

JERROLD HOLDINGS LIMITED

Report and Consolidated Financial Statements

30 June 2008

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JERROLD HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

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JERROLD HOLDINGS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

| | |
|---------------|--------------------------------------|
| S.P. Mahon* | Chairman (appointed 5 December 2007) |
| H.N. Moser | Chief Executive Officer |
| S.P. Baker | (appointed 2 July 2008) |
| G.D. Beckett | |
| M.R. Goldberg | |
| M.J. Ridley | (appointed 27 July 2007) |
| J.M. Shaoul* | |
| J.L. Walker* | |

* Non-Executives

SECRETARY

M.J. Ridley

REGISTERED OFFICE

Bracken House
Charles Street
Manchester
M1 7BD

PRINCIPAL BANKERS

Royal Bank of Scotland Plc
Spinningfields
Manchester
M3 3AP

nabCapital, National Australia Bank
88 Wood Street
London
EC2V 7QQ

HBOS
Bishopsgate Exchange
155 Bishopsgate
London
EC2M 3YB

AUDITORS

Deloitte LLP
Chartered Accountants and Registered Auditors
Manchester
M60 2AT

LEGAL ADVISORS

Eversheds
70 Great Bridgewater Street
Manchester
M1 5ES

JERROLD HOLDINGS LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2008.

ENHANCED BUSINESS REVIEW

The group's principal activity during the year under review continues to be the provision of secured property finance along with ancillary activities including property investment and development.

A number of key indicators (KPIs) on performance, position and liquidity are monitored in order to control the business and to plan for future growth. No other KPIs are felt necessary by the directors for an understanding of the group's performance or position.

Results and Dividends

The audited financial statements for the year ended 30 June 2008 are set out on pages 7 to 26. The group turnover has increased by 3.9% to £166.0m (2007: £159.7m) including proceeds on the sale of stock properties of £208,000 (2007: £15.6m). Excluding these one off items, like for like turnover has increased by 16.6%. Profit before tax has increased by 21.4% to £68.8m (2007: £56.7m). Profit for the year after tax was £48.6m (2007: £36.0m).

No dividend was paid for the year ended 30 June 2008 (2007: £37.7m).

Position

As shown in note 12 to the financial statements, loan book values (classified within trade debtors) have increased by 13.4% to £1,072.3m (2007: £945.5m). At the same time, equity shareholders' funds have increased by 35.4% to £185.7m (2007: £137.1m).

Liquidity

The ability of the group to service its debts is measured using an interest cover ratio being profit before tax and interest divided by interest. This was 2.2:1 for the year ended 30 June 2008 (2007: 2.4:1). At the same time, the gearing ratio (being the ratio of debt to equity) has reduced to 3.31:1 (2007: 4.18:1) reflecting the fact that when compared to prior years the group is funding a greater proportion of its loan book through reserves and subordinated debt as opposed to external borrowings. For the purposes of calculating the group's gearing ratio (and in line with its banking covenants) the subordinated debt is treated as 'equity'.

The group monitors its un-utilised facility position on a regular basis. This is achieved by dividing the facility headroom currently available by the average current utilisation rate. Where and when required, further facilities are either negotiated or new business levels are adjusted to ensure that a minimum period of utilisation of twelve months remains.

Non-financial KPIs

The directors monitor certain non-financial KPIs, relating to employee consultation and involvement, and the environment, which are detailed below. In addition, the directors monitor compliance with FSA and Consumer Credit Act regulation, and in particular the level of complaints received. Complaints levels in the year have been minimal.

Significant event during the year

On 9 November 2007 the group re-arranged its funding facilities to include a £500m securitisation facility and a £400m syndicated banking facility. This funding package extended the maturity date of its borrowing structure and provided the group with sufficient headroom to continue its development plans.

JERROLD HOLDINGS LIMITED

DIRECTORS' REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

Credit risk

The group is exposed to changes in the economic position of its customers, which may impact adversely on their ability to make loan repayments. The level of risk in this respect is driven by both macro-economic factors, such as levels of consumer indebtedness, as well as by factors relating to specific customers, such as the failure of the business of a corporate customer. Credit risk is managed at loan inception via stringent underwriting policies with regard to equity levels and affordability ratios, and throughout the life of the loan via monitoring of arrears levels.

Interest rate risk

The group is financed by variable rate facilities. Interest rate risk is managed through the use of hedging instruments.

Liquidity risk

The group monitors its funding levels and requirements at regular intervals. In November 2007 the business expanded its traditional funding lines (which were predominately bank syndicated loan facilities) to include a securitisation facility. The additional finance was raised to replace maturing facilities and to provide for planned expansion in the near to medium term. The group has opened up these new funding lines with the intention that in the future they will be further developed along with other funding sources. Utilisation headroom within existing facilities is managed by regular review of redemption and funding levels to ensure the existence of a minimum twelve month utilisation period.

Regulatory risk

The group undertakes activities which are regulated by the Financial Services Authority and the Office of Fair Trading. The group has an established compliance function and uses third party specialist advisors to support its business operations.

Exchange rate risk

All the group's activities are in sterling and are not subject to exchange rate risk.

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. Employee representatives 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 is arranged. 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.

JERROLD HOLDINGS LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS

In addition to the Directors listed on page 1, the following Director also served during the year:

A.P. Shearer (resigned 5 December 2007)

SUPPLIER PAYMENT POLICY

The group agrees terms and conditions for its transactions with its suppliers. Payments are then made, subject to the terms and conditions being set by the suppliers.

As the company is a holding company it has no trade creditors and accordingly no disclosure can be made of the year end creditor days.

AUDIT INFORMATION

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 (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any audit information (as defined) and to establish that the company's auditors are aware of that information.

This statement is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

AUDITORS

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

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

M.J. Ridley



JERROLD HOLDINGS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JERROLD HOLDINGS LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Jerrold Holdings Limited for the year ended 30 June 2008 which comprise the group profit and loss account, the group and company balance sheets, the group cash flow statement, the group statement of total recognised gains and losses and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 30 June 2008 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
Manchester
United Kingdom

15 DECEMBER 2008

JERROLD HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT Year ended 30 June 2008

| | Note | 2008 £'000 | 2007 £'000 |
|--|------|---------------|---------------|
| TURNOVER | 2 | 165,977 | 159,746 |
| Cost of sales | | (18,680) | (42,213) |
| GROSS PROFIT | | 147,297 | 117,533 |
| Administrative expenses | | (22,532) | (20,138) |
| Other operating income | | - | 76 |
| OPERATING PROFIT | | 124,765 | 97,471 |
| Profit/(loss) on sale of investment properties | | 147 | (784) |
| Interest payable and similar charges | 3 | (56,412) | (40,061) |
| Interest receivable and similar income | 3 | 292 | 24 |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 4 | 68,792 | 56,650 |
| Tax on profit on ordinary activities | 5 | (20,140) | (20,608) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | 48,652 | 36,042 |
| Minority interests | 20 | (43) | (57) |
| RETAINED PROFIT FOR THE FINANCIAL YEAR | 18 | 48,609 | 35,985 |

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

All activities arose from continuing operations.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES Year ended 30 June 2008

| | Note | 2008 £'000 | 2007 £'000 |
|---|------|---------------|---------------|
| Retained profit for the financial year | | 48,609 | 35,985 |
| Unrealised loss on revaluation of land and buildings | | - | (126) |
| TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR | | 48,609 | 35,859 |

JERROLD HOLDINGS LIMITED

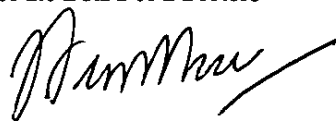
CONSOLIDATED BALANCE SHEET 30 June 2008

| | Note | 2008 £'000 | 2007 £'000 |
|--|------|------------------|------------------|
| FIXED ASSETS | | | |
| Investment properties | 8 | 613 | 651 |
| Tangible assets | 9 | 1,384 | 1,634 |
| Investments | 10 | 13 | 35 |
| | | <u>2,010</u> | <u>2,320</u> |
| CURRENT ASSETS | | | |
| Stocks | 11 | 4,436 | 4,568 |
| Debtors | | | |
| - due within one year | 12 | 337,661 | 376,262 |
| - due after one year | 12 | 739,879 | 571,465 |
| Investments | 13 | 118 | 117 |
| Cash at bank and in hand | | 216 | 19 |
| | | <u>1,082,310</u> | <u>952,431</u> |
| CREDITORS: Amounts falling due within one year | 14 | <u>(37,289)</u> | <u>(777,208)</u> |
| NET CURRENT ASSETS | | <u>1,045,021</u> | <u>175,223</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>1,047,031</u> | <u>177,543</u> |
| CREDITORS: Amounts falling due after more than one year | 15 | <u>(861,028)</u> | <u>(40,192)</u> |
| NET ASSETS | | <u>186,003</u> | <u>137,351</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 17 | 9,778 | 9,778 |
| Share premium account | 18 | 17,527 | 17,527 |
| Merger reserve | 18 | (9,645) | (9,645) |
| Capital redemption reserve | 18 | 1,300 | 1,300 |
| Revaluation reserve | 18 | 185 | 218 |
| Profit and loss account | 18 | 166,595 | 117,953 |
| | | <u>185,740</u> | <u>137,131</u> |
| EQUITY SHAREHOLDERS' FUNDS | 19 | <u>185,740</u> | <u>137,131</u> |
| Minority interests | 20 | 263 | 220 |
| TOTAL CAPITAL EMPLOYED | | <u>186,003</u> | <u>137,351</u> |

These financial statements were approved by the Board of Directors on

2008.

Signed on behalf of the Board of Directors



H.N. Moser
Director



G.D. Beckett
Director

JERROLD HOLDINGS LIMITED

COMPANY BALANCE SHEET 30 June 2008

| | Note | 2008 £'000 | 2007 £'000 |
|--|------|---------------|---------------|
| FIXED ASSETS | | | |
| Investments | 10 | 10,001 | 10,001 |
| CURRENT ASSETS | | | |
| Debtors | 12 | 462,985 | 791,783 |
| Cash at bank and in hand | | 70 | - |
| | | 463,055 | 791,783 |
| CREDITORS: Amounts falling due within one year | 14 | (2,832) | (729,560) |
| NET CURRENT ASSETS | | 460,223 | 62,223 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 470,224 | 72,224 |
| CREDITORS: Amounts falling due after more than one year | 15 | (438,000) | (40,000) |
| NET ASSETS | | 32,224 | 32,224 |
| Called up share capital | 17 | 9,778 | 9,778 |
| Share premium account | 18 | 17,527 | 17,527 |
| Capital redemption reserve | 18 | 1,300 | 1,300 |
| Profit and loss account | 18 | 3,619 | 3,619 |
| EQUITY SHAREHOLDERS' FUNDS | | 32,224 | 32,224 |

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors

2008.

H.N. Moser
Director



G.D. Beckett
Director



JERROLD HOLDINGS LIMITED

CONSOLIDATED CASH FLOW STATEMENT Year ended 30 June 2008

| | Note | 2008 £'000 | 2007 £'000 |
|---|------|---------------|---------------|
| NET CASH INFLOW/(OUTFLOW) TO/(FROM) OPERATING ACTIVITIES | 21a | 6,066 | (232,266) |
| Returns on investments and servicing of finance | 21d | (63,384) | (36,847) |
| Taxation | | (28,811) | (15,426) |
| Capital expenditure and financial investment | 21d | (32) | 30,194 |
| Equity dividends paid | | - | (37,733) |
| CASH OUTFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND REFINANCING | | (86,161) | (292,078) |
| Management of liquid resources | 21d | - | 199 |
| Financing | 21d | 98,162 | 281,189 |
| INCREASE/(DECREASE) IN CASH IN THE YEAR | 21c | 12,001 | (10,690) |

JERROLD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2008

1. ACCOUNTING POLICIES

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

Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and listed investments, and in accordance with applicable United Kingdom law and accounting standards.

Basis of consolidation

The group financial statements consolidate the financial statements of Jerrold Holdings Limited and all its subsidiary undertakings drawn up to 30 June each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. The acquisition method of accounting has been adopted for the consolidation of the following subsidiaries:

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

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

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

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

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

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

JERROLD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2008

1. ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

No profit and loss account is presented for Jerrold Holdings Limited as permitted by section 230 of the Companies Act 1985. The company's retained profit for the financial year, determined in accordance with the Act, was £nil (2007: £60,051,000).

Investment properties

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

In accordance with SSAP 19 "Accounting for Investment Properties", no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run. The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, as these properties are not held for consumption but for investment to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view. If this departure from the Act had not been made the profit for the financial year would have been decreased by depreciation. However, the amount of depreciation cannot reasonably be quantified, because of the lack of analysis of the cost/value as between land and buildings.

Other tangible fixed assets

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

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

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

Investments

Fixed asset investments are stated at cost less provision for impairment with the exception of listed investments which are stated at market value. Current asset investments are stated at the lower of cost and net realisable value, except when listed whereby they are stated at market value. Changes in the market value of current asset investments are taken to the profit and loss account.

In respect of current asset investments the requirement of the Companies Act is to disclose the gains on these investments to be reflected in the revaluation reserve, however the directors feel that to treat them in such a manner would not give a true and fair view, and that it is necessary to adopt the "mark to market" treatment to reflect the Tech 7/03 classification of such gains as realised. If this departure from the Act had not been adopted, the profit for the year and prior year would not have been materially different from the reported result.

Stocks

Properties and goods held for resale 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. Provision is made for obsolete, slow-moving or defective items where appropriate.

JERROLD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2008

1. ACCOUNTING POLICIES (continued)

Leased assets

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership are included in the balance sheet and depreciated in accordance with the group's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of the rental obligations is charged to the profit and loss account, over the period of the agreement in proportion to the balance of capital repayments outstanding.

Rentals in respect of all other leases are charged to the profit and loss account as incurred.

Pension benefits

During the year the group operated a defined contribution scheme. During the prior year it also operated a separate hybrid pension scheme with both a defined benefit and defined contribution element.

In respect of the hybrid scheme, the sponsoring Employer is Sterling Property Co Limited. This company left the group in September 2006 when Barclays Private Equity purchased 30% of the share capital. This pension scheme therefore no longer has any involvement with the Jerrold Holdings group of companies.

For the defined contribution scheme, the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

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

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

Provisions for bad and doubtful debt

Specific provisions are made in respect of loans and advances where recovery is considered doubtful; a general provision is made for losses, which although not specifically identified, are known to be inherent in any portfolio of lending.

Turnover and cost of sales

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

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

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

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

JERROLD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2008

2. SEGMENTAL INFORMATION

Segmental analysis of the group's turnover, results and net assets has not been disclosed as in the opinion of the directors this would be seriously prejudicial to the interests of the group.

3. FINANCE CHARGES

| | 2008 £'000 | 2007 £'000 |
|--|---------------|---------------|
| <i>Interest payable and similar charges</i> | | |
| Bank loans and overdrafts | 55,508 | 39,243 |
| Hire purchase | 26 | 21 |
| Other interest | 878 | 797 |
| | <u>56,412</u> | <u>40,061</u> |
| | 2008 £'000 | 2007 £'000 |
| <i>Interest receivable and similar income</i> | | |
| Bank and other interest | 291 | - |
| Interest receivable and income from listed investments | 1 | 16 |
| Revaluation of investments | - | 8 |
| | <u>292</u> | <u>24</u> |

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

| | 2008 £'000 | 2007 £'000 |
|---|---------------|---------------|
| Profit on ordinary activities before taxation is stated after charging/(crediting): | | |
| Depreciation of tangible fixed assets | | |
| Owned assets | 523 | 478 |
| Held under hire purchase contracts | 149 | 102 |
| (Profit)/loss on sale of investment properties | (147) | 784 |
| Loss on sale of other fixed assets | - | 9 |
| Profit on sale of listed investments | - | (76) |
| Operating lease rentals | | |
| Land and buildings | 409 | 358 |
| Auditors' remuneration | | |
| Fees payable to the auditor for the audit of the company's accounts | 37 | 41 |
| Fees payable to the auditor in respect of the audit of the company's subsidiaries | 10 | 10 |
| For non-audit services - Taxation | 78 | 42 |
| - Transaction support fees | - | 110 |
| - Other non-audit fees | 8 | - |
| | <u>8</u> | <u>-</u> |

JERROLD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2008

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:

| | 2008 £'000 | 2007 £'000 |
|---|---------------|---------------|
| Current tax | | |
| Corporation tax | 20,643 | 20,112 |
| Adjustment in respect of previous years | (335) | 44 |
| Total current tax | <u>20,308</u> | <u>20,156</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | (255) | 463 |
| Tax rate difference | - | - |
| Adjustment in respect of prior years | 87 | (11) |
| Total deferred tax (see note 16) | <u>(168)</u> | <u>452</u> |
| Total tax on profit on ordinary activities | <u>20,140</u> | <u>20,608</u> |

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

| | 2008 £'000 | 2007 £'000 |
|---|---------------|---------------|
| Profit on ordinary activities before tax | <u>68,792</u> | <u>56,650</u> |
| Tax on profit on ordinary activities at standard UK corporation tax rate of 29.5% (2007: 30%) | 20,294 | 16,995 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 52 | 42 |
| Capital allowances in excess of depreciation | 64 | 11 |
| Tax rate difference | (3) | (1) |
| Other timing differences | 205 | (377) |
| Net chargeable gains and losses | 30 | 3,442 |
| Adjustments in respect of previous years | (335) | 44 |
| Group current tax charge for year | <u>20,307</u> | <u>20,156</u> |

The company earns its profits primarily in the UK, therefore the tax rate used for tax on profit on ordinary activities is the standard rate for UK corporation tax, of 28% (2007: 30%) pro rated for the period for the length of time that it was applicable during the current financial year, resulting in an average rate of 29.5% for the year.

JERROLD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2008

6. STAFF COSTS

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

| | 2008 Number | 2007 Number |
|-------------------------------|----------------|----------------|
| Management and administration | | |
| - full time | 329 | 255 |
| - part time | 9 | 6 |
| | <u>338</u> | <u>261</u> |

| | 2008 £'000 | 2007 £'000 |
|---|---------------|---------------|
| Their aggregate remuneration comprised: | | |
| Wages and salaries | 10,655 | 12,037 |
| Social security costs | 1,156 | 1,349 |
| Pension costs | 81 | 60 |
| | <u>11,892</u> | <u>13,446</u> |

| | | |
|---|--------------|--------------|
| Directors' remuneration: | | |
| Emoluments | 2,460 | 3,139 |
| Company contributions to defined contribution pension schemes | 7 | 7 |
| | <u>2,467</u> | <u>3,146</u> |

The emoluments of the highest paid director were £708,750 (2007: £1,117,648) including £nil (2007: £nil) of company contributions to a defined contribution pension scheme.

7. DIVIDENDS

| | 2008 £'000 | 2007 £'000 |
|---|---------------|---------------|
| Dividends on equity shares paid during the year | | |
| 2007 interim dividend of nil (2007: 433.71 pence per share paid on 15 September 2006) | - | 37,733 |
| | <u>-</u> | <u>37,733</u> |

JERROLD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2008

8. INVESTMENT PROPERTIES

| | Freehold investment properties £'000 |
|----------------------------|---|
| Group Valuation | |
| At 1 July 2007 | 651 |
| Additions | 1 |
| Disposals | (39) |
| | <hr/> |
| At 30 June 2008 | 613 |
| | <hr/> |

If investment properties had not been revalued, they would have been included in the balance sheet at £428,000 (2007: £433,000). The investment properties were valued on an open market basis by Roger Hannah & Co. an external Valuer and member of the Royal Institute of Chartered Surveyors on 30 June 2005.

9. OTHER TANGIBLE FIXED ASSETS

| Group | Fixtures, fittings, and equipment £'000 | Motor vehicles £'000 | Total £'000 |
|--------------------------|--|----------------------------|----------------|
| Cost or valuation | | | |
| At 1 July 2007 | 1,646 | 1,048 | 2,694 |
| Additions | 232 | 227 | 459 |
| Disposals | (2) | (136) | (138) |
| | <hr/> | <hr/> | <hr/> |
| At 30 June 2008 | 1,876 | 1,139 | 3,015 |
| | <hr/> | <hr/> | <hr/> |
| Depreciation | | | |
| At 1 July 2007 | 710 | 350 | 1,060 |
| Charge for the year | 463 | 209 | 672 |
| Disposals | - | (101) | (101) |
| | <hr/> | <hr/> | <hr/> |
| At 30 June 2008 | 1,173 | 458 | 1,631 |
| | <hr/> | <hr/> | <hr/> |
| Net book value | | | |
| At 30 June 2008 | 703 | 681 | 1,384 |
| | <hr/> | <hr/> | <hr/> |
| At 30 June 2007 | 936 | 698 | 1,634 |
| | <hr/> | <hr/> | <hr/> |

The net book value of tangible fixed assets includes £505,000 (2007: £465,000) in respect of assets held under hire purchase contracts.

JERROLD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2008

10. FIXED ASSET INVESTMENTS

| | Group Other investments £'000 | Company Subsidiary undertakings £'000 |
|--------------------------|--|--|
| Balance at 1 July 2007 | 35 | 10,001 |
| Valuation and adjustment | (22) | - |
| Balance at 30 June 2008 | 13 | 10,001 |

a) Subsidiary undertakings

| Principal trading subsidiaries | Shares and voting rights | Principal activities |
|--|--------------------------|-------------------------------------|
| Auction Finance Limited | 100% | Financier |
| Blemain Finance Limited | 100% | Financier |
| Briar Hill Court Limited | 100% | Rental of residential properties |
| Bridging Finance Limited | 100% | Financier |
| Cheshire Mortgage Corporation Limited | 100% | Financier |
| Factfocus Limited | 100% | Financier and property transactions |
| General Allied Properties Limited | 100% | Property investment |
| Harpmanor Limited | 100% | Financier |
| Heywood Finance Limited | 90% | Hire purchase finance |
| Heywood Leasing Limited | 90% | Leasing finance |
| Jerrold Mortgage Corporation Limited | 100% | Financier |
| Lancashire Mortgage Corporation Limited | 100% | Financier |
| Monarch Recoveries Limited | 100% | Debt recovery |
| Northwestern Properties & Developments Limited | 100% | Property investment |
| Phone-a-Loan Limited | 100% | Mortgage brokerage |
| Privileged Estates Limited | 100% | Property investment |
| Privileged Properties (Northern) Limited | 100% | Property investment |
| Provincial & Northern Properties Limited | 100% | Property investment |
| Spot Finance Limited | 100% | Financier |
| Supashow Limited | 100% | Property Investment |
| Non trading subsidiaries | Shares and voting rights | Principal activities |
| Bridging Finance.co.uk Limited | 100% | Dormant |
| Classic Car Finance Limited | 100% | Dormant |
| Finance Your Property Limited | 100% | Dormant |
| Proactive Bridging Limited (formerly Hello Finance UK Limited) | 100% | Dormant |
| Manchester Property Investments Limited | 100% | Dormant |

All the above subsidiaries are incorporated in Great Britain and are registered and operate in England and Wales.

The above are direct holdings with the exception of Spot Finance Limited which is held by Blemain Finance Limited.

b) Other investments

Other investments are listed investments stated at market value.

JERROLD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2008

11. STOCKS

| | 2008 £'000 | 2007 £'000 |
|-------------------|---------------|---------------|
| Properties | | |
| - held for resale | 4,436 | 4,568 |
| | <u>4,436</u> | <u>4,568</u> |

There is no material difference between the balance sheet value of stocks and their replacement cost. During the year, properties with a cost of £nil (2007: £5,000) were transferred to stock from investment properties.

12. DEBTORS

| | Group | | Company | |
|--------------------------------------|------------------|----------------|----------------|----------------|
| | 2008 £'000 | 2007 £'000 | 2008 £'000 | 2007 £'000 |
| Amounts falling due within one year: | | | | |
| Trade debtors | 334,073 | 375,439 | - | - |
| Amounts owed by group undertakings | - | - | 459,985 | 791,769 |
| Amounts owed by related companies | 185 | 104 | - | - |
| Other debtors | 193 | 517 | 3 | - |
| Prepayments and accrued income | 3,210 | 202 | 2,997 | 14 |
| | <u>337,661</u> | <u>376,262</u> | <u>462,985</u> | <u>791,783</u> |
| Amounts falling due after one year: | | | | |
| Trade debtors | 738,258 | 570,012 | - | - |
| Deferred taxation (see note 16) | 1,621 | 1,453 | - | - |
| | <u>739,879</u> | <u>571,465</u> | <u>-</u> | <u>-</u> |
| | <u>1,077,540</u> | <u>947,727</u> | <u>462,985</u> | <u>791,783</u> |

Trade debtors include amounts due in respect of loans provided during the normal course of business. Amounts owed by related companies are in respect of August Blake Developments Limited, UK Mortgage Corporation Limited, Centrestand Limited and Sterling Property Co. Limited, companies in which H N Moser is a director and shareholder (see note 24). Also included in trade debtors is an amount of £1,403,399 (2007: £2,767,028) loaned to August Blake Developments Limited, £6,654,425 (2007: £4,919,916) loaned to Sunnywood Estates Limited, £4,896,047 (2007: £2,658,015) loaned to Oakbray Developments Limited, and £3,131,229 (2007: £3,049,988) loaned to Edgeworth Developments Limited, companies in which H N Moser is a director and shareholder. These loans are on a commercial basis secured on certain assets of these companies.

13. CURRENT ASSET INVESTMENTS

| | 2008 £'000 | 2007 £'000 |
|--------------------|---------------|---------------|
| Listed investments | 25 | 115 |
| Other investments | 93 | 2 |
| | <u>118</u> | <u>117</u> |

JERROLD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2008

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group | | Company | |
|---|---------------|----------------|--------------|----------------|
| | 2008 | 2007 | 2008 | 2007 |
| | £'000 | £'000 | £'000 | £'000 |
| Obligations under hire purchase contracts | 228 | 202 | - | - |
| Bank loans and overdrafts | 6,880 | 741,184 | - | 722,603 |
| Trade creditors | 172 | 341 | - | - |
| Amounts owed to group undertakings | - | - | 53 | 1,606 |
| Amounts owed to related companies | 10 | 342 | - | - |
| Corporation tax | 11,598 | 20,101 | - | 21 |
| Other taxation and social security | 269 | 739 | - | 217 |
| Other creditors | 2,788 | 915 | 1 | 1 |
| Accruals and deferred income | 15,344 | 13,384 | 2,778 | 5,112 |
| | <u>37,289</u> | <u>777,208</u> | <u>2,832</u> | <u>729,560</u> |

Amounts due to related companies are in respect of UK Mortgage Corporation Limited, August Blake Developments Limited, Sproston Green Limited, Sterling Properties Co Limited and Bracken House Properties LLP companies in which H.N. Moser is a director, shareholder or partner (see note 24).

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

| | Group | | Company | |
|---|----------------|---------------|----------------|---------------|
| | 2008 | 2007 | 2008 | 2007 |
| | £'000 | £'000 | £'000 | £'000 |
| Obligations under hire purchase contracts | 122 | 192 | - | - |
| Loan notes | 422,906 | - | - | - |
| Bank loans | 378,000 | - | 378,000 | - |
| Subordinated loan | 60,000 | 40,000 | 60,000 | 40,000 |
| | <u>861,028</u> | <u>40,192</u> | <u>438,000</u> | <u>40,000</u> |

Borrowings are repayable as follows:

| | 2008 | 2007 | 2008 | 2007 |
|----------------------------|----------------|----------------|----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 |
| Within one year | 7,108 | 722,500 | - | 722,500 |
| Between two and five years | 801,028 | - | 378,000 | - |
| In more than five years | 60,000 | 40,000 | 60,000 | 40,000 |
| | <u>868,136</u> | <u>762,500</u> | <u>438,000</u> | <u>762,500</u> |

The bank loans are secured through a fixed and floating charge on the assets of the group. The loan facility was renewed on 9 November 2007 at a level of £400 million which is due for payment on 9 November 2012. At the same time the group entered into a £500 million revolving securitisation facility repayable from 9 November 2011. The two facilities are subject to interest charges at market rate.

Of the subordinated loans, £40m is due to 'D.L. Moser Family Settlement Trust', £8m is due to H.N. Moser, £9.9m is due to Barclays Private Equity 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 15th September 2016. Interest is charged at a rate of 3% above base rate per annum.

JERROLD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2008

16. DEFERRED TAXATION

| Group | £'000 |
|-------------------------------------|-------|
| Deferred tax asset | |
| At 1 July 2007 | 1,453 |
| Credited to profit and loss account | 168 |
| | <hr/> |
| At 30 June 2008 | 1,621 |
| | <hr/> |

The group has an unrecognised deferred tax liability of £51,800 (2007: £65,400) on the revaluation of properties.

Deferred tax asset is recognised as follows:

| | 2008 £'000 | 2007 £'000 |
|--------------------------------|---------------|---------------|
| Accelerated capital allowances | 113 | 52 |
| Other timing differences | 1,508 | 1,401 |
| | <hr/> | <hr/> |
| Deferred tax asset | 1,621 | 1,453 |
| | <hr/> | <hr/> |

17. CALLED UP SHARE CAPITAL

| | 2008 £'000 | 2007 £'000 |
|---|-----------------------|-----------------------|
| Authorised | | |
| 2,744,974 B1 ordinary shares of 49.9 pence each | 1,370 | 1,370 |
| 6,404,938 B2 ordinary shares of 49.9 pence each | 3,196 | 3,196 |
| 154,690 C1 ordinary shares of 1 pence each | 1 | 1 |
| 696,049 C2 ordinary shares of 1 pence each | 7 | 7 |
| 64,250 C3 ordinary shares of 1 pence each | - | - |
| 8,699,935 A deferred ordinary shares of 0.1 pence each | 9 | 9 |
| 10,850,092 A preferred ordinary shares of 50 pence each | 5,425 | 5,425 |
| | <hr/> | <hr/> |
| | 10,008 | 10,008 |
| | <hr/> | <hr/> |
| Issued, allotted and fully paid | | |
| 2,744,974 B1 ordinary shares of 49.9 pence each | 1,370 | 1,370 |
| 6,404,938 B2 ordinary shares of 49.9 pence each | 3,196 | 3,196 |
| 131,202 C1 ordinary shares of 1 pence each | 1 | 1 |
| 696,049 C2 ordinary shares of 1 pence each | 7 | 7 |
| 64,250 C3 ordinary shares of 1 pence each | 1 | 1 |
| 13 A deferred ordinary shares of 0.1 pence each | - | - |
| 10,405,653 A preferred ordinary shares of 50 pence each | 5,203 | 5,203 |
| | <hr/> | <hr/> |
| | 9,778 | 9,778 |
| | <hr/> | <hr/> |
| | 2008 £'000 | 2007 £'000 |
| At the start of the period | 9,778 | 10,000 |
| Redemption of shares | - | (1,300) |
| Issue of new shares | - | 1,078 |
| | <hr/> | <hr/> |
| At the end of the period | 9,778 | 9,778 |
| | <hr/> | <hr/> |

JERROLD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2008

18. RESERVES

| | Share premium £'000 | Merger reserve £'000 | Capital redemption reserve £'000 | Revaluation reserve £'000 | Profit and loss account £'000 | Total £'000 |
|---|---------------------------|----------------------------|---|---------------------------------|--|----------------|
| Group | | | | | | |
| At 1 July 2007 | 17,527 | (9,645) | 1,300 | 218 | 117,953 | 127,353 |
| Retained profit for the financial year | - | - | - | - | 48,609 | 48,609 |
| Transfer to profit and loss account reserve | - | - | - | (33) | 33 | - |
| At 30 June 2008 | <u>17,527</u> | <u>(9,645)</u> | <u>1,300</u> | <u>185</u> | <u>166,595</u> | <u>175,962</u> |

| | Share premium £'000 | Capital redemption reserve £'000 | Profit and loss account £'000 | Total £'000 |
|--|---------------------------|---|--|----------------|
| Company | | | | |
| At 1 July 2007 | 17,527 | 1,300 | 3,619 | 22,446 |
| Retained profit for the financial year | - | - | - | - |
| At 30 June 2008 | <u>17,527</u> | <u>1,300</u> | <u>3,619</u> | <u>22,446</u> |

19. RECONCILIATION OF MOVEMENTS IN GROUP EQUITY SHAREHOLDERS' FUNDS

| | 2008 £'000 | 2007 £'000 |
|--|----------------|----------------|
| Retained profit for the financial year | 48,609 | 35,985 |
| Dividends paid | - | (37,733) |
| Gross increase/(reduction) in equity shareholders' funds | 48,609 | (1,748) |
| Issue of new shares | - | 17,527 |
| Reduction in share capital | - | (222) |
| Redemption of shares | - | (17,399) |
| Other recognised gains and losses relating to the year (net) | - | (126) |
| Net increase/(reduction) in equity shareholders' funds | 48,609 | (1,968) |
| Opening equity shareholders' funds | 137,131 | 139,099 |
| Closing equity shareholders' funds | <u>185,740</u> | <u>137,131</u> |

20. MINORITY INTERESTS

| | 2008 £'000 |
|--|---------------|
| At 1 July 2007 | 220 |
| Profit on ordinary activities after taxation | 43 |
| At 30 June 2008 | <u>263</u> |

JERROLD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2008

21. CASH FLOW INFORMATION

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

| | 2008 £'000 | 2007 £'000 |
|--|---------------|------------------|
| Operating profit | 124,765 | 97,471 |
| Depreciation of tangible fixed assets | 672 | 580 |
| Loss on disposal of tangible fixed assets | - | 9 |
| Refinancing costs | 2,032 | - |
| Profit on disposal of current asset investments | - | (76) |
| Increase in stocks | 132 | 14,593 |
| Increase in debtors | (127,099) | (347,120) |
| Decrease in creditors | 5,564 | 2,277 |
| Net cash inflow/(outflow) from operating activities | 6,066 | (232,266) |

b) Analysis of net debt

| | Beginning of year £'000 | Cash flow £'000 | Other non- cash changes £'000 | End of year £'000 |
|---------------------------|-------------------------------|--------------------|-------------------------------------|-------------------------|
| Cash at bank and in hand | 19 | 197 | - | 216 |
| Overdrafts | (18,684) | 11,804 | - | (6,880) |
| | (18,665) | 12,001 | - | (6,664) |
| Finance leases | (394) | 244 | (200) | (350) |
| Debt due after 1 year | (40,000) | (820,906) | - | (860,906) |
| Debt due within 1 year | (722,500) | 722,500 | - | - |
| Current asset investments | 117 | - | 1 | 118 |
| | (762,777) | (98,162) | (199) | (861,138) |
| Net debt | (781,442) | (86,161) | (199) | (867,802) |

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

| | 2008 £'000 | 2007 £'000 |
|--|-----------------|----------------|
| (Increase)/decrease in cash in year | (12,001) | 10,690 |
| Cash inflow from increase in debt and lease financing | 98,162 | 281,283 |
| Cash inflow from decrease in current asset investments | - | 154 |
| Change in net debt resulting from cash flows | 86,161 | 292,127 |
| New finance leases | 200 | 359 |
| Revaluation of current asset investments | (1) | (8) |
| Movement in net debt in year | 86,360 | 292,478 |
| Net debt, beginning of year | 781,442 | 488,964 |
| Net debt, end of year | 867,802 | 781,442 |

JERROLD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2008

21. CASH FLOW INFORMATION (continued)

d) Analysis of cash flows

| | 2008 £'000 | 2007 £'000 |
|---|-----------------------|-----------------------|
| Returns on investments and servicing of finance | | |
| Interest received | 276 | 15 |
| Refinancing costs | (4,579) | - |
| Interest element of finance lease payments | (26) | (20) |
| Interest paid | (59,055) | (36,842) |
| Net cash outflow from returns on investments and servicing of finance | (63,384) | (36,847) |
| | 2008 £'000 | 2007 £'000 |
| Capital expenditure and financial investment | | |
| Purchase of tangible fixed assets | (259) | (815) |
| Purchase of investment properties | - | (615) |
| Sales of tangible fixed assets | 37 | 242 |
| Sales of investment properties | 190 | 31,382 |
| Net cash (outflow)/inflow from capital expenditure and financial investments | (32) | 30,194 |
| | 2008 £'000 | 2007 £'000 |
| Management of liquid resources | | |
| Purchase of current asset investments | - | (596) |
| Sale of current asset investments | - | 795 |
| Net cash inflow from management of liquid reserves | - | 199 |
| | 2008 £'000 | 2007 £'000 |
| Financing | | |
| Proceeds from new borrowings | 820,906 | 281,500 |
| Repayment of borrowings | (722,500) | - |
| Share capital issued | - | 18,605 |
| Share capital repurchased | - | (18,699) |
| Capital element of finance lease payments | (244) | (217) |
| Net cash inflow from financing | 98,162 | 281,189 |

JERROLD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2008

22. GUARANTEES AND FINANCIAL COMMITMENTS

Capital commitments

There are no group capital expenditure commitments at 30 June 2008 (2007: £nil).

Operating lease commitments

The payments which the group is committed to make in the next year under an operating lease is as follows:

| | 2008 £'000 | 2007 £'000 |
|---|---------------|---------------|
| Land and buildings, lease expiring: - after five years | 407 | 358 |

Derivatives

The group has derivatives which are not included at fair value in the accounts:

| | 2008 £'000 Principal | 2007 £'000 Principal |
|------------------------------|----------------------------|----------------------------|
| Interest rate swap contracts | 743,000 | 450,000 |

The group uses the derivatives to hedge its exposures to interest rate movements on its bank borrowings. The fair values are based on market values of equivalent instruments at the balance sheet date.

23. PENSION ARRANGEMENTS

The group operated a defined contribution scheme in the prior year for which the pension cost charge for the year amounted to £nil (2007: £nil).

Furthermore, the group contributes to employees personal pension plans. The total cost for the year amounted to £81,000 (2007: £60,000).

JERROLD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2008

24. RELATED PARTY TRANSACTIONS

The group had the following balances with related parties at the year end:

| | Balances due to | | Balances due from | |
|-----------------------------------|-----------------|------------|-------------------|------------|
| | 2008 | 2007 | 2008 | 2007 |
| | £'000 | £'000 | £'000 | £'000 |
| Oakbray Developments Limited | - | 7 | - | - |
| Sproston Green Limited | 7 | - | - | - |
| August Blake Developments Limited | 3 | 3 | 4 | 4 |
| Centrestand Limited | - | - | 38 | 48 |
| UK Mortgage Corporation Limited | - | 6 | - | 44 |
| Sterling Property Co. Limited | - | 153 | 54 | 8 |
| Bracken House Properties LLP | - | 173 | 90 | - |
| | <u>10</u> | <u>342</u> | <u>186</u> | <u>104</u> |

On 15 September 2006 the group disposed of the majority of its investment and stock property portfolios to Bracken House Properties LLP, of which Mr H.N. Moser is the controlling party. The properties were sold at market value for a total consideration of £43.6 million giving a loss on disposal of £0.4 million and a realisation of the revaluation reserve of £13.2 million.

On 29 September 2006 the group made a loan in the normal course of business to M.R. Goldberg, a Director of the company. The loan has been made under normal commercial terms.

25. CONTROLLING PARTY

Mr. H.N. 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.