharf
London
E14 5JJ

Eversheds LLP
70 Great Bridgewater Street
Manchester
M1 5ES

Shearman and Sterling LLP
Broadgate West
9 Appold Street
London
EC2A 2AP

Highlights of the year

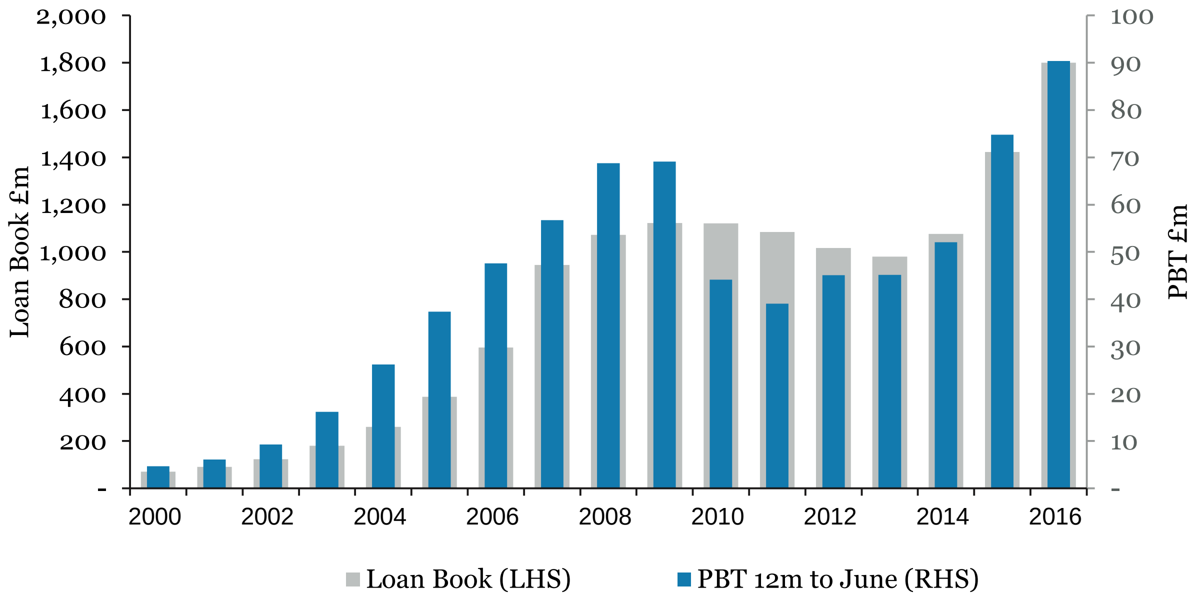
- Full year profit before tax (PBT) increased by 20.8% to a record £90.3m for the year to 30 June 2016 (2015: £74.8m).
- Loan book increased by 26.5% to £1,800.7m at 30 June 2016 (2015: £1,423.5m).
- Lending volumes surpassed the £1bn mark for the first time in the Group's history, increasing by 39.5% on prior year with no deterioration in loan to value (LTV) or borrower demographic metrics.
- Charles Street securitisation, rated AA, increased by £325m to £1bn and maturity extended to January 2021.
- New £255m Lakeside securitisation introduced to support short-term commercial lending with a maturity date of August 2018.
- Revolving credit facility increased to £29m and maturity extended to August 2017.
- Launch of 'Together' brand in September 2015.
- IFRS reporting introduced.
- Senior management team extended to facilitate the introduction of retail and commercial boards to further enhance the operational and governance platform.

	2016	**2015**
Profit before taxation (£m)	**90.3**	**74.8**
Profit after taxation (£m)	**71.8**	**58.7**
Loans and advances to customers(£m)	**1,800.7**	**1,423.5**
Shareholder funds (£m) (1)	**574.9**	**502.0**
Return on equity (%)(2)	**13.6**	**12.8**

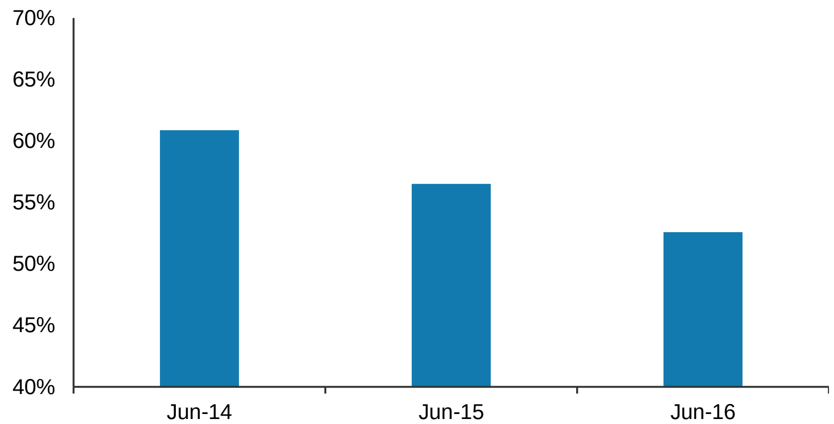
(1) Includes shareholder notes of £60m
(2) Return on equity is adjusted for shareholder notes

Highlights of the year (continued)

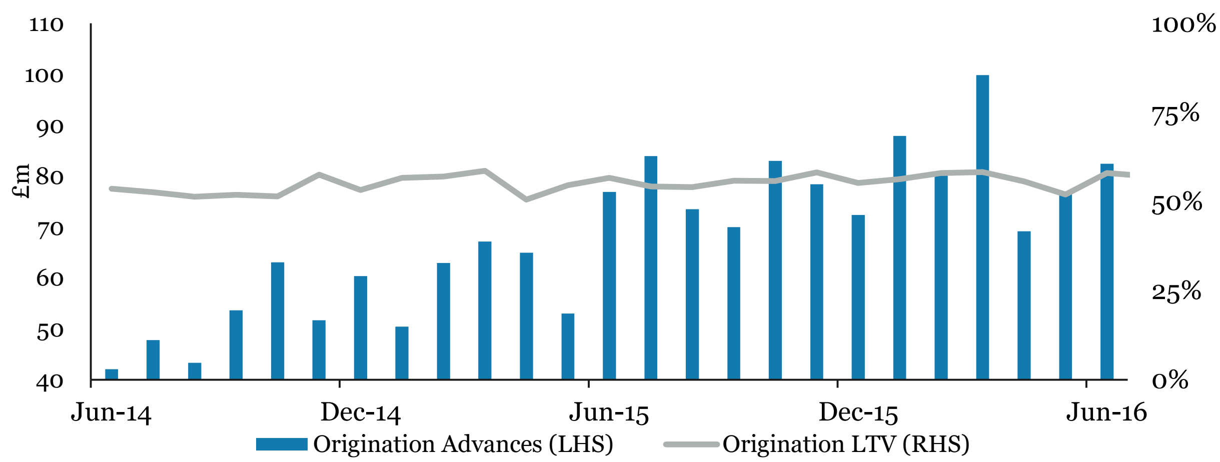
Historic growth in profit before tax/loan book



Low indexed LTV of loan book demonstrates strong security position



Continuing growth in lending volumes with LTVs remaining consistently low



Strategic report

Chairman's statement

The period ended 30 June 2016 has been another record year for Together (Jerrold Holdings Limited group of companies, the Group). We have continued our exceptional growth in lending volumes and record profitability, whilst maintaining focus on the quality of loan originations and delivering improvements in loan book performance. At the same time we have continued our programme of significant investment across all our business functions, further increasing our ability to deliver a scalable and compliant sales and operational platform, underpinned by strong governance, to support our future growth ambitions.

Operating and financial performance

I am pleased to report a record set of results for the year to 30 June 2016. The business has performed strongly in terms of both financial performance and business development, recording a profit before tax of £90.3m, an increase of 20.8% on 2015. These results validate our strategy for the business plan, offering retail and commercial loans to markets segments which are underserved by mainstream lenders, whilst maintaining a conservative approach to affordability, loan repayment and loan to value ratios. We have seen significant increases in our loan book value, with loan originations during the year surpassing the £1bn mark, averaging at £84.3m a month with a low weighted average loan-to-value of 57.1%. We've achieved this growth by increasing business levels through our existing long standing introducer relationships, by building new introducer relationships and by establishing regional commercial sales teams across the UK to increase our direct to customer channels.

Having operated in the industry since 1974 we have proven and stringent underwriting controls and processes in place with credit committees consisting of experienced individuals, thereby maintaining the quality of the loan book and minimising impairment charges. In addition all loan processing is undertaken in house meaning that we have direct control over the application of our underwriting, administration and collection policies, helping to ensure that quality standards are maintained and customers are treated fairly.

We continue to focus on building long term value by investing in our sales and operating platforms to support our future growth plans and to accommodate expected changes in the regulatory environment. Recent investment in IT has included new sales and loan processing portals, upgrading loan administration systems, a new data warehouse platform and the strengthening of security and disaster recovery systems.

Rebranding

In September 2015 we completed a major rebranding exercise bringing our previous portfolio of over 20 brands under one customer focused trading name 'Together'. This provides us with a common identity, reflecting our values of working together with our introducers and customers, and allows us to leverage our trading position in each of our markets, running more effective marketing strategies and building stronger brand awareness.

Corporate governance

The Board of Directors is committed to the principles of good corporate governance and carried out a corporate governance review during the year. The review was led by our non-executive directors, with input from external consultants, to ensure that our governance structures remain robust and that sufficient resource is established to support our growth plans and changes in the regulatory environment.

Following the review, the Board decided to establish separate divisional boards to manage our Retail and Commercial businesses, providing greater executive bandwidth to support the Group parent board, with the Retail Board having specific responsibility for our extended FCA regulated business. The process of recruiting new divisional executive and non-executive directors is nearing completion, and the divisional boards are actively developing the reporting and controls appropriate to each business.

Chairman's statement (continued)

Board changes during year

This year saw a number of changes to the composition of our Group Board. In September 2015 Gary Jennison resigned from the Group Board and in April 2016 Steve Baker retired. We thank them for their service and contribution.

Following the decision to establish the divisional boards, Marc Goldberg moved from the Group Commercial Director role to the CEO of the Commercial division and Peter Ball, previously the CEO of Harrods Bank, was appointed the CEO of the Retail division. Both Marc and Peter are also on the Group Board.

Marcus Golby, previously Customer Services director with M&S Financial Services and Harrods Bank, joined the Group Board as Group Services director, and Nigel Dale, previously a partner at Eversheds LLP, leading their Northwest Banking team, joined us as Group Legal Counsel and Company Secretary.

David Bennett has stepped down from the Group Board and as the Chair of the Group ARCC in order to chair the Retail Board and Wayne Bowser was appointed as his successor having previously held the position of Deputy Head of HSBC commercial banking.

In the retail division we have appointed Colin Kersley, previously CEO of M&S Financial Services, as a non-executive director of the Retail Board and the Chair of the Retail ARCC, along with Ron Baxter, previously a consultant to the Financial Conduct Authority (FCA) and currently a consultant to the Prudential Regulation Authority (Bank of England), as a non-executive director of the Retail Board.

I am delighted that such high-calibre individuals have joined the business, all of whom bring their extensive financial services experience and add considerable breadth and depth to the senior management team, supporting our new governance structure. Their arrival is testament to the strength of the business and our vision for its future.

Regulatory environment

On 1 April 2014 the UK government transferred the regulation of consumer credit from the Office of Fair Trading to the FCA. As such, the FCA took over responsibility for the monitoring of compliance with the Consumer Credit Act. In March 2016 and following the European Mortgage Credit Directive being enacted into UK legislation, second charge mortgage contracts became regulated mortgage contracts now falling under the Mortgage Conduct of Business (MCOB) rules.

During the year the FCA conducted a review of our operations. The feedback from this review was positive and we believe that we demonstrated further good progress in embedding our customer focused culture and conduct within our business practices.

Applications for the relevant full permissions for two legal entities, Blemain Finance Limited in regards to administering second charge regulated mortgage contracts, and Spot Finance Limited which is undertaking a pilot motor finance proposition, were submitted on time to the FCA in October 2015. Blemain Finance successfully received full authorisation from the FCA in March 2016. Spot Finance continues to operate its pilot exercise under interim permissions as we await the FCA review of the application. The Directors are confident that the comprehensive application submitted for Spot Finance will facilitate authorisation approval from the FCA in due course.

People and conduct

Our colleagues are at the heart of our business and the key driver of its success. We actively promote our values of 'Passionate', 'Accountable', 'Customer focused' and 'Exceptional' known as PACE. These values are embedded into the culture of the Group, with the Board and senior management, committed to ensuring satisfactory customer outcomes, leading by example, and with employees being rewarded for displaying these values in their day-to-day roles. The record results outlined in this report would not have been possible without the hard work and dedication of our colleagues and, on behalf of the Board I thank them for their exceptional contribution.

Strategic report (continued)

Chairman's statement (continued)

Supporting our community

The Group is committed to contributing to local causes and charities in our area and under the leadership of our Supporting the Community Committee we have raised £56,000 during the year through a variety of fundraising events in support of Comic relief, Children in need and the Royal Manchester Children's Hospital. We also supported a number of local children's charities. In addition, staff provided their time to help local community projects.

Future outlook

Like any business of our size and scale, our customers are impacted by the general economic environment including the economic downturn from 2008, the general recovery since 2012 and any uncertainties surrounding the implications of Brexit. However, we have a proven business strategy which has enabled us to deliver profitable results throughout our 42 year history and through a range of economic cycles.

The changing regulatory environment has fostered a growing migration of customers away from high street lenders and the market segments we target are anticipated to grow more quickly than the broader market.

We have made significant investment in people, sales and operational infrastructure, brand and governance, all of which establishes a strong platform to facilitate our ambitious growth plans whilst supporting continued compliance with existing and expected regulation.

Along with my fellow executives, I am excited by the Group's prospects and look towards the future with confidence.

Mike McTighe
Chairman

September 2016

Strategic report (continued)

Business model and strategy

We are a specialist UK mortgage loan provider, established in 1974 and have operated successfully throughout our 42-year history. We are one of the few independent mortgage lenders to perform successfully and profitably throughout the economic downturn of 2008-2012. We offer retail and commercial-purpose mortgage loans to market segments underserved by mainstream lenders whilst maintaining a conservative approach to affordability, repayment and loan-to-value. Our loans include secured first and second lien loans, of which 80.8% are secured by residential properties, with the balance secured by commercial and semi-commercial properties, all within the United Kingdom. We specialise in offering individually underwritten loans to niche market segments, thereby minimising competition from retail ('high street') banks and other lenders. We offer our loans through one consistent brand 'Together' and distribute them through brokers across the UK (our broker network), professional firms, auction houses and through our direct sales team.

We continue to maintain a diversified loan portfolio mix between retail and commercial-purpose lending, security types and first and second lien mortgages.

Our underwriting process consists of a detailed and individualised credit, affordability and repayment 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, the repayment strategy and the security, being the adequacy of the property which will serve as security for the loan. To ensure strict compliance with our underwriting guidelines, we have in place mandate and authorisation controls, a staff training and competency programme and comprehensive quality assurance sampling procedures.

We underwrite and service all our loans in house, providing efficient automated processing where possible whilst retaining manual underwriting of the credit decision, allowing us to make informed but flexible lending decisions valued by our customers. Loan administration and collection processes are well developed and in line with regulatory principles with a strong emphasis on treating customers fairly and positive customer outcomes.

We maintain a diversified funding structure to support our wide product base, matching loan assets to provide cost effective funding whilst ensuring we maintain business flexibility. We look to renew facilities ahead of their maturity dates, and ensure we have sufficient headroom to support our planned growth.

Our cost base remains low with a cost to income ratio of 28.7% (2015: 28.5%). All operations are conveniently located at our head office in Cheadle, Cheshire.

We consistently look to invest pro-actively in the sales, operational and governance platforms of the business thereby ensuring competitive and operational efficiencies are maintained, continued compliance with regulatory standards and sufficient resource is available to capitalise on market opportunities.

We intend to continue our existing successful business strategy, reinvesting retained profits and sensibly leveraging reserves, raising new structured funding to support our continued growth plans.

Chief Financial Officer's review

Financial review

The financial statements have been prepared, for the first time, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). 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 32 to the financial statements.

Profit before tax increased to £90.3m for the year to 30 June 2016, compared with £74.8m for the year to 30 June 2015, an increase of 20.8%. The results for the year are summarised:

	2016 £'m	2015 £'m
Interest receivable and similar income	210.8	164.4
Interest payable and similar charges	(67.5)	(52.3)
NET INTEREST INCOME	143.3	112.1
Net fee and other income	2.7	2.7
NET OPERATING INCOME	146.0	114.8
Operating expenses	(41.9)	(32.5)
Impairment losses	(13.8)	(7.5)
PROFIT BEFORE TAXATION	90.3	74.8

KEY RATIOS	**2016**	**2015**
Net loan book (£m)	1,800.7	1,423.5
New originations (£m) (1)	1,011.5	725.1
Weighted average LTV of originations (%)	57.1	55.4
Net interest margin (%)(2)	8.9	9.1
Cost-to-income ratio (%)	28.7	28.5
Shareholders' funds (£m) (3)	574.9	502.0
Net debt gearing ratio	2.1:1	1.8:1
Return on equity (%)(4)	13.6	12.8
Interest cover	2.4:1	2.4:1

(1) Includes further advances
(2) Calculated as net interest income as a percentage of average loans and advances to customers
(3) Includes shareholder notes of £60m
(4) Return on equity is adjusted for shareholder notes

Chief Financial Officer's review (continued)

Strategic report (continued)

Financial review (continued)

Interest receivable and similar income has increased by 28.2% to £210.8m for the year to 30 June 2016. This increase primarily results from higher interest and loan set-up income, recognised as part of the effective interest rate, earned from growth in the size of the loan book.

Interest payable and similar charges have increased by 29.2% to £67.5m for the year to 30 June 2016 as we have increased the amount of debt, along with an increase in our gearing, to support the growth in our loan book.

Net operating income has increased 27.1% to £146.0m for the year to 30 June 2016, compared with £114.8m for the year to 30 June 2015.

Net interest margin decreased slightly, being the net effect of a reduction in product rates, a higher-earning asset mix, a reduction in non-performing loans, increase in gearing and lower cost of external funding.

Operating expenses increased to £41.9m for the year to 30 June 2016 with a cost-to-income ratio of 28.7% in line with 28.5% for the prior year. This reflects increased costs, albeit proportionately lower, to support the increased business activity as new origination levels and loan book volumes increased, along with additional costs to support a number of planned investment initiatives including IT development within the sales and operational platforms, the introduction of the new brand, enhancements in governance arrangements including the recruitment of a number of high-calibre Executives, and legal and professional costs associated with the applications for the FCA approvals. Operating expenses for the year to 30 June 2016 incorporate one-off costs and a step change in our infrastructure costs to support our growth plans for future years.

The net impairment charge of £13.8m for the year to 30 June 2016 represented 0.76% of the loan book value at 30 June 2016 compared with a charge of £7.5m for year to 30 June 2015 representing 0.53% of the loan book value at 30 June 2015. The increase of 0.23% being £4.2m after adjusting proportionately for loan book growth, is primarily due to allowances made to reflect provisions for forbearance, further small write offs on historical loans and beneficial changes to default assumptions made in the prior year on the time taken to dispose of certain loan securities resulting in a release to impairment losses in the prior year.

Return on equity has increased to 13.6% for the year to 30 June 2016 compared with 12.8% for the year to 30 June 2015 as a result of an increased proportion of our loan book being funded from debt, with net debt gearing being 2.1:1 at the 30 June 2016 compared with 1.8:1 at 30 June 2015.

The interest cover ratio, being the ratio of earnings before interest, tax, depreciation and amortisation (EBITDA) to interest expense and similar charges, has remained stable at 2.4:1 for the year to 30 June 2016.

Lending volumes increased by 39.5%, with the Group originating £1,011.5m of loans in the year to 30 June 2016, compared with £725.1m in the year to 30 June 2015. Key underwriting metrics remained fairly consistent in the period despite the increase in lending volumes, with the weighted average LTV of loans written in the year to 30 June 2016 being 57.1%, compared with 55.4% in the year to 30 June 2015, and the number of customers not classified as credit impaired, using the FCA definition, being 87.5% in the year to 30 June 2016 compared with 86.4% in year to 30 June 2015.

The indexed weighted average LTV of the loan portfolio for the Group at 30 June 2016 was 52.6% compared with 54.7% at 30 June 2015.

Strategic report (continued)

Chief Financial Officer's review (continued)

Funding and liquidity

The Group is very highly cash generative, with cash receipts in the year to 30 June 2016 of £833.0m compared with debt service payments of £61.7m (excluding debt issuance costs) and other cash payments mainly for overheads and taxation of £61.2m. The excess along with additional funding is used for new lending.

Liquidity is managed on a daily basis to ensure that sufficient unrestricted available liquidity exists to allow the Group to meet all its financial obligations as and when they fall due including the outstanding pipeline of loan offers.

At 30 June 2016 facility headroom of £295m existed (2015: £58m). The Group aims to keep a minimum of six months of facility headroom available and manages this by arranging new facilities, extending existing facilities or by adjusting new origination levels.

The Group has a diversified funding structure with asset-backed financing from two securitisation vehicles, Charles Street Asset Backed Securitisation ("Charles Street ABS") has a £1bn facility with a maturity date of January 2021 (£760m currently utilised at 30 June 2016), and Lakeside Asset Backed Securitisation ("Lakeside ABS") has a £255m facility maturing August 2018 (£200m currently utilised at 30 June 2016). In addition there exist senior secured notes of £300m maturing September 2018 (fully utilised), a syndicated revolving credit facility ("RCF") of £29m maturing August 2017 (fully utilised), and subordinated shareholder notes of £60m maturing September 2021 (fully utilised).

During the year to 30 June 2016 the Group increased available facilities by £584m through the introduction of the Lakeside ABS of £255m, the extension of the Charles Street ABS by £325m and the RCF of £4m. During the same period the Group increased its borrowings by £354m, consisting of £125m increase in the Charles Street ABS, £200m increase in the new Lakeside ABS and £29m increase in the RCF.

Our funding mix of efficient asset backed securitisation financing and the flexible senior secured notes facilitates the provision of cost effective funding whilst providing the flexibility to support a diversified product base.

The earliest maturity on existing facilities is the £29m RCF in August 2017 followed by the Lakeside ABS in August 2018 and the Senior Secured notes in September 2018. The Group has a strong track record of successful refinancing and raising new facilities and has a supportive banking group with longstanding relationships with RBS (42 years) and Lloyds (20 years) with Natixis, HSBC and Barclays joining in 2014, 2015 and 2016 respectively.

Gearing on a net debt basis as at 30 June 2016 remains conservative at 2.1:1

Gary Beckett
Chief Financial Officer

Operating environment

Macroeconomic conditions

Our business is impacted by general business and economic conditions in the United Kingdom.

In order to mitigate the impact of adverse economic conditions we underwrite each loan application in detail undertaking affordability, repayment and property valuation assessments. We lend conservatively against property valuations to protect our security position should property prices move adversely.

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 such a 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 originate and thus the amount that we earn in upfront fees and pay in commissions. Our operational results are also affected by changes in prevailing interest rates in the UK. An increase in these 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 loan origination volumes, as loans become less attractive to customers. Conversely low and stable interest rates may increase origination volumes as loans are more affordable.

Economic conditions within the UK have improved since the financial crisis, with interest rates remaining stable and low, unemployment rates falling and property prices steadily increasing. The vote to leave the EU in June 2016 created some economic and, initially, political uncertainty with suggestions that it would lead to adverse economic conditions. Stock markets reacted negatively at first with significant falls albeit that these have now generally reversed. We believe it is too early to identify the implications of the Brexit vote as this will depend on the success of the forthcoming negotiations to determine the terms of the UK's future relationship with the EU.

Uncertain and adverse economic conditions may make it more difficult to raise external funding. To mitigate this risk the Group has a preference to raise debt with longer maturity periods, to refinance and extend existing facilities on a regular basis ahead of maturity dates and to ensure that sufficient facility headroom exists to support our planned growth objectives. Whilst uncertain and adverse economic conditions may present challenges, such conditions may also present opportunities for specialist lenders and reduce competition.

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 whereas reduced levels of equity restrict borrowers flexibility to obtain additional borrowings and is also likely to reduce redemption rates as the lower levels of equity may be insufficient to meet other lenders lending criteria.

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.

Strategic report (continued)

Operating environment (continued)

Regulatory and legal considerations

Our operations are affected by a number of laws and regulations. Our residential mortgage business and our pilot motor finance business are regulated by the FCA. Our motor finance business is currently authorised under interim permissions and we are awaiting the FCA response to our application for full permissions which was submitted on time in October 2015. We also have to comply with the relevant UK and EU regulations including anti-money laundering regulations and the Data Protection Act 1998.

We have invested, and continue to invest in a 'three lines of defence' governance model, described in more detail in the Risk report and in the continuous development of our enterprise risk management framework. We have an experienced team of professionals, executives and non-executives, who along with third party regulatory specialist advisers, provide oversight and support to the Group to ensure that we continue to meet regulatory and legal standards.

Approved by the Board of Directors
And signed on behalf of the Board

GD Beckett
Director

2016

Corporate governance

Corporate governance and committee structure

Board of directors

The Board of directors is responsible for setting risk appetite and for setting and overseeing delivery of Group strategy within that risk appetite. In doing this it takes into account stakeholder considerations, whilst implementing a strong corporate governance framework. The Board ensures that the Group has sufficient resource to meet its objectives and to comply with all legal, regulatory and contractual considerations and ensuring that the correct culture and conduct is embedded within the organisation. The Board meets a minimum of six times during the year.

The Board delegates specific powers for certain matters to committees. All Board committees operate within defined terms of reference and sufficient resources are made available to them to undertake their duties.

Details of certain key committees are presented below:

Audit Risk and Compliance Committee

The Audit Risk and Compliance Committee remit includes monitoring the integrity of the Group's financial statements and the involvement of the external auditors, reviewing the Group's internal control and risk management systems, ensuring compliance with accounting policies, legal, regulatory and contractual requirements, and providing independent oversight and challenge of the risk management framework and risk appetite. It also reviews and assesses the annual internal audit work plan and receives reports on the results of their findings. It formally reports to board on proceedings within its duties and responsibilities making recommendations on any areas within its remit where action is required. The committee meets a minimum of four times during the year.

Reporting into the Audit Risk and Compliance Committee, and with their own delegated powers and responsibilities, are the Executive Risk Committee, the Credit Risk Committees, the Conduct Excellence Committee and the Financial Crime Committee.

Remuneration Committee

The Remuneration Committee's responsibilities include assisting the Board in relation to the Group's remuneration framework. This includes setting the principles and parameters of the Group's policy and determining the individual remuneration and benefits package of the executive directors. The remuneration of the non-executive directors is a matter for the Chief Executive Officer, the Chairman and the shareholders. The remuneration of the Chairman is a matter for the Chief Executive Officer, the independent non-executive director and the shareholders. The Remuneration Committee formally reports to the Board after each meeting on matters within its duties and responsibilities. In addition the committee makes recommendations to the Board on any area within its remit where action is required. The committee meets a minimum of four times during the year.

Nominations Committee

The Nominations Committee's responsibilities include considering and making recommendations to the board in respect of appointments to the Board and the Board committees. It is also responsible for keeping the structure, size and composition of the Board under regular review, and considering succession planning, taking into account the skills and expertise which will help the Board in the future. The Nomination Committee formally reports to the Board after each meeting on matters within its duties and responsibilities. In addition the committee makes recommendations to the Board on any area within its remit where action is required. The committee meets a minimum of four times during the year.

Corporate governance (continued)

Corporate governance and committee structure (continued)

Company Secretary

The Company Secretary is responsible for advising the Board on all governance related matters. All directors have access to the advice and services of the Company Secretary.

Governance review

During the year the Board has undertaken a corporate governance review led by our non-executive directors with input from external consultants to ensure that our governance structures remain robust and that sufficient resource is established to support our growth plans and changes in the regulatory environment.

Following the review, we decided to establish separate divisional boards to manage our Retail and Commercial businesses, providing greater executive bandwidth to support the Group parent board, with the Retail Board having specific responsibility for our extended FCA regulated business. The process of recruiting new divisional executive and non-executive directors is nearing completion, and the boards are actively developing the reporting, controls and committee structures appropriate to each business. It is anticipated that the new divisional boards and each of their sub-committees will be fully operational by March 2017.

Corporate governance (continued)

Directors' report

The directors' present their report for the year ended 30 June 2016.

The Group's principal activity continues to be that of financiers. The directors do not expect any significant change to the activities of the Jerrold Holdings Limited group of companies, trading as Together ('the Group').

A number of key performance indicators (KPIs) are monitored in order to review and control performance, position and liquidity and to develop future strategy.

Results and dividends

The results for the year are set out in the income statement on page 28. The profit before taxation for the year ended 30 June 2016 was £90.3m (2015: £74.8m). A full review of the financial performance of the Group is included within the Chief Financial Officer's review commencing on page 8.

No dividend was paid for the year ended 30 June 2016 (2015: £nil).

Financial position

Loans and advances to customers have increased by 26.5% to £1,800.7m (2015: £1,423.5m). At the same time, shareholders' funds, including shareholder notes of £60m, have increased by 14.5% to £574.9m (2015: £502.0m). The gearing ratio (being the ratio of debt to equity) has increased to 2.1:1 as at 30 June 2016 (2015: 1.8:1) reflecting the fact that the Group continues to fund its loan book through reserves, shareholder notes and proportionately increased levels of external borrowings. The shareholder notes are treated as equity for the purposes of calculating the Group's gearing ratio.

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and internal publications. Employees are consulted regularly on a wide range of matters affecting their current and future interests.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training or arrangements are made. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Environment

As the Group operates in the financial services sector, its actions do not have a significant environmental impact. However, the Group does recognise the importance of the environment, and acts to minimise its impact wherever it can, including recycling and reducing energy consumption.

Corporate governance (continued)

Directors' report (continued)

Statement of going concern

As set out in the statement of directors' responsibilities, in preparing these financial statements the directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors of the Group have considered the Group's forecast funding and liquidity positions and applied reasonable sensitivities thereon in order to confirm that the preparation of the Company's financial statements on a going concern basis is appropriate.

On the basis that the Group has adequate funding and resources and has considered the market, operational and regulatory risks applicable to it, together with its current performance and financial position, the directors have a reasonable expectation that the Group will have sufficient funding and liquidity facilities to ensure that it will continue in operational existence for the foreseeable future. Accordingly the directors of the Company have adopted the going concern basis in preparing financial statements.

Directors

The directors of the Company are set out on page 1. All directors served throughout the year and to the date of this report except as noted on page 1.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Charitable donations

During the year the Company made donations of £56,000 (2015: £58,000) to local charities, spearheaded by our Supporting the Community Committee.

Auditor

In the case of each of the persons who are directors of the Company at the date when this report is approved:

- as far as each of the directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any audit information and to establish that the Company's auditor is aware of that information.

This statement is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution for the reappointment of Deloitte LLP as auditor of the Company is to be proposed at the forthcoming annual general meeting.

Approved by the Board of Directors
and signed on behalf of the Board

GD Beckett
Director

2016

Corporate governance (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare both the Group and the parent Company financial statements in accordance with IFRS as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit and loss for that year. In preparing each of the Group and parent Company financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Risk management

Overview of risk management within the Group

There are a number of potential risks and uncertainties which could have an impact on the Group's performance. To identify and control these risks the Group utilises a risk-management framework (RMF). The RMF is overseen by the Audit, Risk & Compliance Committee which reports to the Board.

At the operational level, the Group's system of internal controls and risk management operates utilising the three-lines-of-defence model. At the first line of defence, operational managers identify, manage and own the risks in their respective areas of business.

The second line of defence ensures the first line of defence is properly designed, in place, and operating as intended. This consists of the Group's risk management, compliance, legal, insurance and financial control functions. It also includes the Executive Risk Committee, Retail and Commercial Credit Risk Committees and the Conduct Excellence Committee. These functions are organisationally separate and independent of the first line of defence.

The third line of defence is provided by the internal audit function. This provides an independent internal review and assurance on the first and second lines of defence, and the governance, risk-management and internal-control frameworks operated by the Group.

Principal risks and uncertainties

The directors have identified the following as the principal risks and uncertainties facing the business:

- Credit risk
- Liquidity risk
- Market risk
- Conduct risk
- Compliance risk
- Operational risk
- Strategic risk

The following sections provide detailed discussion of these risks, including financial disclosures. The disclosures provided are based upon information used by management in overseeing the Group's activities.

Risk management disclosures

This section discusses the principal areas of risk to which the business is exposed.

Credit risk

Credit risk is the risk of suffering financial loss should borrowers default on their contractual obligations to the Group.

The Group is exposed to changes in the economic position of its customers, which may adversely impact their ability to make loan repayments. The level of this risk is driven by both macro-economic factors, as well as by factors relating to specific customers, such as a change in the borrower's circumstances.

These risks are managed through comprehensive underwriting policies and monitored by the Credit Risk Committee. Credit risk is managed at loan inception, via stringent underwriting policies with regard to affordability levels, credit worthiness and property loan to value ratios, and throughout the life of the loan, via monitoring of arrears levels, proactive collections strategies, application of forbearance measures, and by applying macro-economic sensitivity analysis.

Risk management (continued)

Risk management disclosures (continued)

Credit risk (continued)

Affordability

The Group utilises several affordability models to ensure the customer is able to meet repayments. These are tailored to the customer and loan type.

For regulated mortgages a full assessment at underwriting stage is made of customer income and expenditure throughout the projected life of the loan. Income is verified and customers declared expenditure is considered against external statistical data. Individual affordability is stress-tested to consider potential changes during the life of the loans such as changes in interest rates or customer retirement.

Affordability of commercial mortgages is assessed against verified income utilising a debt-to-income assessment, while that for buy-to-let mortgages utilises an assessment of rental income to loan repayment.

Maximum exposure to credit risk

The Group's maximum exposure to credit risk after allowance for impairment is as follows:

Audited	**2016** £000	**2015** £000	**2014** £000
Gross loans and advances	1,869,519	1,492,848	1,128,893
Allowance for impairment	(68,846)	(69,325)	(75,344)
Loans and advances to customers	1,800,673	1,423,523	1,053,549
Trade receivables			
Amounts owed by related parties	76	35	44
Other debtors	80	167	142
Cash and cash equivalents	546	2,772	6,849
	1,801,375	**1,426,497**	**1,060,584**

Cash and cash equivalents are primarily surplus cash placed overnight with institutions with sufficiently high credit ratings. The Group's only material credit risk therefore relates to its loans and advances to customers. The above table represents the maximum credit risk exposure to the Group at 30 June 2016, 2015 and 2014 without taking account of any underlying security.

Impaired and past-due loans

The Group manages credit risk based on gross customer balances. The gross customer balances reconcile to gross loans and advances recognised in the annual accounts as follows:

	2016 £000	**2015** £000	**2014** £000
Gross loans and advances	1,869,519	1,492,848	1,128,893
Accounting adjustments	1,020	(11,022)	(11,113)
Gross customer balances	**1,870,539**	**1,481,826**	**1,117,780**

Reported loans and advances differ from customer balances mainly due to various accounting adjustments necessary to comply with IFRS, as loans and advances must be accounted for using an effective interest rate made on transition from UK GAAP.

Loans and advances to customers are reviewed regularly to determine whether there is any objective evidence of impairment. Specific provisions are made for assets individually assessed, and collective provisions are made for assets assessed individually but for which no specific impairment is identified.

Risk management (continued)

Risk management disclosures (continued)

Credit risk (continued)

Loan assets are categorised:

Neither past due nor impaired	Loans which are not in arrears and which do not meet the impaired asset definition
Past due but not impaired	Loans which are in arrears or where there is objective evidence of impairment, but the asset does not meet the definition of an impaired asset because the present value of the expected recoverable amount exceeds the carrying amount
Impaired assets	Loans which are in arrears or where there is objective evidence of impairment, and where the carrying value of the amount exceeds the present value of the expected amount recoverable

Gross customer balances are analysed as follows:

	2016 £000	**2015** £000	**2014** £000
Performing			
Not past due	1,422,885	1,070,654	691,377
Past due less than 2 months	219,348	193,583	196,704
	1,642,233	1,264,237	888,081
Non performing but not impaired			
Past due 2 - 3 months	24,125	28,876	28,769
Past due over 3 months	91,311	104,699	105,370
	115,436	133,575	134,139
Impaired	112,870	84,014	95,560
Gross customer balances	**1,870,539**	**1,481,826**	**1,117,780**

Reported arrears are in relation to contractual amounts due and have not been amended to reflect changes in customers' preferred payment dates or to reflect agreed payment arrangements as part of our collection and forbearance policies.

In applying IAS39, observable data is considered to identify potential loss events. Management consider that contractual arrears of two months or more constitutes one such trigger for a potential loss event. On identification of a loss event a provision for impairment is considered based on the probability of default of the loan (based on historical evidence) and the expected loss given default amount (arrived at by calculating the present value of expected future cash flows compared to the carrying value of the loan).

Risk management (continued)

Risk management disclosures (continued)

Credit risk (continued)

Collateral held

The Group enters into agreements with customers taking security for loan receivables over immovable property. A key measure the business uses in assessing credit risk is the ratio of the loan amount to the value of the underlying security (LTV). Prior valuations are indexed using established regional house price indices to estimate the current security value. The table below shows gross customer balances by indexed LTV banding:

	2016	2015	2014
	£'000	£'000	£'000
60% or less	1,242,435	966,932	619,818
60-85%	510,113	371,948	319,997
85-100%	76,257	75,028	100,759
More than 100%	41,734	67,918	77,206
Gross customer balances	**1,870,539**	**1,481,826**	**1,117,780**

Of the gross customer balances at 30 June 2016, 93.7% of loans had an indexed LTV of less than or equal to 85%.

Concentration of credit risk

The Group's lending portfolio is geographically diversified across the UK as shown below:

	2016	2015	2014
	£'000	£'000	£'000
East Anglia	45,020	43,047	27,436
East Midlands	67,439	53,839	45,797
Ireland	4,992	5,071	5,013
London regions	522,915	370,012	213,050
North East	43,340	28,948	23,776
North West	345,764	301,322	263,282
Scotland	94,135	83,999	69,898
South East	302,148	228,412	158,877
South West	107,041	85,759	80,040
Wales	93,410	76,422	62,191
West Midlands	129,665	99,553	80,900
Yorks & Humber	114,670	105,442	87,520
Gross customer balances	**1,870,539**	**1,481,826**	**1,117,780**

The Group's lending portfolio falls into the following concentrations by loan size:

	2016	2015	2014
	£'000	£'000	£'000
Up to £50,000	453,252	448,970	433,435
£50,000 - 100,000	333,597	272,526	217,213
£100,000 - 250,000	348,238	254,775	181,971
£250,000 - 500,000	215,229	144,496	91,028
£500,000 - 1,000,000	155,169	105,248	65,755
£1,000,000 - 2,500,000	213,911	138,427	77,489
More than £2,500,000	151,143	117,384	50,889
Gross customer balances	**1,870,539**	**1,481,826**	**1,117,780**

Risk management (continued)

Risk management disclosures (continued)

Credit risk (continued)

Forbearance

The Group offers a range of approaches to assist customers who are experiencing financial distress. Assistance is provided through trained colleagues in dedicated teams. For those customers requiring more assistance the Group works with a number of external not-for-profit agencies.

The Group considers an account as forborne at the time a customer in financial difficulty is granted a concession. The Group actively operates timely collections and arrears management processes to ensure early identification of issues to support our customers and minimise credit losses. The Group's offer of forbearance is considered separately for each customer dependent on their individual circumstances. Forbearance can be temporary or permanent in nature depending on the circumstances of the customer and the concession agreed. Examples of concessions agreed include reduced payment arrangements, extension of the mortgage term, or a change in the repayment profile.

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current and future financial obligations as they fall due, or can do so only at excessive cost.

To manage its funding requirements, the Group uses a number of medium to long-term funding sources, combined with a small shorter-term revolving credit facility. Headroom held in such facilities, in combination with cash flows from redemptions, is used to provide a liquidity buffer. The liquidity buffer is monitored on a daily basis to ensure there are sufficient liquid assets at all times to cover cashflow movements and to enable the Group to meet all financial obligations and commitments when they fall due.

Within commitments we include liquidity to cover for the outstanding pipeline of loan offers. Although certain pipeline offers may not be legally binding, the failure to honour an expression of intent to finance a loan contract could otherwise cause customer detriment and result in reputation risk.

The Group places surplus cash balances on overnight deposit with institutions with sufficiently high long-term and short-term ratings.

Based on the business model of funding primarily via securitisation programmes and debt capital markets, the Board has set a liquidity risk appetite which it considers to be appropriate to provide it with the assurance that the Group is able to meet its liabilities and commitments when they fall due, and provide sufficient headroom to support anticipated loan book growth.

The Group has increased its wholesale funding in successive years in order to fund the growth in its loan portfolio. The Group's year-end wholesale funding position, net of debt issue costs and cash held, was as follows:

Audited	**2016**	**2015**	**2014**
	£000	£000	£000
Revolving credit facility, current maturity 28 August 2017	28,715	-	33,025
Charles St conduit securitisation, maturity 31 January 2021	699,949	596,637	372,347
Lakeside Asset-Backed Securitisation, maturity 8 August 2018	169,841	-	-
Senior secured notes, maturity 15 September 2018	300,469	300,609	193,758
Shareholder notes, maturity 15 September 2021	60,000	60,000	60,000
Finance leases	422	317	203
	1,259,396	**957,563**	**659,333**

The Charles St securitisation is for a total facility of £1 bn and is available to fund all asset types, subject to eligibility criteria and loan portfolio concentration limits. The Lakeside securitisation is for a total facility of £255m and is available primarily to fund new short-term commercial-purpose loans, again subject to eligibility criteria and loan portfolio concentration limits.

Risk management (continued)

Risk management disclosures (continued)

Liquidity risk (continued)

The gross contractual maturities of the Group's borrowings, inclusive of interest but excluding any non-utilisation fees that may arise, and other financial liabilities are as follows:

	Carrying value £000	Gross nominal cash flow £000	Up to 1 year £000	1-2 years £000	2-5 years £000	More than 5 years £000
At 30 June 2016						
Bank loans	29,000	30,450	1,238	29,212	-	-
Loan notes	884,040	1,089,874	31,450	32,020	1,026,404	-
Shareholder notes	60,000	71,026	2,097	2,100	6,300	60,529
Senior secured notes	304,427	373,125	29,250	29,250	314,625	-
Debt issue costs	(18,493)	-	-	-	-	-
Obligations under finance leases	422	448	203	164	81	-
Borrowings	**1,259,396**	**1,564,923**	**64,238**	**92,746**	**1,347,410**	**60,529**
Trade creditors	1,261	1,261	1,261	-	-	-
Other creditors	2,294	2,294	2,294	-	-	-
Other taxation and social security	609	609	609	-	-	-
	1,263,560	**1,569,087**	**68,402**	**92,746**	**1,347,410**	**60,529**

	Carrying value £000	Gross nominal cash flow £000	Up to 1 year £000	1-2 years £000	2-5 years £000	More than 5 years £000
At 30 June 2015						
Bank loans	-	-	-	-	-	-
Loan notes	605,424	713,105	21,508	21,563	670,034	-
Shareholder notes	60,000	73,129	2,103	2,097	6,303	62,626
Senior secured notes	307,879	402,375	29,250	29,250	343,875	-
Debt issue costs	(16,057)	-	-	-	-	-
Obligations under finance leases	317	352	169	118	65	-
Borrowings	**957,563**	**1,188,961**	**53,030**	**53,028**	**1,020,277**	**62,626**
Trade creditors	1,326	1,326	1,326	-	-	-
Other creditors	3,313	3,313	3,313	-	-	-
Other taxation and social security	621	621	621	-	-	-
	962,823	**1,194,221**	**58,290**	**53,028**	**1,020,277**	**62,626**

Risk management (continued)

Risk management disclosures (continued)

Liquidity risk (continued)

	Carrying value £000	Gross nominal cash flow £000	Up to 1 year £000	1-2 years £000	2-5 years £000	More than 5 years £000
At 30 June 2014						
Bank loans	35,000	36,313	36,313	-	-	-
Loan notes	380,270	469,180	16,420	16,453	436,307	-
Shareholder notes	60,000	75,229	2,100	2,103	6,297	64,729
Senior secured notes	200,000	287,750	19,500	19,500	248,750	-
Debt issue costs	(16,140)	-	-	-	-	-
Obligations under finance leases	203	215	126	72	17	-
Borrowings	**659,333**	**868,687**	**74,459**	**38,128**	**691,371**	**64,729**
Trade creditors	1,320	1,320	1,320	-	-	-
Other creditors	3,425	3,425	3,425	-	-	-
Other taxation and social security	485	485	485	-	-	-
	664,563	**873,917**	**79,689**	**38,128**	**691,371**	**64,729**

Market risk

Market risk is the risk of loss as a result of the value of financial assets or liabilities being adversely affected by movements in market rates or prices.

The Group does not carry out proprietary trading or hold positions in assets or equity which are actively traded, nor does it engage in any treasury trading operations. It also has no foreign currency exposure. Therefore the main market risk potentially faced by the Group is interest-rate risk, the risk of loss through mismatched asset and liability positions sensitive to changes in interest rates. This would primarily arise from debt securities issued by the Group securitisation vehicles and shareholder notes. Interest-rate risk is monitored on a monthly basis, and the Group's profit before taxation and equity are not at material risk from changes in interest rates that are reasonably expected for the next 12 months.

Conduct risk

Conduct risk is the risk of customer detriment arising from the Group's behaviours, products or interactions.

All areas of the Group are required to assess the delivery of appropriate outcomes for stakeholders. The Group has no appetite for activities that may cause detriment to customers and requires all colleagues to behave and conduct business activities in accordance with Group's values. Key conduct risks are captured through the risk control self-assessment (RCSA) process with a specific assessment of the risk impact to customers and third parties made. Individual departments monitor conduct risk in their areas through quantitative and qualitative measures. The Conduct Excellence Committee monitors the effectiveness of this and reports on it to the Board.

The Group also considers risks arising in relation to other key stakeholders such as our shareholders, funders (bondholders and banks), brokers, others who introduce business to us and suppliers. This includes both the impact to our operations from their actions, or a failure of a key stakeholder, and also the impact of our actions on our relationship with stakeholders.

Risk management (continued)

Risk management disclosures (continued)

Compliance (regulatory and legal) risk

Compliance risk is the risk of failure to comply with existing regulation and the potential impacts of changes in regulation on the Group's markets and operations.

The Group operates in both regulated and unregulated markets and is therefore at risk for failing to comply with existing regulation and the potential impacts of changes in regulation on its markets and operational activities. The Group mitigates this risk through robust control frameworks and quality assurance reviews in operational areas supported by experienced risk and compliance departments. The compliance department undertakes monitoring reviews to ensure compliance with legal and regulatory standards are maintained and monitors the changing regulatory environment, providing assessments in relation to forthcoming regulatory changes to ensure that the Group is appropriately prepared.

In addition the Group has in place an experienced legal department to ensure it meets all its legal obligations.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Operational risk relates to those risks associated with people, processes and systems. The Group aims to have in place robust operational systems and controls to mitigate these risks. This includes policies and procedures to manage specific risks. As part of the risk management framework the Group utilises a RCSA approach to identify, assess and manage key operational risks.

The Group has taken steps to ensure that the IT infrastructure is robust so as to meet operational performance needs, is sufficiently resilient and has sufficient controls in place to mitigate the increased cyber risk prevalent across the industry.

There is a documented and tested business continuity plan in place to enable the Group to recover operations in the event of an incident.

There are robust financial crime-prevention controls in place across the Group which are overseen by the risk department.

Strategic risk

Strategic risk is the risk to achievement of the Group's objectives arising from changes in the business or from the Group's business model proving inappropriate due to macroeconomic, industry or other factors.

When setting strategic objectives the board is mindful of current economic conditions and the potential impacts on the markets in which the Group operates, the affordability of new loans to customers and impacts on the existing book. Sensitivity and stress testing analysis are carried out against the loan book and the Group maintains a prudent balance sheet with a mix of funding structures and managed gearing levels.

Independent auditor’s report

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF JERROLD HOLDINGS LIMITED

We have audited the financial statements of Jerrold Holdings Limited for the year ended 30 June 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, Consolidated and Company Statement of Changes in Equity, Consolidated and Company Statement of Cash Flows and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors’ Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company’s affairs as at 30 June 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Peter Birch (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Leeds, United Kingdom

September 2016

Consolidated statement of comprehensive income
Year ended 30 June 2016

Income statement

	Note	2016 £'000	2015 £'000
Interest receivable and similar income	4	210,837	164,401
Interest payable and similar charges	5	(67,547)	(52,289)
NET INTEREST INCOME		143,290	112,112
Fee and commission income	6	4,219	4,048
Fee and commission expense	7	(1,680)	(1,378)
Other income	8	138	552
Other losses	9	-	(504)
OPERATING INCOME		145,967	114,830
Administrative expenses	10, 11	(41,872)	(32,689)
OPERATING PROFIT		104,095	82,141
Impairment losses	19	(13,766)	(7,499)
PROFIT BEFORE NEGATIVE GOODWILL		90,329	74,642
Negative goodwill		-	122
PROFIT BEFORE TAXATION		90,329	74,764
Income tax	14	(18,561)	(16,017)
PROFIT AFTER TAXATION		71,768	58,747

Comparative information has been restated for the change in accounting standards described in note 2 and note 32.

The results for the current and preceding periods relate entirely to continuing operations.

There is no other comprehensive income in either period.

Consolidated statement of financial position
As at 30 June 2016

	Note	2016 £'000	2015 £'000	2014 £'000
NON-CURRENT ASSETS				
Property, plant and equipment	15	4,529	4,205	4,378
Intangible assets	15	3,229	1,025	7
Investment property	16	45	45	179
Investments	17	123	123	123
Deferred tax asset	22	6,109	3,515	4,549
		14,035	8,913	9,236
CURRENT ASSETS				
Inventories	18	840	840	1,381
Loans and advances to customers	19	1,800,673	1,423,523	1,053,549
Trade and other receivables	20	2,312	2,357	2,205
Cash and cash equivalents		546	2,772	6,849
		1,804,371	1,429,492	1,063,984
TOTAL ASSETS		1,818,406	1,438,405	1,073,220
CURRENT LIABILITIES				
Trade and other payables	21	(31,806)	(30,987)	(24,981)
Current tax liabilities		(12,277)	(7,866)	(5,412)
Borrowings	23	(195)	(158)	(121)
		(44,278)	(39,011)	(30,514)
NET CURRENT ASSETS		1,760,093	1,390,481	1,033,470
NON-CURRENT LIABILITIES				
Borrowings	23	(1,259,201)	(957,405)	(659,212)
TOTAL LIABILITIES		(1,303,479)	(996,416)	(689,726)
NET ASSETS		514,927	441,989	383,494
EQUITY				
Share capital	24	9,779	9,779	9,778
Share premium account		17,527	17,527	17,527
Merger reserve		(9,645)	(9,645)	(9,645)
Capital redemption reserve		2,470	1,300	1,300
Revaluation reserve		-	-	21
Retained earnings		494,796	423,028	364,260
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		514,927	441,989	383,241
NON-CONTROLLING INTERESTS		-	-	253
TOTAL EQUITY		514,927	441,989	383,494

These financial statements were approved by the Board of Directors on 2016.

Company Registration No. 02939389

Signed on behalf of the Board of Directors

HN Moser
Director

GD Beckett
Director

Company statement of financial position
As at 30 June 2016

	Note	2016 £'000	2015 £'000	2014 £'000
NON-CURRENT ASSETS				
Investments	17	11,474	10,304	10,051
CURRENT ASSETS				
Trade and other receivables	20	483,221	450,575	367,923
Cash and cash equivalents		2,140	4,687	9,806
		485,361	455,262	377,729
TOTAL ASSETS		496,835	465,566	387,780
CURRENT LIABILITIES				
Trade and other payables	21	(317,098)	(318,279)	(207,592)
NET CURRENT ASSETS		168,263	136,983	170,137
NON-CURRENT LIABILITIES				
Borrowings	23	(88,715)	(60,000)	(93,025)
TOTAL LIABILITIES		(405,813)	(378,279)	(300,617)
NET ASSETS		91,022	87,287	87,163
EQUITY				
Share capital	24	9,779	9,779	9,778
Share premium account		17,527	17,527	17,527
Capital redemption reserve		2,470	1,300	1,300
Retained earnings		61,246	58,681	58,558
TOTAL EQUITY		91,022	87,287	87,163

These financial statements were approved by the Board of Directors on 2016.

Company Registration No. 02939389

Signed on behalf of the Board of Directors

HN Moser

Director

Gary Beckett

Director

Consolidated statement of changes in equity

2016

	Called up share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
As at 1 July 2015	9,779	17,527	(9,645)	1,300	-	423,028	441,989
Retained profit for the financial year	-	-	-	-	-	71,768	71,768
Share based payments	-	-	-	1,170	-	-	1,170
As at 30 June 2016	9,779	17,527	(9,645)	2,470	-	494,796	514,927

2015

	Called up share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
As at 1 July 2014	9,778	17,527	(9,645)	1,300	21	364,260	383,241
Transfer to retained earnings	-	-	-	-	(21)	21	-
Issue of share capital	1	-	-	-	-	-	1
Retained profit for the financial year	-	-	-	-	-	58,747	58,747
As at 30 June 2015	9,779	17,527	(9,645)	1,300	-	423,028	441,989

Non-controlling interests of £253,000 at the end of 2014 were reduced to £nil in 2015 by a change in those interests. There are no non-controlling interests in the Group's equity as of 30 June 2016.

Company statement of changes in equity

2016

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
As at 1 July 2015	9,779	17,527	1,300	58,681	87,287
Retained profit for the financial year	-	-	-	2,565	2,565
Share based payments	-	-	1,170	-	1,170
As at 30 June 2016	9,779	17,527	2,470	61,246	91,022

2015

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
As at 1 July 2014	9,778	17,527	1,300	58,559	87,164
Retained profit for the financial year	-	-	-	122	122
Issue of share capital	1	-	-	-	1
As at 30 June 2015	9,779	17,527	1,300	58,681	87,287

Consolidated statement of cash flows
Year ended 30 June 2016

	Note	2016 £'000	2015 £'000
CASH OUTFLOW FROM OPERATING ACTIVITIES			
Cash outflow from operations	26	(215,840)	(238,485)
Taxation		(16,742)	(12,530)
Servicing of finance		(69,990)	(49,434)
Net cash outflow from operating activities		(302,572)	(300,449)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,363)	(825)
Purchase of intangible assets		(2,627)	(1,086)
Purchase of non-controlling interests		-	(131)
Proceeds on disposal of investment properties		-	171
Proceeds on disposal of property, plant and equipment		69	96
Net cash outflow from investing activities		(3,921)	(1,775)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of syndicated loan		-	(35,000)
Drawdown of facilities		304,163	333,032
Capital element of finance lease payments		104	114
Proceeds of issue of shares		-	1
Net cash inflow from financing activities		304,267	298,147
Net decrease in cash and cash equivalents		(2,226)	(4,077)
Cash and cash equivalents at beginning of year		2,772	6,849
CASH AND CASH EQUIVALENTS AT END OF YEAR		546	2,772

Company statement of cash flows
Year ended 30 June 2016

	Note	2016 £'000	2015 £'000
CASH OUTFLOW FROM OPERATING ACTIVITIES			
Cash inflow from operations	26	6,414	62,315
Servicing of finance		(40,526)	(32,304)
Net cash (outflow)/inflow from operating activities		(34,112)	30,011
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments		-	(131)
Dividends received		2,565	-
Net cash inflow/(outflow) from investing activities		2,565	(131)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of syndicated loan		-	(35,000)
Drawdown of syndicated loan		29,000	-
Proceeds of issue of shares		-	1
Net cash inflow/(outflow) from financing activities		29,000	(34,999)
Net decrease in cash and cash equivalents		(2,547)	(5,119)
Cash and cash equivalents at beginning of year		4,687	9,806
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,140	4,687

Notes to the financial statements

1. **REPORTING ENTITY/GENERAL INFORMATION**

Jerrold Holdings Limited (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 comprise Jerrold Holdings Limited and its subsidiaries (the Group). 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 Companies with an unqualified audit opinion. The Group is primarily involved in financial services.

2. **SIGNIFICANT 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 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). No individual income statement or related notes are presented for the Company as permitted by Section 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 32.

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 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 are IFRS 9 *Financial Instruments*, the planned replacement for IAS 39 *Financial Instruments: Recognition and Measurement*, and IFRS 16 *Leases*, the planned replacement for IAS 17 *Leases*.

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. The Group has not yet estimated the financial effects of the new standard, although it is expected to have a significant impact on results.

IFRS 16 provides a single lease accounting model, recognising most leases on the statement of financial position. This may also introduce a degree of volatility to assets and liabilities for lessees due to the requirements to reassess certain key estimates and judgements at each reporting date. The standard replaces the dual lease accounting model approach of IAS 17 which treats finance leases and operating leases separately. It has not yet been possible to estimate the financial impact of adoption of the standard but it is unlikely to be material to the Group's results.

IFRS 9, including the final version of the requirements in respect of impairment, was issued in July 2014. The IASB has decided to apply IFRS 9 for annual periods beginning on or after 1 January 2018. The IASB issued IFRS 16 in January 2016 with an effective date of 1 January 2019.

Both IFRS 9 and IFRS 16 are required to be applied retrospectively, but prior periods need not be restated. IFRS 9 and IFRS 16, including their commencement dates, will be subject to endorsement by the EU.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern

The directors have assessed, in the light of current and anticipated economic conditions, 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 power over the investee;
- is exposed, or has rights, to variable returns 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 year 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. 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, 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. Negative goodwill is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill arising on acquisitions in the year ended 30 June 1998 and earlier periods was written off to reserves in accordance with the accounting standard then in force. As permitted by IFRS the goodwill previously written off has not been reinstated in the statement of financial position.

Merger accounting has continued to be used on transition to IFRS for the consolidation of the following subsidiaries:

2. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Goodwill (continued)

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 goodwill arising on consolidation is treated as a reduction in reserves.

On disposal or closure of a previously acquired business, the attributable amount of goodwill, including that previously written off to reserves, is included in determining the profit or loss on disposal.

Operating segments

The Group's only listed financial instruments are issued by a subsidiary, Jerrold Finco PLC, rather than the parent Company, Jerrold Holdings Limited. The Group is therefore outside the scope of IFRS 8, *Operating Segments*, and accordingly does not disclose segment information in these financial statements.

Investment properties

A valuation of investment properties is made annually as at the reporting date by the directors, at fair value based on valuations conducted by external chartered surveyors. Changes in the fair value of investment properties are included in profit and loss in the year 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 is included in the income statement in the year in which the property is derecognised.

Property, plant and equipment

Property, plant and equipment are 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

All items of property, plant and equipment are reviewed for indications of impairment on a regular basis and at each balance sheet date. If impairment is indicated, the asset's recoverable amount (being the greater of fair value less cost to sell and value in use) is estimated. Value in use is calculated by discounting the future cash flows generated from the continuing use of the asset. If the carrying value of the asset is less than the recoverable amount, an impairment charge is recognised in the income statement.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within operating expenses in the income statement.

2. **SIGNIFICANT 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.

Intangible assets consist wholly of expenditure relating to computer software incurred in respect of individual projects and are capitalised only if all of the following conditions are met:

- an intangible asset is created that can be separately identified;
- 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 is amortised on a straight-line basis over the life of the asset.

Where the above conditions for capitalisation are not met, 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

Inventories consist of stock properties and 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 which confer rights and obligations similar to those attached to owned assets are capitalised as tangible fixed assets and 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. Finance lease 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 and the related assets not recognised on the statement of financial position.

The Group as lessor

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

Pension benefits

During the period 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 period and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

2. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable profit for the year. 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 reporting 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 amounts used for taxation purposes, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable 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 year 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 reporting date.

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 the Group intends to settle its current tax assets and liabilities on a net basis.

Financial assets & liabilities

Financial assets

All the Group's financial assets are categorised as loans and 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.

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

All the Group's financial liabilities are designated as financial liabilities at amortised cost and largely consist of borrowings. A financial liability is measured initially at fair value less the transaction costs that are directly attributable to its issue. Interest and fees payable on the borrowings are recognised in the income statement over the term of the instruments using the effective interest rate method.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group regularly assesses whether there is evidence that financial assets are impaired. Financial assets are 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 assets and prior to the reporting date and that have had an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

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. Impairment losses and any subsequent reversals are recognised in the income statement.

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 asset group and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions. In addition, the Group uses its experienced judgement to correct 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 improves reliability.

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.

Securitisation

Where the Group securitises its own financial assets, this is achieved via the sale of these assets to a special purpose entity (SPE), which in turn issues securities to investors.

SPEs used to raise funds through securitisation transactions are consolidated into the Group's operations in accordance with IFRS 10 *Consolidated Financial Statements* as if they were wholly-owned subsidiaries. Financial assets transferred to SPEs under securitisation agreements are not derecognised by the Group because it retains the risks and rewards of ownership, and all financial assets and liabilities related to the SPE continue to be held on the Group's consolidated statement of financial position.

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 expected life of the instrument. The effective interest rate is the rate that, at inception of the instrument, discounts its estimated future cash payments or receipts to the net carrying amount of the financial instrument. 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, transaction costs and other premiums or discounts that relate to the origination of the instrument.

Notes to the financial statements (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest and income expense (continued)

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.

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 expenses primarily consist of legal and valuations fees and credit search fees.

Cash and cash equivalents

Cash comprises 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.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, which is reliably measurable and when it is probable that the Group 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 reporting 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 allowances

Allowances for loan impairment represent management's best estimate of the losses incurred in the loan portfolios at the reporting date. Charges 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 arrears status of the loan. Loss rates are based on the discounted expected future cash flows, from historical experience 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.

Notes to the financial statements (continued)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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. INTEREST RECEIVABLE AND SIMILAR INCOME

	2016 £'000	2015 £'000
Interest on loans and advances to customers	210,792	164,314
Other interest receivable	45	87
	210,837	164,401

Included within interest on loans and advances to customers is £11,709,000 (2015: £13,427,000) relating to impaired loans.

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £'000	2015 £'000
On borrowings	67,547	52,289

6. FEE AND COMMISSION INCOME

	2016 £'000	2015 £'000
Fee income on loans and advances to customers	3,761	3,480
Other fees receivable	458	568
	4,219	4,048

7. FEE AND COMMISSION EXPENSE

	2016 £'000	2015 £'000
Legal, valuations and other fees	756	685
Insurance commissions and charges	924	693
	1,680	1,378

Notes to the financial statements (continued)

8. OTHER INCOME

	2016 £'000	2015 £'000
Rental income	96	104
Other income	42	34
Proceeds on sale of stock properties	-	414
	138	552

9. OTHER LOSSES

	2016 £'000	2015 £'000
Costs of sales on stock properties	-	(541)
Gains on sale of investment properties	-	37
	-	(504)

10. ADMINISTRATIVE EXPENSES

	2016 £'000	2015 £'000
Staff costs	25,730	22,058
Auditor's remuneration	110	85
Operating lease rentals	1,099	1,118
Other administrative costs	13,554	8,471
	40,493	31,732

Included within other administrative costs are losses on disposal of property, plant and equipment of £14,000 (2015: £13,000).

11. DEPRECIATION AND AMORTISATION

	2016 £'000	2015 £'000
Depreciation	956	889
Amortisation of intangible assets	423	68
	1,379	957

Notes to the financial statements (continued)

12. AUDITOR'S REMUNERATION

	2016 £'000	2015 £'000
Fees payable for the audit of the Company's accounts	83	64
Fees payable for the audit of the Company's subsidiaries	27	21
Tax advisory and compliance services	83	60
Other services	724	432
	917	577

13. STAFF COSTS

The average monthly number of employees, including executive directors was:

	2016 No.	2015 No.
Management and administration		
Full time	401	354
Part time	23	19
	424	373

Their aggregate remuneration, excluding executive directors, comprised:

	2016 £'000	2015 £'000
Wages and salaries	19,493	16,398
Social security costs	2,092	1,883
Pension costs	335	434
	21,920	18,715

The directors' remuneration comprised:

Emoluments	3,683	3,280
Company contribution to personal pension schemes	127	63
	3,810	3,343

The emoluments of the highest paid director were £785,000 (2015: £995,000) including £nil (2014: £nil) of Company contributions to a defined contribution pension scheme. Details of the pension arrangements operated by the Group are given in note 29.

Notes to the financial statements (continued)

14. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2016 £'000	2015 £'000
Current tax		
Corporation tax	21,043	14,959
Adjustment in respect of previous years	112	25
	21,155	14,984
Deferred tax		
Origination and reversal of timing differences	(3,077)	1,074
Adjustment in respect of prior years	(153)	(2)
Effect of tax rates	636	(39)
Total deferred tax	(2,594)	1,033
Total tax on profit	18,561	16,017

The differences between the Group tax charge for the period and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2016 £'000	2015 £'000
Profit before tax	90,329	74,764
Tax on profit at standard UK corporation tax rate of 20.00%/20.75%	18,066	15,514
Effects of:		
Expenses not deductible for tax purposes	239	826
Income not taxable	(339)	(308)
Adjustment in respect of previous years	(41)	23
Effect of changes in tax rate	636	(38)
Group current tax charge for period	18,561	16,017

Notes to the financial statements (continued)

15. PROPERTY PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

2016 Group	Property, plant and equipment: Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000	Intangible assets £'000	Total £'000
Cost					
At 1 July 2015	5,292	1,028	6,320	1,093	7,413
Additions	926	437	1,363	2,627	3,990
Disposals	(336)	(214)	(550)	-	(550)
At 30 June 2016	5,882	1,251	7,133	3,720	10,853
Depreciation and amortisation					
At 1 July 2015	1,723	392	2,115	68	2,183
Charge for the year	772	184	956	423	1,379
Disposals	(336)	(131)	(467)	-	(467)
At 30 June 2016	2,159	445	2,604	491	3,095
Net book value					
At 30 June 2016	3,723	806	4,529	3,229	7,758
At 30 June 2015	3,569	636	4,205	1,025	5,230

2015 Group	Property, plant and equipment: Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000	Intangible assets £'000	Total £'000
Cost					
At 1 July 2014	4,772	1,069	5,841	7	5,848
Additions	544	297	841	1,181	2,022
Disposals	(8)	(338)	(346)	-	(346)
Reclassifications	(16)	-	(16)	(95)	(111)
At 30 June 2015	5,292	1,028	6,320	1,093	7,413
Depreciation and amortisation					
At 1 July 2014	1,015	448	1,463	-	1,463
Charge for the year	716	173	889	68	957
Disposals	(8)	(229)	(237)	-	(237)
At 30 June 2015	1,723	392	2,115	68	2,183
Net book value					
At 30 June 2015	3,569	636	4,205	1,025	5,230
At 30 June 2014	3,757	621	4,378	7	4,385

Notes to the financial statements (continued)

16. INVESTMENT PROPERTY

Group valuation	**2016 £'000**	**2015 £'000**	**2014 £'000**
At beginning of year	45	179	228
Disposals	-	(134)	(49)
At end of year	45	45	179

The fair value of freehold investment property at 30 June 2016 has been arrived at using internal valuations carried out by the directors based upon previous valuations conducted by external chartered surveyors. If investment properties had not been revalued, they would have been included in the statement of financial position at £45,000 (2015: £45,000). Rental income of £12,000 on investment properties (2015: £20,000) has been included within note 8. Direct operating expenses of £15,000 arising from investment properties has been charged within administrative expenses (2015: £26,000).

17. INVESTMENTS

a) Listed and other investments

The Group held investments of £123,000 (2015 and 2014: £123,000) stated at the lower of cost and net realisable value. Of these investments, £13,000 were listed (2015 and 2014: £13,000).

b) Subsidiary undertakings

The Company held the following investments in subsidiary undertakings:

	2016 £'000	**2015 £'000**
At beginning of year	10,304	10,051
Additions	1,170	253
At end of year	11,474	10,304

17. INVESTMENTS (continued)

Notes to the financial statements (continued)

The Company has the following subsidiaries, all of which are incorporated in Great Britain and are registered in England and Wales and operate throughout the United Kingdom:

	Shares and voting rights	Principal activities
Trading subsidiaries		
Auction Finance Limited	100%	Commercial lending
Blemain Finance Limited	100%	Retail lending
Bridging Finance Limited	100%	Commercial lending
Cheshire Mortgage Corporation Limited	100%	Retail lending
Harpmanor Limited	100%	Commercial lending
Jerrold FinCo plc	100%	Financier
Lancashire Mortgage Corporation Limited	100%	Commercial lending
Phone-a-Loan Limited	100%	Mortgage brokerage
Spot Finance Limited	100%	Retail lending
Non-trading subsidiaries		
Briar Hill Court Limited	100%	Non-trading
FactFocus Limited	100%	Non-trading
General Allied Properties Limited	100%	Non-trading
Heywood Leasing Limited	100%	Non-trading
Heywood Finance Limited	100%	Non-trading
Monarch Recoveries Limited	100%	Non-trading
Supashow Limited	100%	Non-trading
Jerrold Mortgage Corporation Limited	100%	Non-trading
Dormant subsidiaries		
Bridging Finance.co.uk Limited	100%	Dormant
Classic Car Finance Limited	100%	Dormant
Finance Your Property Limited	100%	Dormant
Proactive Bridging Limited	100%	Dormant
Proactive Lending Limited	100%	Dormant
Privileged Estates Limited	100%	Dormant
Provincial & Northern Properties Limited	100%	Dormant
Together Financial Services Limited (formerly Manchester Property Investments Limited)	100%	Dormant

The above are direct holdings with the exception of Spot Finance Limited which is held by Blemain Finance Limited. The dormant subsidiaries have taken advantage of the exemption from audit under section 479A of the Companies Act 2006.

Notes to the financial statements (continued)

18. INVENTORIES

	2016 £'000	2015 £'000	2014 £'000
Properties held for resale	840	840	1,381

19. LOANS AND ADVANCES TO CUSTOMERS

	2016 £'000	2015 £'000	2014 £'000
Aggregate gross loans and advances	1,869,519	1,492,848	1,128,893
Less: allowances for impairment on loans and advances	(68,846)	(69,325)	(75,344)
	1,800,673	1,423,523	1,053,549

	2016 £'000	2015 £'000	2014 £'000
Aggregate gross loans and advances are repayable:			
Due within one year	811,459	829,205	324,850
Due within 2-5 years	489,380	372,644	466,466
Due after 5 years	568,680	290,999	337,577
	1,869,519	1,492,848	1,128,893

	2016 £'000	2015 £'000
Allowance for impairment losses		
At beginning of year	(69,325)	(75,344)
Charges to the income statement	(15,994)	(8,228)
Unwind of discount	11,709	13,427
Write-offs net of recoveries	4,764	820
At end of year	(68,846)	(69,325)

	2016 £'000	2015 £'000
Impairment losses for year		
Charges to the income statement	(15,994)	(8,228)
Amounts written off	(131)	-
Amounts released from deferred income	2,048	-
Recoveries of amounts previously written off	311	729
	(13,766)	(7,499)

Loans and advances to customers include an amount of £300,000 (2015: £300,000) loaned to August Blake Developments Limited, £2,000,000 (2015: £3,200,000) loaned to Sunnywood Estates Limited, and £7,100,000 (2015: £9,000,000) loaned to Edgworth Developments Limited, companies in which HN Moser is a director and shareholder. These loans are on a commercial basis secured on certain assets of these companies.

Notes to the financial statements (continued)

20. TRADE AND OTHER RECEIVABLES

Group	2016 £'000	2015 £'000	2014 £'000
Amounts owed by related parties	76	35	44
Other debtors	80	167	142
Prepayments and accrued income	2,156	2,155	2,019
	2,312	2,357	2,205

Company	2016 £'000	2015 £'000	2014 £'000
Amounts owed by related parties	9	9	9
Amounts owed by Group undertakings	483,170	450,566	367,914
Prepayments and accrued income	42	-	-
	483,221	450,575	367,923

Amounts owed by related parties of the Group 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 27).

21. TRADE AND OTHER PAYABLES

Group	2016 £'000	2015 £'000	2014 £'000
Accruals and deferred income	27,641	25,691	19,492
Amounts owed to related parties	1	36	259
Trade creditors	1,261	1,326	1,320
Other creditors	2,294	3,313	3,425
Other taxation and social security	609	621	485
	31,806	30,987	24,981

Company	2016 £'000	2015 £'000	2014 £'000
Accruals and deferred income	8,546	9,200	7,708
Amounts owed to Group undertakings	308,551	309,078	199,883
Other creditors	1	1	1
	317,098	318,279	207,592

Amounts owed to related parties of the Group are in respect of Common Sense Lending Limited and Charles Street Commercial Investments Limited, companies in which HN Moser is a director and shareholder (see note 27).

22. DEFERRED TAX

Deferred taxation asset	2016 £'000	2015 £'000
At beginning of period	3,515	4,549
Credit/(charge) to income statement	2,441	(1,036)
Adjustment in respect of prior years	153	2
	6,109	3,515

Accelerated capital allowances	(279)	(223)
Short-term timing differences	6,388	3,738
	6,109	3,515

23. BORROWINGS

Group	2016 £'000	2015 £'000	2014 £'000
Bank loans	29,000	-	35,000
Loan notes	884,040	605,424	380,270
Shareholder notes	60,000	60,000	60,000
Senior secured notes	304,427	307,879	200,000
Obligations under finance leases	422	317	203
	1,277,889	973,620	675,473
Debt issue costs	(18,493)	(16,057)	(16,140)
Total borrowings	1,259,396	957,563	659,333
Of which:			
Due for settlement within 12 months	195	158	121
Due for settlement after 12 months	1,259,201	957,405	659,212
	1,259,396	957,563	659,333

Company	2016 £'000	2015 £'000	2014 £'000
Bank loans	29,000	-	35,000
Shareholder notes	60,000	60,000	60,000
	89,000	60,000	95,000
Debt issue costs	(285)	-	(1,975)
Total borrowings	88,715	60,000	93,025
Of which:			
Due for settlement within 12 months	-	-	-
Due for settlement after 12 months	88,715	60,000	93,025
	88,715	60,000	93,025

On 27 August 2015 the Group successfully refinanced its revolving credit facility (bank loans), securing funds of £18m, and on 11 January 2016 raised a further £11m thereby increasing the facility to £29m. The facility will run until August 2017.

The loan notes are provided through two revolving securitisation vehicles, Charles Street Conduit Asset Backed Securitisation 1 Limited (Charles Street ABS) established in 2007 and Lakeside Asset Backed Securitisation 1 Limited (Lakeside ABS). Each of the facilities is secured on specific loan assets. On 13 August 2015 the Company successfully completed a new £255m revolving securitisation programme, known as Lakeside ABS. The facility will run until August 2018 and will support the Group's commercial lending activity. On 7 March 2016, the Charles Street ABS facility ratings were re-confirmed as Aa2 by Moody's and AA by DBRS. The facility was further increased on 7 March 2016 from £675m to £1bn and the term extended to January 2021.

Of the shareholder notes, £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.

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

23. BORROWINGS (continued)

Debt issue costs consist of the prepaid fees in relation to the bank loan, loan notes and the senior secured notes which are being amortised over the expected duration of the facility or the term of the notes as appropriate. Borrowings have the following maturities:

As at 30 June 2016 Group	<1 year £'000	1-2 years £'000	2-5 years £'000	>5 years £'000	Total £'000
Bank loans	-	29,000	-	-	29,000
Loan notes	-	-	884,040	-	884,040
Shareholder notes	-	-	-	60,000	60,000
Senior secured notes	-	-	304,427	-	304,427
Finance leases	195	159	68	-	422
Debt issue costs	-	-	(18,493)	-	(18,493)
	195	29,159	1,170,042	60,000	1,259,396

As at 30 June 2016 Company	<1 year £'000	1-2 years £'000	2-5 years £'000	>5 years £'000	Total £'000
Bank loans	-	29,000	-	-	29,000
Shareholder notes	-	-	-	60,000	60,000
Debt issue costs	-	(285)	-	-	(285)
	-	28,715	-	60,000	88,715

As at 30 June 2015 Group	<1 year £'000	1-2 years £'000	2-5 years £'000	>5 years £'000	Total £'000
Bank loans	-	-	-	-	-
Loan notes	-	-	605,424	-	605,424
Shareholder notes	-	-	-	60,000	60,000
Senior secured notes	-	-	307,879	-	307,879
Finance leases	158	102	57	-	317
Debt issue costs	-	-	(16,057)	-	(16,057)
	158	102	897,303	60,000	957,563

As at 30 June 2015 Company	<1 year £'000	1-2 years £'000	2-5 years £'000	>5 years £'000	Total £'000
Shareholder notes	-	-	-	60,000	60,000

As at 30 June 2014 Group	<1 year £'000	1-2 years £'000	2-5 years £'000	>5 years £'000	Total £'000
Bank loans	-	35,000	-	-	35,000
Loan notes	-	-	380,270	-	380,270
Shareholder notes	-	-	-	60,000	60,000
Senior secured notes	-	-	200,000	-	200,000
Finance leases	121	69	13	-	203
Debt issue costs	-	(1,975)	(14,165)	-	(16,140)
	121	33,094	566,118	60,000	659,333

As at 30 June 2014 Company	<1 year £'000	1-2 years £'000	2-5 years £'000	>5 years £'000	Total £'000
Bank loans	-	35,000	-	-	35,000
Shareholder notes	-	-	-	60,000	60,000
Debt issue costs	-	(1,975)	-	-	(1,975)
	-	33,025	-	60,000	93,025

24. SHARE CAPITAL

Authorised	2016 £'000	2015 £'000	2014 £'000
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 penny each	1	1	1
696,049 C2 ordinary shares of 1 penny each	7	7	7
64,250 C3 ordinary shares of 1 penny each	1	1	1
100,000 D ordinary shares of 1 penny each	1	1	-
10,000 E ordinary shares of 1 penny 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	10,001	10,000

Issued, allotted and fully paid	2016 £'000	2015 £'000	2014 £'000
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 penny each	1	1	1
696,049 C2 ordinary shares of 1 penny each	7	7	7
64,250 C3 ordinary shares of 1 penny each	1	1	1
100,000 D ordinary shares of 1 penny 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	9,779	9,778

Details of the issuance of 100,000 D shares and authorisation of 10,000 E shares in the year to 30 June 2015 are set out in note 30.

25. FINANCIAL INSTRUMENTS AND FAIR VALUES

All the Group's financial assets and liabilities are held at amortised cost. The table below summarises the carrying value and the fair value of financial instruments as at the year end:

	2016		2015		2014	
Financial assets	**Carrying value £'000**	**Fair value £'000**	**Carrying value £'000**	**Fair value £'000**	**Carrying value £'000**	**Fair value £'000**
Listed investments	13	13	13	13	13	13
Loans and advances to customers	1,800,673	1,873,862	1,423,523	1,454,527	1,053,549	1,122,583
Amounts owed by related parties	76	76	35	35	44	44
Other debtors	80	80	167	167	142	142
Cash and cash equivalents	546	546	2,772	2,772	6,849	6,849
	1,801,388	1,874,577	1,426,510	1,457,514	1,060,597	1,129,631

	2016		2015		2014	
Financial liabilities	**Carrying value £'000**	**Fair value £'000**	**Carrying value £'000**	**Fair value £'000**	**Carrying value £'000**	**Fair value £'000**
Borrowings	1,259,396	1,333,223	957,563	1,055,388	659,333	732,726
Amounts owed to related parties	1	1	36	36	259	259
Trade creditors	1,261	1,261	1,326	1,326	1,320	1,320
Other creditors	2,294	2,294	3,313	3,313	3,425	3,425
Other taxation and social security	609	609	621	621	485	485
	1,263,561	1,337,388	962,859	1,060,684	664,822	738,215

The carrying value is a reasonable approximation of fair value for all financial instruments other than for loans and advances to customers and for borrowings. For loans and advances to customers and for borrowings, fair value is calculated based upon the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The fair value of financial assets is adjusted for future losses if considered material.

25. FINANCIAL INSTRUMENTS AND FAIR VALUES (continued)

The following tables analyse the fair values of loans and advances and of borrowings into different levels according to the degree to which the fair values are based on observable inputs:

Level 1: Quoted prices in active markets for identical assets or liabilities;
Level 2: Measurements derived from observable data, such as market prices or rates;
Level 3: Measurements rely on significant inputs not based on observable market data

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
2016				
Financial assets				
Loans and advances to customers	-	-	1,873,862	1,873,862
Financial liabilities				
Borrowings	308,250	982,014	42,959	1,333,223
2015				
Financial assets				
Loans and advances to customers	-	-	1,454,527	1,454,527
Financial liabilities				
Borrowings	336,564	677,144	41,679	1,055,388
2014				
Financial assets				
Loans and advances to customers	-	-	1,122,583	1,122,583
Financial liabilities				
Borrowings	218,000	475,724	39,001	732,726

Loans and advances to customers are revalued to fair value based on future interest cash flows (at funding rates) and principal cash flows discounted using the rate for new originations of mortgages with similar characteristics. This rate is assumed to encompass the time value of money, plus a risk premium to account for the inherent uncertainty in the timing and amount of future cash flows arising from mortgage assets.

Forecast principal repayments are based on redemption at maturity with overlay for historical behavioural experience to take account of expected prepayment. The eventual timing of future cash flows may be different from the forecast due to unpredictable customer behaviour.

The fair value of loans and advances to customers in total is 4% higher than the carrying value as at 30 June 2016. This is primarily due to the current origination rates used to discount future cash flows being below customer interest rates. A 1% increase in the discount rate would result in a reduction in the fair value of loans and advances to customers of £67m and 1% decrease would result in an increase of £58m.

The borrowings stated at fair value in level 3 represent shareholder notes. Market prices are not available for these instruments, and market prices for quoted subordinated instruments are not suitable as they do not reflect the relationship of the shareholders to the Group.

25. FINANCIAL INSTRUMENTS AND FAIR VALUES (continued)

The estimated fair value of these instruments has been based on future interest cash flows (at funding rates) and principal cash flows, discounted at 10% over bank base rate. This rate is based on management's judgment that the instruments are near-equity in nature. A 1% reduction in the discount rate would result in an increase in the carrying value of approximately £0.6m and 1% increase in the rate would result in a decrease of approximately £3.1m.

26. RECONCILIATION OF PROFIT AFTER TAX TO NET CASH OUTFLOW FROM OPERATIONS

Group	**2016 £'000**	**2015 £'000**
Profit after tax	71,768	58,747
Adjustments for:		
Taxation	18,561	16,017
Depreciation and amortisation	1,379	957
Share-based payment	1,170	-
Loss on disposal of property, plant and equipment	14	13
Profit on sale of investment properties	-	(37)
Negative goodwill	-	(122)
Interest expense	67,547	52,289
	160,439	127,864
Increase in loan book	(377,150)	(369,974)
Increase in prepayments	(1)	(136)
Decrease/(increase) in other debtors and amounts owed by related parties	46	(16)
Increase in equity for share-based payments	(1,170)	-
Decrease in inventories	-	541
Increase in accruals	3,127	3,429
(Decrease)/increase in trade creditors	(65)	6
Decrease in other creditors, amounts owed to related parties and taxation and social security	(1,066)	(199)
	(376,279)	(366,349)
Cash outflow from operations	(215,840)	(238,485)

Company	**2016 £'000**	**2015 £'000**
Profit after tax	2,565	122
Adjustments for:		
Dividends received	(2,565)	-
Negative goodwill	-	(122)
Interest expense	37,436	33,879
	37,436	33,879
Increase in prepayments	(42)	-
Inter-group recharges and treasury transfers	(30,980)	28,436
	(31,022)	28,436
Cash inflow from operations	6,414	62,315

Notes to the financial statements (continued)

27. RELATED PARTY TRANSACTIONS

Companies owned by HN Moser and the Moser family are deemed to be related parties. The following balances with related parties existed at the year end:

Balances due to the Group	**2016 £'000**	**2015 £'000**	**2014 £'000**
Centrestand Limited	22	14	25
Charles Street Commercial Investments Limited	37	1	2
Sterling Property Co. Limited	17	20	17
	76	35	44

Balances due from the Group	**2016 £'000**	**2015 £'000**	**2014 £'000**
Common Sense Lending Limited (formerly Sproston Green Limited)	-	7	7
Charles Street Commercial Investments Limited	1	29	252
	1	36	259

Group transactions with related parties during the year were:

	2016 £'000	**2015 £'000**
Bracken House Properties LLP		
Operating lease costs – land and buildings due to Bracken House Properties LLP	1,046	1,055
Insurance costs due to Bracken House Properties LLP	25	25
Payments from the Group to Bracken House Properties LLP	(802)	(1,071)
Charles Street Commercial Investments Limited		
Amounts received/(paid) by the Group relating to Charles Street Commercial Investments Limited	68	(221)
Centrestand Limited		
Service charges and costs paid on behalf of Centrestand Limited	8	8
Sterling Property Co. Limited		
Property management fees paid by the Group to Sterling Property Co. Limited	(3)	-
Common Sense Lending Limited		
Write back of amounts owed to Common Sense Lending Limited	7	-
	349	(204)

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

Operating lease costs and insurance costs are paid to Bracken House Properties LLP on a prepaid basis. The future amounts payable under operating leases are as follows:

	2016 £'000	**2015 £'000**	**2014 £'000**
Within one year	1,070	1,094	1,094
Between one and five years	4,270	4,376	4,376
After five years	5,884	7,110	8,204
	11,224	12,580	13,674

28. CONTINGENT LIABILITIES

As at 30 June 2016 the Company's assets were subject to a fixed and floating charge in respect of £29m of bank borrowings of the Group (2015: £nil) and £300m in respect of senior secured notes (2015: £300m).

29. PENSION ARRANGEMENTS

The Group operated a defined contribution scheme for which the pension costs charge for the year amounted to £nil (2015: £nil).

During the year the Group contributed to employees' personal pension plans. The total cost for the year amounted to £335,000 (2015: £434,000).

30. SHARE-BASED PAYMENTS

In January 2015 100,000 D shares were issued to senior management. In addition options were granted to senior management over 10,000 E shares. The ability to dispose of such shares and execute such options are conditional on sale of shares held by other shareholders amounting to 25% or more of the Company's share capital, the value of which are dependent upon the amount of share capital sold and the value of the Company at the time. Such awards are treated as equity settled by virtue of where the obligation rests on such awards being realised.

The fair value of the D share and E share options, which due to their nature are treated as a single instrument, has been derived using a Black Scholes model. In ascertaining the fair value certain assumptions have been made as to the estimated timing of when such shares and options are likely to realise with the fair value being charged to the income statement over the expected vesting period, which is to be re-assessed annually.

In deriving the fair value a risk free rate of 0.48% has been applied with assumed volatility of 25%. The risk free rate of return has been calculated by reference to the Treasury coupon yield achievable at the time of granting the awards which has a maturity date close to that of the expected life of the awards. The expected volatility has been calculated by reference to the average experienced volatility of a selected peer set of listed companies, based upon the annualised standard deviation of daily share price movements over a period corresponding with the expected life of the awards.

Whilst the Company is the issuer of the awards the benefit arises in Blemain Finance Limited ("BFL"), a subsidiary of Jerrold Holdings. As such the charge is applied to the income statement of BFL, whose results are consolidated into the Jerrold Holdings consolidated income statement. During the current financial year £1.17 million has been recognised to the income statement.

31. 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.

32. 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 on transition from UK GAAP to IFRS for the Group. No adjustments arose for the Company.

Notes to the financial statements (continued)

32. IFRS RECONCILATIONS (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	(v)c	4,385	(7)	4,378
Intangible assets	(v)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	(v)a, (v)b	1,076,218	(22,669)	1,053,549
Trade and other receivables	(v)a, (v)b	2,433	(228)	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	(22,898)	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	(v)a, (v)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

32. IFRS RECONCILATIONS (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	(v)c	5,230	(1,025)	4,205
Intangible assets	(v)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	(v)a, (v)b	1,441,635	(18,112)	1,423,523
Trade and other receivables	(v)a, (v)b	2,480	(123)	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		(30,987)	-	(30,987)
Current tax liabilities		(7,866)	-	(7,866)
Borrowings		(158)	-	(158)
		(39,011)	-	(39,011)
NET CURRENT ASSETS		1,408,716	(18,235)	1,390,481
NON-CURRENT LIABILITIES				
Borrowings		(957,365)	(40)	(957,405)
Deferred tax liabilities		(125)	125	-
		(957,490)	85	(957,405)
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	(v)a, (v)b	437,663	(14,635)	423,028
TOTAL EQUITY		456,624	(14,635)	441,989

Notes to the financial statements (continued)

32. IFRS RECONCILATIONS (continued)

(iii) Reconciliation of profit or loss on transition to IFRS

The profit reported under UK GAAP for the year ended 30 June 2015 reconciles to that under IFRS as follows:

	£'000	£'000
As previously reported under UK GAAP		55,063
Measurement of financial instruments at amortised cost using EIR method	12,974	
Calculation of impairment provisions in accordance with IAS 39	(8,351)	
	4,623	
Tax effect on the above	(939)	
Total adjustments to profit or loss		3,684
Total profit under IFRS		58,747

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

The Group previously prepared its statement of cash flows in accordance with UK Financial Reporting Statement 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.

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

Notes to the financial statements (continued)

32. IFRS RECONCILATIONS (continued)

(v) Notes to the reconciliations (continued)

c) Computer systems — 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 income statement 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 allowances on financial assets are calculated as the difference between the carrying amount (including the income now recognised in point "(v)b" (above) and the present value of estimated future cash flows discounted using the asset's EIR.