Company Registration No 2939389

JERROLD HOLDINGS LIMITED

Report and Consolidated Financial Statements

Year ended 30 June 2012

JERROLD HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS 2012

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JERROLD HOLDINGS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

H N Moser — Chief Executive Officer
S P Baker
G D Beckett
M R Goldberg
J M Shaoul*
J L Walker*
R M McTighe*
D J Bennett*

* Non-Executives

SECRETARY

M J Ridley

REGISTERED OFFICE

Lakeview
Lakeside
Cheadle
Cheshire
SK8 3GW

PRINCIPAL BANKERS

The Royal Bank of Scotland Plc
135 Bishopgate
London
EC2M 3UR

National Australia Bank
88 Wood Street
London
EC2V 7QQ

Lloyds TSB Bank PLC
10 Gresham Street
London
EC2V 7AE

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
PO Box 500
2 Hardman Street
Manchester
M60 2AT

LEGAL ADVISORS

Eversheds
70 Great Bridgewater Street
Manchester
M1 5ES

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2012

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 The directors do not expect any significant change to the activities of 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 audited financial statements for the year ended 30 June 2012 are set out on pages 8 to 28 Group turnover has decreased by 3 6% to £125 6m (2011 £130 3m), the main contributor being a reduction in the group's loan book values (classified within trade debtors) Profit before tax has increased by 15 3% to £45 1m (2011 £39 1m) due to a reduction in administration costs and provisioning levels coupled with lower cost of funds given the reduction in debt and increases in equity levels Profit for the year after tax was £31 6m (2011 £28 0m)

No dividend was paid for the year ended 30 June 2012 (2011 £nil)

Position

As shown in note 11 to the financial statements, loan book values (classified within trade debtors) have decreased by 6 2% to £1,017 0m (2011 £1,084 2m) At the same time, equity shareholders' funds have increased by 10 7% to £327 0m (2011 £295 4m) The gearing ratio (being the ratio of debt to equity) has decreased to 1 67 1 (2011 1 97 1) reflecting the fact that the group continues to fund 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 the subordinated debt is treated as 'equity'

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 increased to 1 9 1 for the year ended 30 June 2012 (2011 1 8 1)

The group closely monitors its liquidity position against its business plan on a regular basis taking into consideration the level of redemption activity, recurring income levels, planned expenditure and new business advance levels Any material deviations are identified and appropriate action taken to ensure that sufficient headroom exists at all times

Compliance and non-financial KPIs

The directors support and monitor compliance with the Financial Services Authority and Consumer Credit Act regulations Employees undertake appropriate training which is supported by operational quality assurance, compliance reviews and internal audit reviews Procedures are established to enhance and monitor quality of compliance including authorisation of procedural and policy changes, sample reviews, employee awareness and training programmes along with employee and customer feedback including the assessment and understanding of complaints received

POST BALANCE SHEET EVENTS

On 28 August 2012, the group renewed and amended the £400m (£378m drawn) syndicated loan facility which was in place at the year end and which was due to expire in November 2012 The new facility of £245m (£240m drawn) expires on 28 August 2015 In addition, on 28 August 2012, the group renewed and amended the £288 5m (£288 5m drawn) securitisation facility and its associated liquidity lines which were in place at the year end and which were due to expire in November 2012 The new facility and its associated liquidity lines of £395 5m (£395 5m drawn) expire on 31 July 2015 The net reduction in the total loan facilities available to the group has been financed through cash reserves

DIRECTORS' REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

Credit risk

The Group is exposed to changes in 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 house prices, as well as by factors relating to specific customers, such as a change in borrowers circumstances Credit risk is managed at loan inception, via stringent underwriting policies with regard to affordability levels, credit worthiness and loan to property value ratios and throughout the life of the loan via monitoring of arrears levels, property loan to value ratios and by applying macroeconomic sensitivity analysis

Interest rate risk

The Group's loan book consists primarily of variable rate mortgages This is matched by the group's funding facilities which are subject to monthly movements in the external costs of funds In addition the group has the ability to undertake hedging transactions in order to mitigate potential interest rate risk

Liquidity and funding risk

The group closely monitors its liquidity position against its business plan on a regular basis taking into consideration the level of redemption activity, recurring income levels, planned expenditure and new business advance levels to ensure that sufficient headroom exists at all times

Group funding at 30 June 2012 consisted of a £378m drawn syndicated loan facility due for renewal on the 9 November 2012, a £288 5m drawn revolving securitisation facility which was supported by a 364 day liquidity facility which was due for renewal on 11 November 2012 and shareholders' funds of £387m which includes subordinated loan notes of £60m maturing on 15 September 2016

On the 28 August 2012 the group renewed and amended its syndication facility with the new facility expiring on the 28 August 2015 Also on the 28 August 2012 the group renewed and amended its securitisation facility with the new facility expiring on the 31 July 2015

The group actively monitors and considers compliance with funding covenants, including formal monthly reporting and by performing stress test analysis as part of the budgeting and forecasting process

Regulatory risk

The group undertakes activities which are currently regulated by the Financial Services Authority (FSA) and the Office of Fair Trading (OFT) The Government is reforming the regulatory structure in place and in 2013 it is expected that the Financial Conduct Authority (FCA) will become the successor of the FSA

The group continues to maintain its risk, compliance and internal audit functions as part of its corporate governance structure and undertakes quality assurance at an operational level It also 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 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

DIRECTORS' REPORT (continued)

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

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 agreed with the suppliers Creditor days for the group were on average 22 days (2011 18 days)

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

STATEMENT OF GOING CONCERN

As set out in the Directors' Responsibilities Statement, 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 28 August 2012, the group renewed and amended the £400m (£378m drawn) syndicated loan facility which was in place at the year end and which was due to expire in November 2012 The new facility of £245m (£240m drawn) expires on 28 August 2015 In addition, on 28 August 2012, the group and the company renewed and amended the £288 5m (£288 5m drawn) securitisation facility and its association liquidity lines which was in place at the year end and which was due to expire in November 2012 The new facility and its associated liquidity lines of £395 5m (£395 5m drawn) expire on 31 July 2015

The group syndicated loan facility is made between The Royal Bank of Scotland plc, Lloyds TSB Bank plc, National Australia Bank Limited and Co-operative Bank plc (as Mandated Lead arrangers), The Royal Bank of Scotland plc, as Agent and Security Agent, and all of the trading, non trading and dormant group subsidiary companies as listed in the notes to the accounts

The securitisation facility is made between Charles Street Conduit Asset Backed Securitisation 1 Limited, as Loan Purchaser and Note Issuer, The Royal Bank of Scotland plc as Facility Agent, Liquidity Facility provider, Standby Cash Administrator and Security Trustee, Blemain Finance Limited, Bridging Finance Limited, Cheshire Mortgage Corporation Limited, Harpmanor Limited, Lancashire Mortgage Corporation Limited and Auction Finance Limited as Originators, Servicers and Subscription Noteholders, Jerrold Holdings Limited as Cash Administrator and Guarantor, National Westminster Bank plc as Account Bank, Thames Asset Global Securitization No 1 INC, National Australia Bank Limited and Gresham Receivables (No 20) Limited as Loan Note Purchasers, and Lloyds TSB Bank Plc as Gresham's Agent

The group has liabilities due within one year greater than assets due within one year as a result of the loan notes (and associated liquidity lines) being classified as current liabilities at year end As detailed above, these facilities were successfully renewed on 28 August 2012

On the basis that the group has adequate funding as detailed above, together with its current performance and financial position, the directors have a reasonable expectation that, despite the continued economic conditions, 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

JERROLD HOLDINGS LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS

The directors of the company are set out on page 1 All directors served throughout the year and subsequently

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

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 2006) of which the company's auditor is 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 auditor is aware of that information

This statement is given and should be interpreted in accordance with the provisions of s418(2) of the Companies Act 2006

AUDITOR

Deloitte LLP have expressed their willingness to continue in office as auditor 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
Secretary

25 OCTOBER 2012

DIRECTORS' RESPONSIBILITIES STATEMENT

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) 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 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 accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006 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

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

We have audited the group and parent financial statements of Jerrold Holdings Limited for the year ended 30 June 2012 which comprise the group Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the group and company Balance Sheets, the group Cash Flow Statement, and the related notes 1 to 24 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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 group's and the parent 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 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 group's and parent company's affairs as at 30 June 2012 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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
Manchester, United Kingdom

26th October 2012

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 30 June 2012

	Note	2012 £'000	2011 £'000
TURNOVER	2	125,629	130,320
Cost of sales		(5,163)	(4,396)
GROSS PROFIT		120,466	125,924
Administrative expenses		(28,086)	(35,315)
OPERATING PROFIT		92,380	90,609
Loss on sale of investment properties		-	(54)
Interest payable and similar charges	3	(47,393)	(51,551)
Interest receivable and similar income	3	68	66
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	45,055	39,070
Tax on profit on ordinary activities	5	(13,444)	(11,117)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		31,611	27,953
Minority interests	19	(34)	16
RETAINED PROFIT FOR THE FINANCIAL YEAR	17	31,577	27,969

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

All activities arose from continuing operations

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

JERROLD HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET
As at 30 June 2012

	Note	2012 £'000	2011 £'000
FIXED ASSETS			
Investment properties	7	228	228
Tangible assets	8	2,470	803
Investments	9	13	13
		2,711	1,044
CURRENT ASSETS			
Stocks	10	1,381	3,500
Debtors			
- due within one year	11	312,153	333,846
- due after one year	11	708,321	754,656
Investments	12	111	111
Cash at bank and in hand		45,242	4,711
		1,067,208	1,096 824
CREDITORS: Amounts falling due within one year	13	(682,710)	(364,300)
NET CURRENT ASSETS		384,498	732,524
TOTAL ASSETS LESS CURRENT LIABILITIES		387,209	733,568
CREDITORS: Amounts falling due after more than one year	14	(60,030)	(438,000)
NET ASSETS		327,179	295,568
CAPITAL AND RESERVES			
Called up share capital	16	9,778	9,778
Share premium account	17	17,527	17,527
Merger reserve	17	(9,645)	(9,645)
Capital redemption reserve	17	1,300	1,300
Revaluation reserve	17	21	21
Profit and loss account	17	307,975	276,398
SHAREHOLDERS' FUNDS	18	326,956	295,379
Minority interests	19	223	189
TOTAL CAPITAL EMPLOYED		327,179	295,568

These financial statements were approved by the Board of Directors on 25 OCTOBER 2012

Company Registration No 2939389

Signed on behalf of the Board of Directors

H N Moser
Director

G D Beckett
Director

JERROLD HOLDINGS LIMITED

COMPANY BALANCE SHEET
As at 30 June 2012

	Note	2012 £'000	2011 £'000
FIXED ASSETS			
Investments	9	10,001	10,001
CURRENT ASSETS			
Debtors			
- due within one year	11	294	887
- due after one year	11	416,186	454,780
Cash at bank and in hand		48,714	8,788
		465,194	464,455
CREDITORS: Amounts falling due within one year	13	(382,962)	(4,223)
NET CURRENT ASSETS		82,232	460,232
TOTAL ASSETS LESS CURRENT LIABILITIES		92,233	470,233
CREDITORS: Amounts falling due after more than one year	14	(60,000)	(438,000)
NET ASSETS		32,233	32,233
Called up share capital	16	9,778	9,778
Share premium account	17	17,527	17,527
Capital redemption reserve	17	1,300	1,300
Profit and loss account	17	3,628	3,628
EQUITY SHAREHOLDERS' FUNDS		32,233	32,233

These financial statements were approved by the Board of Directors on 25 OCTOBER 2012

Company Registration No 2939389

Signed on behalf of the Board of Directors

H N Moser
Director

G D Beckett
Director

CONSOLIDATED CASH FLOW STATEMENT
Year ended 30 June 2012

	Note	2012 £'000	2011 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	20a	155,091	123,114
Returns on investments and servicing of finance	20d	(46,918)	(51,506)
Taxation		(9,900)	(12,225)
Capital expenditure and financial investment	20d	(1,901)	(276)
CASH INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND REFINANCING		96,372	59,107
Financing	20d	(55,841)	(60,938)
INCREASE/(DECREASE) IN CASH IN THE YEAR	20c	40,531	(1,831)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2012

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 and going concern

The financial statements have been prepared under the historical cost convention (as modified by the revaluation of investment properties), on the going concern basis and in accordance with applicable law and United Kingdom accounting standards The directors continue to adopt the going concern basis as disclosed in the Directors' Report - Statement of Going Concern

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
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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2012

1. ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent company The company's retained profit for the financial year, determined in accordance with the Act, was £nil (2011 £nil)

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 on a periodic basis Changes in the market value of investment properties are accounted for by way of a movement in the revaluation reserve and are included in the statement of total recognised gains and losses unless a deficit (or its reversal) on an individual investment property is expected by the directors to be permanent, in which case the change in market value is charged/(credited) to the profit and loss account On disposal, the cumulative revaluation surpluses or deficits are transferred from the revaluation reserve to the profit and loss account reserve

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

Other tangible fixed assets

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

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

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

Investments

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

Stocks

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

1. ACCOUNTING POLICIES (continued)

Leased assets

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the group 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 and made contributions to employees' personal pension schemes

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 to personal pension schemes 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 debts

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

Loan notes

Loan notes are recognised at amortised cost Interest and fees payable to the Loan note holders during the financial period are recognised in the profit and loss account over the term of the notes using the effective interest rate method

Bank loans

Interest-bearing bank loans are recorded at the proceeds received with direct issue costs included in Prepayments and accrued income Finance charges are accounted for on an accruals basis in the profit and loss account and are included in Accruals and deferred income to the extent that they are not settled in the period in which they arise

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2012

1. ACCOUNTING POLICIES (continued)

Turnover and cost of sales

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

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

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

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

2. 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

	2012 £'000	2011 £'000
Interest payable and similar charges		
Bank loans and overdrafts	(47,303)	(51,551)
Other interest	(90)	-
	(47,393)	(51,551)

	2012 £'000	2011 £'000
Interest receivable and similar income		
Bank and other interest	60	61
Other interest	8	5
	68	66

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2012 £'000	2011 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation of tangible fixed assets		
Owned assets	292	315
Held under hire purchase contracts	-	3
Loss on sale of investment properties	-	54
Loss/(Profit) on sale of fixed assets	3	(5)
Operating lease rentals		
Land and buildings	420	415
Auditors' remuneration		
Fees payable to the auditor for the audit of the company's accounts	46	44
Fees payable to the auditor in respect of the audit of the company's subsidiaries	18	13
For non-audit services – Taxation	47	30
For non-audit services – Other services	175	157

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2012

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises

	2012 £'000	2011 £'000
Current tax		
Corporation tax	11,796	10,902
Adjustment in respect of previous years	1,359	16
Total current tax	13,155	10,918
Deferred tax		
Origination and reversal of timing differences	257	207
Adjustment in respect of prior years	32	(8)
Total deferred tax (see note 15)	289	199
Total tax on profit on ordinary activities	13,444	11,117

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

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	45,055	39,070
Tax on profit on ordinary activities at standard UK corporation tax rate of 25 5% (2011 27 5%)	11,490	10,744
Effects of		
Expenses not deductible for tax purposes	464	76
Non deductible provision relating to capital item	545	203
Income not taxable	(552)	(29)
Capital allowances in excess of depreciation	(63)	(35)
Tax rate difference	(2)	(7)
Other timing differences	(86)	(50)
Adjustments in respect of previous years	1,359	16
Group current tax charge for year	13,155	10,918

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2012

6. STAFF COSTS

The average monthly number of employees, including executive directors was

	2012 Number	2011 Number
Management and administration		
- full time	323	315
- part time	14	14
	337	329

	2012 £'000	2011 £'000
Their aggregate remuneration comprised		
Wages and salaries	12,915	12,074
Social security costs	1,290	1,163
Pension costs	455	255
	14,660	13,492
Directors' remuneration		
Emoluments	2,205	2,241
Company contributions to personal pension schemes	75	43
	2,280	2,284

The emoluments of the highest paid director were £723,750 (2011 £708,750) including £nil (2011 £nil) of company contributions to a defined contribution pension scheme

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2012

7. INVESTMENT PROPERTIES

	Freehold investment properties
Group	**£'000**
Valuation	
At 1 July 2011	228
Disposals	-
At 30 June 2012	228

If investment properties had not been revalued, they would have been included in the balance sheet at £207,000 (2011 £207,000) 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 The directors have considered the current valuation and do not consider it to be materially different to the external valuation

8. TANGIBLE FIXED ASSETS

Group	Fixtures, fittings, and equipment £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 July 2011	1,482	1,073	2,555
Additions	1,893	118	2,011
Disposals	(401)	(205)	(606)
At 30 June 2012	2,974	986	3,960
Depreciation			
At 1 July 2011	1,250	502	1,752
Charge for the year	137	155	292
Disposals	(399)	(155)	(554)
At 30 June 2012	988	502	1,490
Net book value			
At 30 June 2012	**1,986**	**484**	**2,470**
At 30 June 2011	232	571	803

The net book value of tangible fixed assets includes £60,000 (2011 £nil) in respect of assets held under hire purchase contracts

9. FIXED ASSET INVESTMENTS

	Group other investments £'000	Company subsidiary undertakings £'000
Balance at 1 July 2011 and 30 June 2012	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
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
Phone-a-Loan Limited	100%	Mortgage brokerage
Spot Finance Limited	100%	Financier

Non trading subsidiaries	Shares and voting rights	Principal activities
Briar Hill Court Limited	100%	Non trading
Monarch Recoveries Limited	100%	Non trading
Northwestern Properties & Developments Limited	100%	Non trading
Privileged Estates Limited	100%	Non trading
Privileged Properties (Northern) Limited	100%	Non trading
Provincial & Northern Properties Limited	100%	Non trading
Supashow Limited	100%	Non trading

Dormant 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	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 the lower of cost and net realisable value

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2012

10. STOCKS

	2012 £'000	2011 £'000
Properties		
- held for resale	1,381	3,500

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 (2011 £nil) were transferred to stock from investment properties

11. DEBTORS

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Amounts falling due within one year				
Trade debtors	309,900	331,084	-	-
Amounts owed by related companies	92	115	9	9
Other debtors	423	453	-	-
Prepayments and accrued income	1,738	2,194	285	878
	312,153	333,846	294	887
Amounts falling due after one year				
Trade debtors	707,059	753,105	-	-
Amounts owed by group undertakings	-	-	416,186	454,780
Deferred taxation (see note 15)	1,262	1,551	-	-
	708,321	754,656	416,186	454,780
	1,020,474	1,088,502	416,480	455,667

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, Charles Street Commercial Investments Limited, Centrestand Limited and Sterling Property Co Limited, companies in which H N Moser is a director and shareholder (see note 23) Also included in trade debtors is an amount of £955,303 (2011 £1,270,303) loaned to August Blake Developments Limited, £5,387,759 (2011 £5,536,023) loaned to Sunnywood Estates Limited and £7,244,788 (2011 £4,976,787) loaned to Edgworth Developments Limited, companies in which H N Moser is a director and shareholder These loans are on a commercial basis secured on certain assets of these companies

The terms of the intercompany loan result in the balance not being repayable prior to 31 December 2013

12. CURRENT ASSET INVESTMENTS

	2012 £'000	2011 £'000
Investments	111	111

13. CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Bank loans	378,000	-	378,000	-
Loan notes	267,902	323,733	-	-
Obligations under hire purchase contracts	20	-	-	-
Trade creditors	818	411	-	-
Amounts owed to related companies	25	10	-	-
Corporation tax	8,257	5,002	-	-
Other taxation and social security	369	369	-	-
Other creditors	4,567	8,113	1	8
Accruals and deferred income	22,752	26,662	4,961	4,215
	682,710	364,300	382,962	4,223

The loans notes drawn as at 30 June 2012 amounted to £288 5m The balance of £267 9m above is net of cash at bank within Charles Street Conduit Asset Backed Securitisation 1 Limited of £20 6m

Amounts due to related companies are in respect of August Blake Developments Limited, Charles Street Commercial Investments Limited and Sproston Green Limited companies in which H N Moser is a director, shareholder or partner (see note 23)

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

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Bank loans	-	378,000	-	378,000
Subordinated loans	60,000	60,000	60,000	60,000
Obligations under hire purchase contracts	30	-	-	-
	60,030	438,000	60,000	438,000

Borrowings are repayable as follows

	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Within one year	645,922	323,733	378,000	-
Between one and two years	20	378,000		378,000
Between two and five years	60,010	-	60,000	-
In more than five years	-	60,000	-	60,000
	705,952	761,733	438,000	438,000

The bank loans were provided through a £400m revolving syndicated facility with interest charged at a market rate The loans were secured through a fixed and a floating debenture on the assets of the group and the facility was due for repayment in November 2012 On 28 August 2012, the facilities were renewed and amended with the extension of the term to 28 August 2015 and a new facility amount of £245m of which £240m has been drawn

The loan notes are provided through a securitisation vehicle They are transacted at market value and carry a fixed rate discount They are secured on specific loan assets All loan notes revolve within a three month period and were, where appropriate, supported by a revolving liquidity line which was due for renewal in November 2012 On 28 August 2012, the securitisation facility and its associated liquidity lines was renewed and amended with a new expiry date of 31 July 2015

CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

Of the subordinated loans, £40m is due to 'D L Moser Family Settlement Trust', £8m is due to H N Moser, £9 9m is due to Equistone Partners Europe Limited and £2 1m is due to Standard Life Investments These parties are all related to the group by way of shareholdings in Jerrold Holdings Limited All amounts are repayable on 15 September 2016 Interest is charged at a rate of 3% above base rate per annum

15. DEFERRED TAXATION

Group	**£'000**
Deferred tax asset	
At 1 July 2011	1,551
Charged to profit and loss account	(289)
At 30 June 2012	1,262

The group has an unrecognised deferred tax liability of £5,398 (2011 £5,775) on the revaluation of properties

Deferred tax asset is recognised as follows

	2012 £'000	2011 £'000
Depreciation in excess of capital allowances	38	138
Other timing differences	1,224	1,413
Deferred tax asset	1,262	1,551

16. CALLED UP SHARE CAPITAL

	2012 £'000	2011 £'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	1	1
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
	10,009	10,009
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
	9,778	9,778

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2012

17. 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 2011	17,527	(9,645)	1,300	21	276,398	285,601
Retained profit for the financial year	-	-	-	-	31,577	31,577
At 30 June 2012	17,527	(9,645)	1,300	21	307,975	317,178

	Share premium £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
Company				
At 1 July 2011	17,527	1,300	3,628	22,455
Retained profit for the financial year	-	-	-	-
At 30 June 2012	17,527	1,300	3,628	22,455

18. RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

	2012 £'000	2011 £'000
Retained profit for the financial year	31,577	27,969
Opening shareholders' funds	295,379	267,410
Closing shareholders' funds	326,956	295,379

19. MINORITY INTERESTS

	2012 £'000
At 1 July 2011	189
Profit on ordinary activities after taxation	34
At 30 June 2012	223

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2012

20. CASH FLOW INFORMATION

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

	2012 £'000	2011 £'000
Operating profit	92,380	90,609
Depreciation of tangible fixed assets	292	318
Loss/(Profit) on disposal of tangible fixed assets	3	(5)
Refinancing costs	787	605
Decrease in stocks	2,119	763
Decrease in debtors	67,246	37,151
Decrease in creditors	(7,736)	(6,327)
Net cash inflow from operating activities	155,091	123,114

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	4,711	40,531	-	45,242
Finance leases	-	10	(60)	(50)
Debt due within 1 year	(323,733)	55,831	(378,000)	(645,902)
Debt due after 1 year	(438,000)	-	378,000	(60,000)
Current asset investments	111	-	-	111
	(761,622)	55,841	(60)	(705,841)
Net debt	(756,911)	96,372	(60)	(660,599)

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

	2012 £'000	2011 £'000
(Increase)/Decrease in cash in year	(40,531)	1,831
Cash outflow from decrease in debt and lease financing	(55,841)	(60,938)
Change in net debt resulting from cash flows	(96,372)	(59,107)
New finance leases	60	-
Movement in net debt in year	(96,312)	(59,107)
Net debt, beginning of year	756,911	816,018
Net debt, end of year	660,599	756,911

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2012

20. CASH FLOW INFORMATION (continued)

d) Analysis of cash flows

	2012 £'000	2011 £'000
Returns on investments and servicing of finance		
Interest received	68	66
Refinancing costs	(294)	-
Interest paid	(46,692)	(51,572)
Net cash outflow from returns on investments and servicing of finance	(46,918)	(51,506)

	2012 £'000	2011 £'000
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,950)	(631)
Sales of tangible fixed assets	49	144
Sales of investment properties	-	211
Net cash outflow from capital expenditure and financial investments	(1,901)	(276)

	2012 £'000	2011 £'000
Financing		
Repayment of borrowings	(55,831)	(60,925)
Capital element of finance lease payments	(10)	(13)
Net cash outflow from financing	(55,841)	(60,938)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2012

21. GUARANTEES AND FINANCIAL COMMITMENTS

Capital commitments

There are group capital expenditure commitments of £1,595,454 at 30 June 2012 (2011 £nil)

Operating lease commitments

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

	2012 £'000	2011 £'000
Land and buildings, lease expiring		
- within one year	420	-
- between two and five years	-	429
- after five years	1,137	-
	1,557	429

Derivatives

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

	2012 £'000 Fair Value	2012 £'000 Principal	2011 £'000 Principal
Interest rate swap contracts	(9,792)	417,500	604,500

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

22. PENSION ARRANGEMENTS

The group operated a defined contribution scheme for which the pension cost charge for the year amounted to £nil (2011 £nil)

Furthermore, the group contributes to employees personal pension plans The total cost for the year amounted to £454,688 (2011 £255,258)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2012

23. RELATED PARTY TRANSACTIONS

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

	2012 £'000	2011 £'000
Operating lease costs – Land and buildings	371	367
Costs paid on behalf of scheme	-	(5)
Amounts received on behalf of scheme	-	7
Payments to The Blemain Finance Pension Fund	(371)	(368)
	-	1
Amounts due from The Blemain Finance Pension Fund	-	-

The following balances with related parties existed at the year end

Group	Balances due to 2012 £'000	Balances due to 2011 £'000	Balances due from 2012 £'000	Balances due from 2011 £'000
Sproston Green Limited	7	7	-	-
August Blake Developments Limited	-	3	-	4
Centrestand Limited	-	-	28	23
Charles Street Commercial Investments Ltd	18	-	37	37
Sterling Property Co Limited	-	-	27	51
	25	10	92	115

Group transactions with related parties during the year were as follows

	2012 £'000	2011 £'000
Service charges and costs paid on behalf of August Blake Developments Limited, Centrestand Limited, Charles Street Commercial Investments Ltd and Sterling Property Co Limited	8	60
Treasury receipts from Charles Street Commercial Investments Ltd	(18)	-
Repayments to the company from August Blake Developments Limited and Sterling Property Co Limited	(28)	(40)
	(38)	20

The lease commitment of £1,137,000 referred to in Note 21 is between Jerrold Holdings Limited and Bracken House Properties LLP of which H N Moser is the majority owner

Company	Balances due from 2012 £'000	Balances due from 2011 £'000
Sterling Property Co Limited	9	9

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2012

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

24 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